

BETASHARES AUSTRALIAN SUSTAINABILITY LEADERS ETF

ASX: FAIR

Quarterly Report - June 2021

Performance ¹	1 Month %	3 Months %	6 Months %	1 Year %	3 Years % p.a.	Inception ² % p.a.
Fund Return (net)	5.68%	10.18%	10.30%	17.79%	10.80%	10.70%
Growth return	5.68%	10.18%	9.61%	15.13%	7.82%	8.14%
Income return	0.00%	0.00%	0.69%	2.66%	2.98%	2.56%
Index	5.71%	10.32%	10.47%	18.26%	11.33%	11.24%

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

Distribution frequency

Semi-annual

Fund Facts

Inception Date	27-Nov-17
Fund Size	\$1060.14m
Historical Tracking Error	0.25%
ASX Code	FAIR
Bloomberg Code	FAIR.AU
IRESS Code	FAIR.ASW

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	4.7	Sonic Healthcare	3.9
Telstra Corp	4.4	Brambles	3.7
Cochlear	4.1	Suncorp Group	3.6
Goodman Group	4.1	CSL	3.4
Xero	4.0	Fisher & Paykel Healthcare	3.2

¹ As at 30 June 2021

Sector exposure	Fund Weight % ¹
Healthcare	25.8
Real Estate	19.4
Financials	17.2
Communication Services	11.6
Information Technology	8.9
Industrials	5.6
Consumer Discretionary	5.5
Materials	3.5
Consumer Staples	2.2
Utilities	0.3
TOTAL	100.00

¹ As at 30 June 2021

Fund performance summary

The Fund returned 10.18% during the quarter. Assets grew from \$893m to \$1,060m over this period.

Healthcare and Real Estate were the largest sector contributors, returning 10.60% and 12.75%, while contributing 2.67% and 2.44% respectively. Consumer Staples and Utilities were the lowest contributors, returning -19.16% and 3.89%, and contributing -0.59% and 0.01% respectively.

Resmed, Cochlear and Goodman Group were the largest stock contributors to total return, with returns of 30.01%, 19.29% and 17.66% in the period, their contributions were 1.16%, 0.73% and 0.68% respectively. A2 Milk, Ramsay Health Care and Costa Group were the largest detractors to total return, with returns of -24.38%, -6.04% and -28.88% in the period, they detracted -0.40%, -0.20% and -0.14% respectively.

Other commentary

NAB's Chief Executive, Ross McEwan, pledged to consider a landmark climate report by the International Energy Agency (IEA) as part of its review of the bank's policy on financing the oil and gas sector. NAB's commitment came after an alliance of leading environmental groups sent an open letter to the 'Big Four Bank' CEOs, calling on them to end involvement in new oil and gas projects and to phase out all exposure to the industry by 2030. The IEA report found that there cannot be any new oil and gas fields developed if the world is to achieve the goals of the Paris Agreement to limit global temperature rises to under 1.5 degrees Celsius.

FAIR does not invest in NAB due to its significant lending to the fossil fuel industry, however this is a welcome development in reducing the Australian finance sector's exposure to climate-related risks.

The Investor Group on Climate Change (IGCC), representing Australian and New Zealand investors with \$2 trillion of funds under management, released a report stating Australian companies should be compelled to disclose their climate-related risks under a common framework. Currently, only 37% of ASX 200 companies have climate targets, mostly short term. The lack of full disclosures and standardised methods makes it difficult for investors to make informed decisions on Australian companies' exposure to the risks of climate change. The report echoed concerns from some of the world's biggest investors, including pension funds in the US and Canada, regarding the risk Australian companies faced in their investment portfolios associated with the Federal Government's reluctance to join other major developed countries' commitment to net-zero emissions by 2050.

Proxy voting & engagement

During the period, there were no AGMs held. For more information on Proxy Voting, please feel free to contact our Client Services team on 1300 487 577 (in Australia) or +61 2 9290 6888 (outside Australia).

There were no engagements with companies held in FAIR during the quarter.

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