



# **Betashares Sustainability Leaders Diversified Bond ETF - Currency hedged**

**ASX: GBND**

**Quarterly Report - June 2024**

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Performance <sup>1</sup>	1 month %	3 month %	6 month %	1 year %	3 years % p.a.	Inception % p.a. <sup>2</sup>
Fund Return (net)	0.55%	-1.23%	-1.09%	3.17%	-4.11%	-2.34%
Growth Return	0.55%	-1.93%	-2.50%	0.30%	-6.76%	-4.25%
Income Return	0.00%	0.70%	1.41%	2.87%	2.65%	1.91%
Index	0.62%	-1.05%	-0.76%	3.78%	-3.56%	-1.83%

Past performance is not a reliable indicator of future performance.

<sup>1</sup> As at 28 June 2024. Returns are calculated after fees & expenses have been deducted and distributions have been reinvested.

<sup>2</sup> Inception date for the Fund is 26 November 2019.

Yield and portfolio characteristics	
Running Yield (% p.a.) <sup>1</sup>	2.70%
Yield to Maturity (% p.a.) <sup>2</sup>	4.18%
Average Maturity (Yrs) <sup>3</sup>	7.30
Modified Duration (Yrs) <sup>4</sup>	6.16
Average Credit Rating <sup>5</sup>	AA

<sup>1</sup> Average coupon (weighted by market value) of the bonds in the portfolio, divided by the current market price of the bonds. Provides an indication of expected current income from making an investment at market price. This value will vary over time as interest rates change.

<sup>2</sup> Total expected return from the bond portfolio, based on current bond prices and assuming no change in prevailing interest rates. This value will vary over time.

<sup>3</sup> Average (weighted by market value) length of time until the current bonds in the portfolio mature.

<sup>4</sup> A measure of the sensitivity of the portfolio's value to a change in interest rates. For example, a Modified Duration of 7 years implies that a 1% rise in the reference interest rate will reduce the value of the portfolio by 7.00%.

<sup>5</sup> Average credit rating for the bonds in the portfolio. Credit ratings should not be used as a basis for assessing investment merit.

Source: Bloomberg. As at 28 June 2024. Yields shown do not take into account GBND's management costs of 0.49% p.a.

## Investment objective

The Fund aims to track the performance of an index (before fees and expenses) that comprises a portfolio of global and Australian bonds screened to exclude issuers with material exposure to fossil fuels or engaged in activities deemed inconsistent with responsible investment considerations. At least 50% of the Fund's portfolio is made up of "green bonds", issued specifically to finance environmentally friendly projects, as defined by the Climate Bonds Initiative.

## Responsible entity

Betashares Capital Ltd

## Distribution frequency

Quarterly

## Suggested minimum investment timeframe

At least three years

Fund facts	
Inception Date	26-Nov-19
Fund Size	\$353.88m
Historical Tracking Error (annualised)	0.15%
ASX Code	GBND
Bloomberg Code	GBND.AU
IRESS Code	GBND.AXW
Fees	
	% p.a.
Management fee	0.39
Recoverable expenses	0.10

## Investment strategy

As a summary, the Fund generally invests in a portfolio of bonds that is a representative sample of the constituents of the Solactive Australian and Global Select Sustainability Leaders Bond TR Index – AUD Hedged. Bond issuers may include governments, corporations and supranational bodies.

**Issuer eligibility screens:** Initial screening includes a fossil fuel screen, which means that bond issuers will be excluded if they are materially involved in the mining, extraction, or burning of fossil fuels, or maintain material fossil fuel reserves or fossil fuels infrastructure. Issuers providing material financing to the fossil fuels industry are also excluded (although green bonds from such issuers may be eligible, subject to materiality thresholds).

