

BETASHARES AUSTRALIAN SUSTAINABILITY LEADERS ETF

ASX: FAIR

Quarterly Report - March 2020

Performance ¹	1 Month	3 Months	6 Months	1 Year	3 Years	Inception ²
	%	%	%	% p.a.	% p.a.	%
Fund Return (net)	-14.67%	-15.90%	-13.36%	-5.70%		3.12%
Growth return	-14.67%	-16.97%	-14.46%	-8.88%		0.46%
Income return	0.00%	1.07%	1.10%	3.18%		2.66%

Index

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	\$436.9m
Historical Tracking Error	0.07%
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	%		%
CSL Ltd	6.0	Brambles Ltd	3.9
ResMed Inc	5.8	Telstra Corp Ltd	3.8
Fisher & Paykel Healthcare Cor	5.6	Sonic Healthcare Ltd	3.7
ASX Ltd	4.2	Cochlear Ltd	3.7
a2 Milk Co Ltd	4.1	Insurance Australia Group Ltd	3.6

¹ As at 31 March 2020

Sector exposure	Fund Weight % ¹
Healthcare	30.3
Financials	17.3
Real Estate	14.1
Communication Services	9.6
Information Technology	9.5
Industrials	7.5
Consumer Staples	5.3
Consumer Discretionary	3.4
Materials	2.7
Utilities	0.2
TOTAL	100.00

¹ As at 31 March 2020

Fund performance summary

The BetaShares Australian Sustainability Leaders ETF returned -15.9% during the quarter. Assets grew from \$423m to \$437m over this period.

Consumer Staples and Healthcare were the largest sector contributors, returning 9.63% and 1.2% over the period, while contributing 0.41% and 0.30% respectively. Real Estate and Financials were the lowest contributors, returning -37.14% and -18.09%, this detracted -7.42% and -2.93% respectively.

FPH, RMD and A2M were the three largest stock contributors to total return. With returns of 38.18%, 12.99% and 15.56% in the period, their contribution was 1.39%, 0.50% and 0.46% respectively. While SGP, VCX and MGR, were the three largest detractors to total return. With returns of -45.24%, -58.43% and -34.28% in the period, this detracted -1.53%, -1.31% and -1.28% respectively.

Other commentary

There were no changes to the FAIR holdings in the quarter associated with the 'controversy and reputational risk' screen applied.

There were no shareholder resolutions on environmental or social issues proposed at the AGMs held for companies in the FAIR portfolio during the quarter.

The Responsible Investment Committee for FAIR engaged with the building company Fletcher Building around two subsidiary companies bidding to work on the Adani Carmichael coal mine during the quarter. The company responded to the engagement by sharing their intention to divest one of these companies, Rocla, and stated it intends to review their exposure to controversial projects like the Adani Carmichael coal mine. The company has committed to complete this review in May 2020.

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