

BETASHARES AUSTRALIAN SUSTAINABILITY LEADERS ETF

ASX: FAIR

Quarterly Report - June 2020

Performance ¹	1 Month %	3 Months %	6 Months %	1 Year %	3 Years % p.a.	Inception ² % p.a.
Fund Return (net)	2.31%	13.82%	-4.27%	-0.83%		8.08%
Growth return	2.31%	13.82%	-5.49%	-4.19%		5.56%
Income return	0.00%	0.00%	1.22%	3.36%		2.52%
Index	2.32%	13.93%	-3.97%	-0.30%		8.66%

Past performance is not a reliable indicator of future performance.

¹ Returns are calculated after fees & expenses have been deducted and distributions have been reinvested.

² Inception date for the Fund is 27 Nov 2017.

Investment objective

The Fund aims to track the performance of an index (before fees and expenses) that provides exposure to Australian companies that have been screened to preference companies engaged in sustainable business activities and to avoid companies engaged in activities deemed inconsistent with responsible investment considerations.

Responsible entity

BetaShares Capital Ltd

Fund Facts

Inception Date	27-Nov-17
Fund Size	\$530.24m
Historical Tracking Error	0.09%
ASX Code	FAIR
Bloomberg Code	FAIR.AU
IRESS Code	FAIR.ASW

Distribution frequency

Semi-annual

Suggested minimum investment timeframe

At least five years

Fees % p.a.

Management fees	0.39
Recoverable expenses	0.10

Investment strategy

The Fund will generally invest in a portfolio of Australian securities that comprise the Index in proportion to the weightings of the securities in the Index.

> Screening Criteria

From the universe of eligible ASX listed securities, the Index methodology removes companies which are exposed to activities considered to carry significant negative environmental, social and governance (ESG) risks, including:

- Fossil Fuels – including any direct and any material indirect exposure + any companies with high use of fossil fuels
- Gambling
- Tobacco
- Armaments
- Uranium and nuclear energy
- Destruction of valuable environments
- Animal cruelty
- Chemicals of concern
- Mandatory detention of asylum seekers
- Alcohol
- Junk foods
- Pornography
- Human rights and supply chain concerns
- Lack of gender diversity at the board level
- Payday lending

Investment strategy cont.

> Sustainability Leaders

From the companies passing the above screens, the Index preferences companies classified as “Sustainability Leaders”, which means that the company must satisfy at least one of the following criteria:

- More than 20% revenue derived from one or more of the following: renewable energy; energy efficiency; water efficiency; recycling; waste remediation and re-use of materials; public transport and energy efficient transport; education; healthcare; animal health; healthy foods and nutrition products; green star rated buildings; community and regional banking; health insurance and personal insurance; social services and social infrastructure (e.g. employment services, child care); sustainability certified products and services (e.g. Fairtrade, certified organic); sustainable forestry; access to knowledge and information; access to communications;
- Recipient of either an “A” or “B” grade (or equivalent) rating from a trusted ethical consumer report;
- Certified B Corporation (a certification issued by B Lab, which is available to companies that meet specified governance, transparency, environmental and social impact standards).

Note that not every security in the Index is necessarily a Sustainability Leader (but every security will have met the above Screening Criteria).

The Index uses a modified market capitalisation weighting method, includes sector concentration limits, gives preferential weighting to Sustainability Leaders, and applies a maximum weight per security of 4% at each annual rebalance date.

For more information on the Index see the Index methodology document available on our website.

Top 10 positions ¹	%		%
ResMed Inc	5.8	ASX Ltd	4.1
Fisher & Paykel Healthcare Cor	5.7	Xero Ltd	3.9
CSL Ltd	5.2	Brambles Ltd	3.6
Sonic Healthcare Ltd	4.1	Telstra Corp Ltd	3.4
a2 Milk Co Ltd	4.1	Cochlear Ltd	3.3

¹ As at 30 June 2020

Sector exposure	Fund Weight % ¹
Healthcare	29.7
Financials	16.2
Real Estate	14.3
Communication Services	11.5
Information Technology	10.5
Industrials	5.5
Consumer Staples	5.2
Consumer Discretionary	4.2
Materials	2.6
Utilities	0.2
TOTAL	100.00

¹ As at 30 June 2020

Fund performance summary

The BetaShares Australian Sustainability Leaders ETF returned 13.82% during the quarter. Assets grew from \$437m to \$530m over this period.

Healthcare and Real Estate were the largest sector contributors, returning 11.22% and 17.82% over the period, while contributing 3.31% and 2.53% respectively. Utilities and Materials were the lowest contributors returning 11.18% and 9.1%, while contributing 0.02% and 0.26% respectively.

XRO, SHL and SEK were the three largest stock contributors to total return. With returns of 32.69%, 25.07% and 47.61% in the period, the contribution was 1.09%, 0.91% and 0.80% respectively. While IAG, CSL and NHF are the three largest detractors to total return. With returns of -6.94%, -3.26% and -10.14% in the period, this detracted -0.26%, -0.16% and -0.08% respectively.

Other commentary

There were no ESG related shareholder resolutions proposed at the AGMs of companies held in the FAIR portfolio during the quarter.

While there were no specific actions taken in relation to FAIR during this period, a news item of note related to Rio Tinto's mishandling of the Juukan Gorge site that resulted in the loss of a 46,000 year old historical site with significant cultural value. Since its inception, FAIR has screened out Rio Tinto. This particular issue highlights the importance of investors considering the underlying companies held by ethical ETFs and ensuring the respective holdings align with their values.

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