The Index methodology also excludes issuers which are exposed to activities considered to carry other significant negative ESG risks (certain materiality thresholds may apply), including:

- Gambling
- Alcohol
- Tobacco
- Junk foods
- Armaments and militarism
- Pornography
- Uranium and nuclear energy
- Human and labour rights
- Destruction of valuable environments
- Chemicals of concern
- Animal cruelty
- Lack of board diversity i.e. no women on the board of directors

These screens apply to all issuers other than sovereign bond issuers. Sovereign bond issuers are screened to remove any issuers that are subject to current sanctions as a result of human rights concerns imposed by bodies such as the U.N. and the E.U.

**Green Bonds:** At least 50% of the Index at each rebalance will comprise green bonds, issued to fund projects that have positive environmental and/or climate benefits, such as those designed to prevent or reduce pollution, improve the sustainable use of natural resources, or help in the transition to non-fossil fuel-based technologies.

To be eligible for inclusion on this basis, a bond must have been defined as a green bond by the internationally-recognised not-for-profit organisation, the Climate Bonds Initiative (CBI). The bond issuer must also have passed the screening process outlined above.

All included bonds must be fixed-rate bonds with a minimum investment-grade rating. Bonds are initially market-cap weighted and then scaled so that AUD-denominated bonds make up 50% of the index weight, with the remaining 50% allocated to Euro/US Dollar-denominated bonds at each monthly rebalance. The foreign currency exposure of index constituents is hedged back to the Australian Dollar.

Top 10 positions <sup>1</sup>	Fund Weight %
French Govt OAT 1.75% Jun-39	1.8
Treasury Corp VIC 4.25% Dec-32	1.0
NSW Treasury Corp 4.75% Feb-35	1.0
Treasury Corp VIC 5.5% Nov-26	1.0
NSW Treasury Corp 3% Mar-28	1.0
Treasury Corp VIC 3% Oct-28	0.9
NSW Treasury Corp 3% Feb-30	0.9
Treasury Corp VIC 2.5% Oct-29	0.9
Treasury Corp VIC 1.5% Sep-31	0.9
QLD Treasury Corp 3.5% Aug-30	0.9

<sup>1</sup> As at 28 June 2024

Sector exposure <sup>1</sup>	Fund Weight %
Australian State Government	38.5
Corporate - Financial	14.9
Supranational	13.8
Foreign Sovereign	13.9
Corporate - Non Financial	9.1
Government Special Purpose Bank	5.8
Total	100

<sup>1</sup> As at 28 June 2024

Country allocation <sup>1</sup>	%
Australia	40.5
Snat	13.6
Germany	9.8
France	7.5
Netherlands	7.3
United States	3.4
Spain	2.2
Norway	1.4
Belgium	1.7
Other	12.5

<sup>1</sup> As at 28 June 2024

## Fund performance summary

GBND returned -1.23% (net of fees) in Q2 of 2024, as higher central bank neutral rates continue to be priced in by the market. Attributing GBND's performance; shifts in yield curves were a drag of -1.66% on returns: of which AUD (42% contribution to duration), EUR (53% contribution to duration), and USD bonds (5.0% contribution to duration) contributed -1.03%, -0.59% and -0.04% respectively; AUD bonds having underperformed due to more persistent inflation in Australia. Bond credit spreads widened over the quarter, subtracting 0.53% from performance. Combined yield and FX carry contributed 1.08%, with fees subtracting -0.12%.

The June quarter saw US\$282 billion of ESG bonds issued, including US\$179 billion of green bonds, slightly

less than Q1, but still above 2023. There were 38 new issuers of ESG debt this quarter, including 37 new green bond issuers. Looking at green bonds' issuance in more detail: by currency, EUR was the highest at 50.74%, followed by USD at 21.25% and CNY at 8.23%. Germany had the highest weight by country of risk at 13.99%, followed by the US at 11.71%, and China (including HK) at 10.03%. Finally, looking at issuer sectors, Corporates accounted for a weight of 52.30% versus Governments and Government entities at 44.68%; with 3.02% of issuers not classified.

The largest green bond sales this quarter were by the Italian Government, with EU€9 billion issued in May. Second place was our very own inaugural Australian Government green bond issued in June, at AU\$7 billion. GBND also participated in this primary transaction. Apart from the Australian Government, the Export-Import Bank of Korea, and the Inter-American Investment Co. also each issued AU\$700 million in May.

