



Betashares Global Sustainability Leaders ETF

ASX: ETHI

Quarterly Report - December 2024

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Performance ¹	1 month %	3 month %	6 month %	1 year %	3 years % p.a.	Inception % p.a. ²
Fund Return (net)	1.10%	11.02%	11.42%	28.43%	10.35%	18.14%
Growth Return	1.10%	11.02%	8.88%	25.11%	6.66%	13.22%
Income Return	0.00%	0.00%	2.54%	3.32%	3.69%	4.92%
Index	1.13%	11.13%	11.65%	28.93%	10.75%	18.61%

Past performance is not a reliable indicator of future performance.

¹As at 31 December 2024. Returns are calculated after fees & expenses have been deducted and distributions have been reinvested.

²Inception date for the Fund is 5 Jan 2017.

Investment objective

The Fund aims to track the performance of an index (before fees and expenses) that provides exposure to 200 large global stocks (excluding Australia) which are "Climate Leaders" (as measured by their relative carbon efficiency) and which are not materially 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	5-Jan-17
Fund Size	\$3739.26m
Historical Tracking Error (annualised)	0.12%
ASX Code	ETHI
Bloomberg Code	ETHI.AU
IRESS Code	ETHI.ASW

Fees	% p.a.
Management fee	0.49
Recoverable expenses	0.10

Investment strategy

The Fund generally invests in a portfolio of global equity securities that comprise the Index in proportion to the weightings of the securities in the Index.

The Index includes 200 large global stocks from developed market countries (excluding Australia) that have been identified as "Climate Leaders" and that have also passed certain eligibility screens designed to exclude companies with direct or significant exposure to the fossil fuel industry or that are engaged in other activities deemed inconsistent with responsible investment considerations.

Climate Leaders are companies that have carbon efficiency that places them in the top one-third of companies in their respective industry or are otherwise superior performers in relation to "Scope 4" carbon emissions (also known as "avoided emissions").

- **Carbon impact:** calculated based on the total greenhouse gas emissions from a company's operations, fuel use, supply chain and business activities, divided by its annual revenue.
- **Avoided emissions:** superior performers are those companies involved in commercialising technologies that have net positive climate benefits through substantial greenhouse gas emission reductions (e.g. primary business activities in renewable energy, energy efficiency, sustainable agriculture and land use, and carbon sequestration).
- **Fossil fuel screen:** is applied to the universe of Climate Leaders which removes companies with any direct involvement in the fossil fuel industry, as well as companies with material indirect exposure (including, without limitation, those with particularly high use of fossil fuels).

Eligibility screens are applied to remove companies which have exposure to other activities deemed inconsistent with responsible investment considerations (subject to certain materiality thresholds):

- 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
- Payday lending
- ESG related reputational risk or controversy
- Mandatory detention of asylum seekers and for-profit prisons

The Index is weighted by market capitalisation, with a maximum weight per security of 4% at each annual rebalance date. Industry weights cannot exceed the corresponding industry weights of the Nasdaq Developed Markets Index (a traditional broad global equities benchmark) by more than 3%.

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

Top 10 positions ¹	%
NVIDIA Corp	5.8
Apple Inc	5.7
Visa Inc	4.4
Mastercard Inc	4.2
Home Depot	3.9
Toyota Motor Corp	3.1
UnitedHealth Group	1.9
ASML Holding NV	1.9
American Express Co	1.8
ServiceNow Inc	1.8

¹As at 31 December 2024

Industry exposure	Fund Weight % ¹
Information Technology	32.1
Financials	24.9
Consumer Discretionary	14.6
Health Care	13.9
Industrials	7.0
Communication Services	3.8
Real Estate	2.9
Utilities	0.4
Materials	0.3
Consumer Staples	0.2
TOTAL	100.00

¹As at 31 December 2024

Country allocation ¹	%
United States	81.0
Japan	7.6
Netherlands	3.3
Britain	1.6
Denmark	1.5
Canada	1.3
Finland	1.0
Switzerland	0.6
France	0.6
Other	1.4

¹As at 31 December 2024

Fund performance summary

The Fund returned 11.02% (in AUD) during the quarter. Assets increased from \$3105.74m to \$3739.26m over this period.

