BETASHARES AUSTRALIAN SUSTAINABILITY LEADERS ETF
ASX: FAIR
Quarterly Report - December 2021

Performance[1]	1 Month %	3 Months %	6 Months %	1 Year %	3 Years % p.a.	Inception[2] % p.a.
Fund Return (net)	2.05%	3.58%	6.96%	17.97%	14.60%	11.14%
Growth return	*2.05%*	*3.58%*	*4.37%*	*14.40%*	*10.97%*	*8.23%*
Income return	*0.00%*	*0.00%*	*2.59%*	*3.57%*	*3.63%*	*2.91%*
Index	*2.09%*	*3.71%*	*7.25%*	*18.48%*	*15.14%*	*11.68%*

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

Suggested minimum investment timeframe

At least five years

Fund Facts	
Inception Date	27-Nov-17
Fund Size	$1342.44m
Historical Tracking Error	0.09%
ASX Code	FAIR
Bloomberg Code	FAIR.AU
IRESS Code	FAIR.ASW

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

BetaShares
Exchange Traded Funds

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]	%		%
Goodman Group	4.4	ResMed Inc	3.7
Sonic Healthcare	4.3	ASX	3.7
Telstra Corp	4.1	Fisher & Paykel Healthcare	3.6
CSL	3.8	Scentre Group	3.4
Xero	3.7	Brambles	3.2

[1] As at 31 December 2021

Sector exposure	Fund Weight %[1]
Healthcare	23.9
Real Estate	21.4
Financials	14.5
Communication Services	12.8
Information Technology	9.9
Industrials	6.5
Materials	5.6
Consumer Discretionary	3.1
Consumer Staples	2.1
Utilities	0.2
TOTAL	100.00

[1] As at 31 December 2021

Fund performance summary

The Fund returned 3.58% during the quarter. Assets grew from $1,212m to $1,342m over this period.

Real Estate and Materials were the largest sector contributors, returning 8.43% and 26.38%, while contributing 1.74% and 0.97% respectively. Financials and Consumer Staples were the lowest contributors, returning -6.23% and -7.56%, they detracted -1% and -0.17% respectively.

Goodman Group, Sonic Healthcare and Pilbara Minerals were the largest stock contributors to total return, with returns of 22.91%, 14.68% and 56.10% in the period, their contributions were 0.86%, 0.58% and 0.53% respectively. Magellan Financial Group, Suncorp Group and Fisher & Paykel Healthcare were the largest detractors to total return, with returns of -39.95%, -11.86% and -8.95% in the period they detracted -0.44%, -0.41% and -0.35% respectively.

Other commentary

Betashares Australian Sustainability Leaders ETF (ASX: FAIR) constituent, Vulcan Energy Resources, announced in December it secured an agreement with Volkswagen to supply lithium for use in its electric vehicle batteries. The company's pilot plant will extract 'zero carbon' lithium from brine wells and generate renewable geothermal electricity as a byproduct. The company expects to benefit from locating its extraction, refining and distribution plants in Germany, what it claims is centre of the world's fastest growing market for lithium, driven by demand for electric vehicle batteries, stricter regulation of transport emissions and the region's focus on diversifying lithium supplies away from China, where it currently sources 80% of lithium imports.

The Australian Parliament passed a law that will require oil and gas companies to pay for the estimated $60 billion cost of decommissioning oil and gas infrastructure across the country. The law aims to prevent the government being left to pay for stranded fossil fuel assets by scrutinising sales of oil and gas rigs and wells to ensure any new owner has the financial and technical capacity to handle decommissioning. The law also established 'trailing liability', holding former owners responsible for clean-up costs of assets if the current owner is unable to pay. The law highlights the increased risks associated with investing in fossil fuel companies, and could catalyse similar laws in Asia, which is facing $100 billion of decommission costs by 2050.

Proxy voting & engagement

During the quarter, the Responsible Investment Committee (RIC) actively engaged in Proxy Voting on ESG resolutions for index constituents. 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).

Notable issues where the RIC voted against management included voting against the election of directors to the boards of Bega, Telstra and SeaLink Travel Group for lack of diversity on the board.

A recent study from Monash University ranked Fisher & Paykel and IDP Education amongst the lowest scoring Australian-listed companies disclosing the risks of modern slavery in their supply chains. Firms were assessed against their supply-chain due diligence policies and remediation processes if the company finds slavery issues. In light of this information, the RIC reached out to both companies to understand what actions they are taking to improve their disclosure of modern slavery risks in their supply chain.

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