From the market's inception to the end of Q2 2024, global cumulative green bond issuance totalled US\$3.42 trillion; with issuance in EUR totalling 1.46 trillion, USD 949 billion, and CNY 399 billion. The rate of increase of green bond issuance in CNY has noticeably slowed compared with prior years. The proportion of new issuance in CNY as a percentage of overall global issuance now only sits at 7.25% YTD; as compared with 15% in 2023, 16.6% in 2022 and 10.2% in 2021. Globally, corporates account for 62.72% of cumulative green bond issuance (financials at 28.89%), with the combined total of government, government-related, and supranational entities at 37.28%.

## Other commentary

According to the Climate Bonds Initiative's (CBI) latest quarterly report, 2024 has witnessed a historic surge in sustainable debt issuance, reaching an unprecedented US\$272.7 billion. This marks a 15% increase compared to the same period in 2023. Green bonds were the predominant driver of this growth, accounting for US\$195.9 billion of the total. The surge in green bond issuance signifies a robust commitment to environmental sustainability and decarbonisation efforts.

Regionally, Europe emerged as the leader, contributing 55% of the total sustainable debt issuance. This dominance underscores Europe's continued emphasis on green finance and its leadership role in global sustainability initiatives. Other regions also experienced growth, with the exception of the Asia-Pacific, which saw a slight decline.

The increase in sustainable debt issuance highlights the growing recognition of the importance of integrating environmental, social, and governance (ESG) considerations into financial markets. Investors are increasingly prioritising sustainable investments, driven by both regulatory pressures and a heightened awareness of climate risks.

The expansion of the sustainable finance market is a positive indicator of the global commitment to addressing climate change. It also reflects the innovative approaches being adopted to fund the transition to a low-carbon economy. As the market continues to grow, it will play a crucial role in mobilising the capital needed to achieve global sustainability goals<sup>1</sup>.

[1] <https://www.climatebonds.net/2024/06/record-start-year-sustainable-debt>

The RIC engaged with the Asian Infrastructure Investment Bank (AIIB) to express concerns relating to its support of projects associated with the Rogun Dam and to understand how its lending practices to Rogun Dam are aligned with its overall approach to sustainability. In its response, the AIIB stated that it was aware of concerns raised by various stakeholders. The preparation of the Rogun Dam project is being supported through technical

assistance that was put in place with joint co-financing of the World Bank (WB) and AIIB. The objective of the technical assistance is to ensure it strictly adheres to the highest environmental and social standards. While the RIC is satisfied with AIIB's response, it will continue to engage with AIIB to ensure that its environmental and social frameworks are applied consistently.