Information Technology and Financials were the largest sector contributors to total return, with returns of 14.23% and 18.88% in AUD; their contributions were 4.55% and 4.38%, respectively. Health Care was the largest negative sector contributor with a return of -2.78%, and contribution of -0.40%.

Nvidia, Visa and Apple were the largest three stock contributors to total return, and with returns of 23.93%, 29.06% and 20.57% in AUD; their contributions were 1.26%, 1.09% and 1.03% respectively. Novo Nordisk, CVS Health and ASML were the largest detractors, returning -17.56%, -19.08% and -5.15% in AUD; they contributed -0.27%, -0.16% and -0.13% respectively.

Other commentary

The 29th meeting of the UN Foundation Convention on Climate Change (UNFCCC) Conference of Parties (COP) met in the petrostate of Azerbaijan in November 2024. The annual climate conference got off to a controversial start when investigative journalists revealed the chief executive of Azerbaijan's COP29 team, Elnur Soltanov, was using the event to promote Azerbaijan fossil fuel projects to potential investors.¹

The focus of COP29 was the negotiation of a financing deal to fund mitigation and adaptation efforts in developing countries. Developing countries sought a binding commitment of US\$1.3 trillion a year by 2035. The final deal saw a commitment of US\$300 billion a year. A number of developing countries complained the final deal was pushed through without proper consultation. India's delegate Chandni Raina described the outcome as "a paltry sum that will not address the enormity of the challenge we all face".²

In December 2024, the European Securities and Markets Authority (ESMA), published clarification of its requirements for funds using ESG and sustainability related terms in their names.³ The note included clarification that "meaningfully investing in sustainable investments" meant at least 50 per cent. The document also included clarification on the definition of "controversial weapons" and the application of exemptions from excluded activities for green bonds.

The ESMA naming regulations, along with those of the UK Financial Conduct Authority, continue to see a large number of investment funds remove or change ESG or sustainability related terms in their names. According to Morningstar, 74 European sustainable funds have closed and 113 have changed their names since the guidelines were published.⁴ The guidelines came into effect in November 2024 for new funds, and existing funds have until May 2025 to comply.

¹<https://www.bbc.com/news/articles/crmzvdn9e18o>

²<https://www.bbc.com/news/articles/cp35rrvv2dpo>

³<https://www.esma.europa.eu/press-news/esma-news/esma-puts-forward-qas-application-guidelines-funds-names>

⁴<https://www.afr.com/markets/equity-markets/esg-investing-on-shaky-footing-as-green-fatigue-sweeps-etf-market-20241219-p5kzli>

Proxy voting & engagement

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

Voting activities in Q4 2024

	Number	Proportion of total
Votes lodged	98	100%
Votes against management	27	28%

Votes against management by topic

	Number	Proportion of total
Governance	26	96%
Social	0	0%
Environmental	1	4%

The RIC engaged with Lowe's Companies Inc. in relation to changes announced to its DEI policies. Lowe's confirmed that it has modified its DEI policy with a focus on increasing the efficiency and effectiveness of its approach going forward. The company reiterated that its commitment to inclusion is unchanged. The RIC intends to continue to monitor and engage with the company.

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



The Betashares Global Sustainability Leaders ETF (ASX: ETHI) 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.responsibleinvestments.com.au for details*.

Important

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Any person wishing to invest in Betashares Funds should obtain a copy of the relevant PDS from www.betashares.com.au and obtain financial advice in light of their individual circumstances. You may also wish to consider the relevant Target Market Determination (TMD) which sets out the class of consumers that comprise the target market for the Betashares Fund and is available at www.betashares.com.au/target-market-determinations.

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