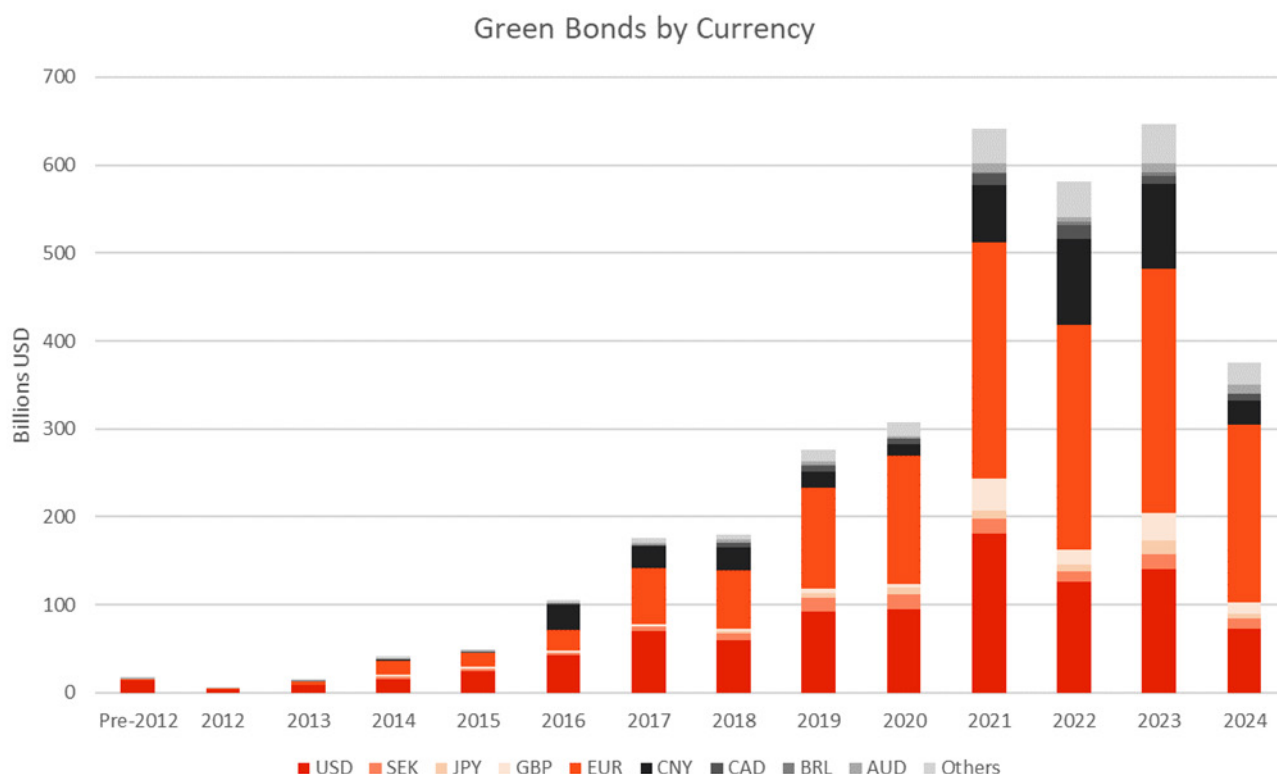
There are risks associated with an investment in GBND, including interest rate risk, credit risk, international investment risk and non-traditional index methodology risk. For more information on risks and other features of GBND, please see the Product Disclosure Statement.



The Betashares Sustainability Leaders Diversified Bond ETF – Currency Hedged (ASX: GBND) has been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See [www.responsiblereturns.com.au](http://www.responsiblereturns.com.au) for details.<sup>1</sup>

## Historical Charts

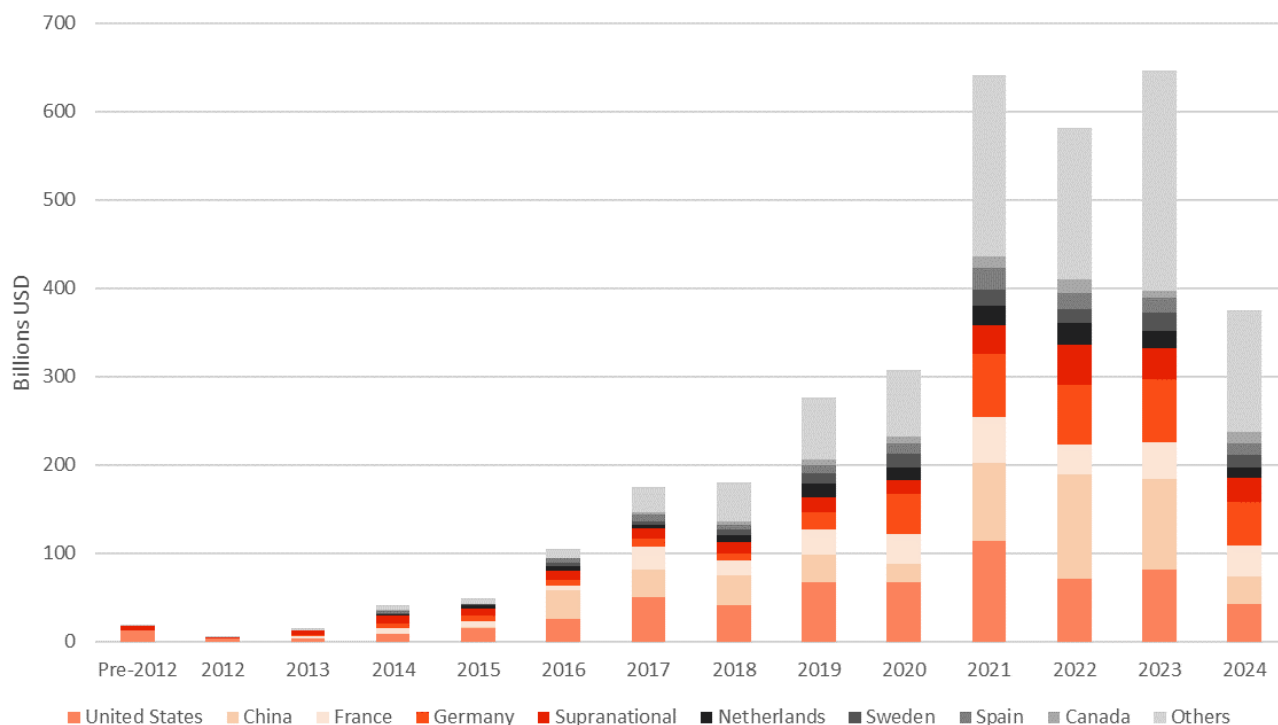
Data sourced from BNEF chart data as of June 2024.



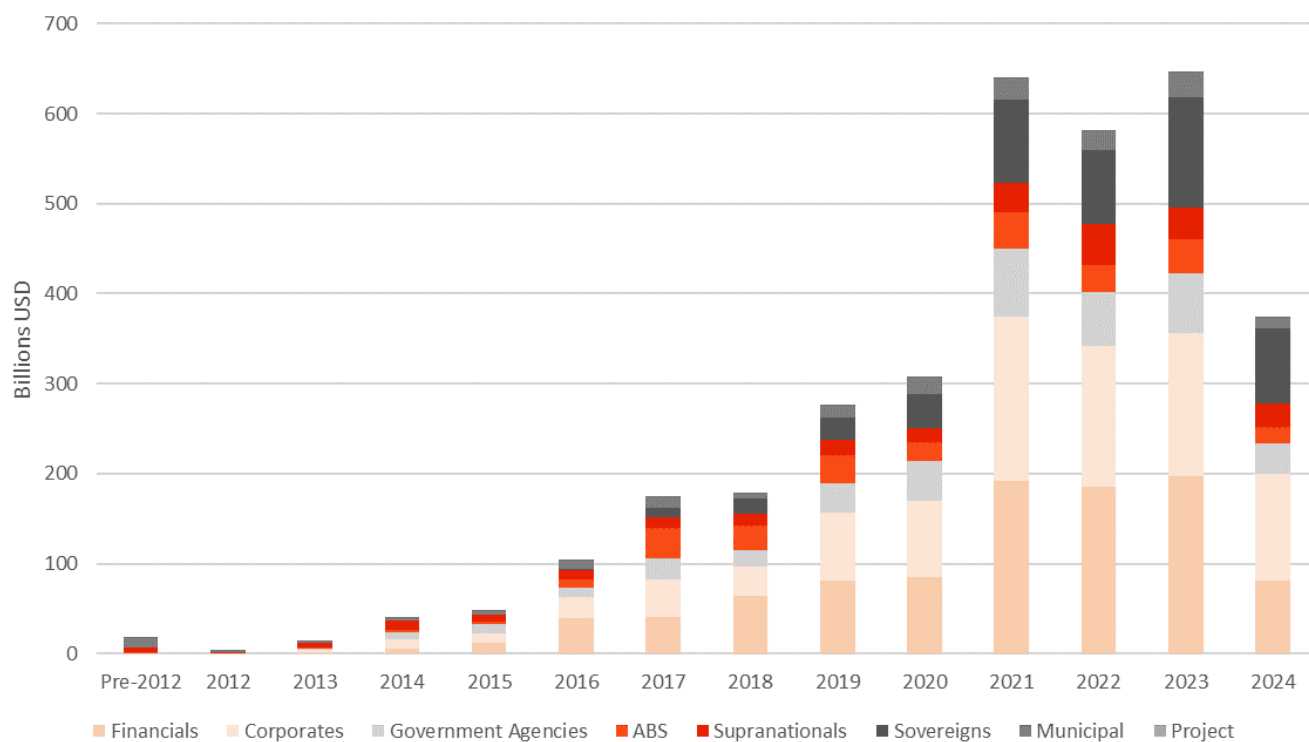
## Historical Charts

Data sourced from BNEF chart data as of June 2024.

### Green Bonds by Country of Risk

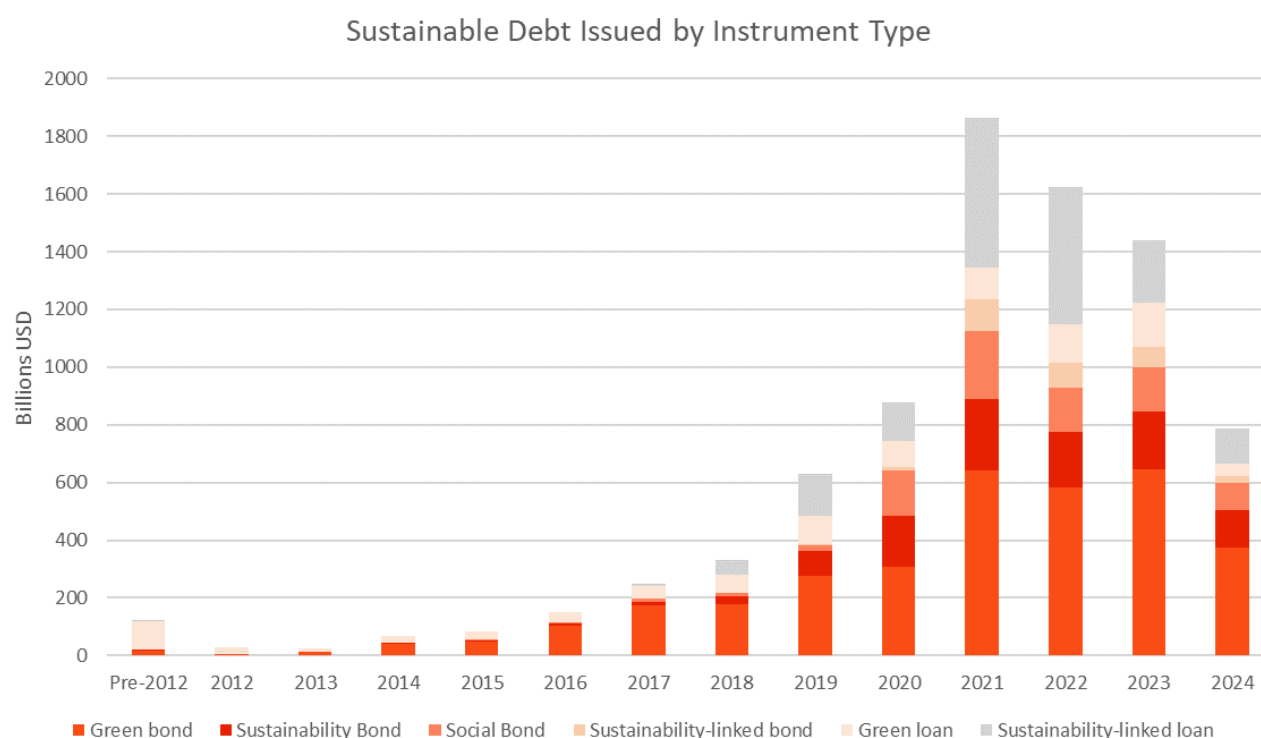


### Green Bonds by Issuer Type



## Historical Charts

Data sourced from BNEF chart data as of June 2024.



### Important

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