



Betashares Australian Sustainability Leaders ETF

ASX: FAIR

Quarterly Report - June 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)	1.15%	-3.47%	5.52%	8.13%	2.26%	6.78%
Growth Return	1.15%	-3.47%	4.31%	5.71%	-0.86%	3.95%
Income Return	0.00%	0.00%	1.21%	2.42%	3.12%	2.83%
Index	1.19%	-3.38%	5.78%	8.61%	2.75%	7.29%

Past performance is not a reliable indicator of future performance.

¹ As at 28 June 2024. 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 passed screens to exclude companies with direct or significant exposure to fossil fuels or engaged in activities deemed inconsistent with responsible investment considerations. The Fund's methodology also preferences companies classified as 'Sustainability Leaders' based on their involvement in business activities aligned to the United Nations Sustainable Development Goals.

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	\$1193.83m
Historical Tracking Error (annualised)	0.09%
ASX Code	FAIR
Bloomberg Code	FAIR.AU
IRESS Code	FAIR.ASW

Fees	% p.a.
Management fee	0.39
Recoverable expenses	0.10

Investment strategy

The Fund generally invests 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 (subject to certain materiality thresholds), including:

- Fossil Fuels – including any direct and any material indirect exposure + any companies with very high use of fossil fuels
- Gambling
- Tobacco

- Armaments and militarism
- Uranium and nuclear energy
- Destruction of valuable environments
- Chemicals of concern
- Mandatory detention of asylum seekers and for-profit prisons
- Alcohol
- Junk foods
- Pornography
- ESG related reputational risk or controversy
- Human and labour rights violations
- Lack of gender diversity at the board level
- Predatory lending

Preference is given to companies engaged in sustainable activities that been identified as "Sustainability Leaders". To be classified as a Sustainability Leader, a company must satisfy at least one of a number of criteria, which have been determined by reference to the United Nations Sustainable Development Goals. The criteria generally require a company to earn 50% or more of gross revenue from activities in at least one of the following categories:

- Climate Adaptation
- Nutrition, Agriculture and Land Use
- Improved Industrial Processes, Improved Materials and Pollution Reduction
- Healthcare
- Transportation Solutions
- Education
- Water Efficiency
- Renewable Energy and Energy Efficiency
- Green Buildings
- Sustainable Tourism
- Sustainable and Regional Infrastructure
- Social and Community Housing
- Worker and Consumer Protection
- Regional and Community Banking, or
- Have a Relevant Certification

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
Suncorp Group	4.9
Cochlear	4.7
Insurance Australia Group	4.3
WiseTech Global	4.2
Xero	4.2
CSL	4.1
Brambles	3.7
Telstra Corp	3.5
Computershare	3.4
carsales.com	3.2

¹ As at 28 June 2024

Sector exposure	Fund Weight % ¹
Health Care	21.9
Financials	20.7
Information Technology	14.9
Real Estate	10.9
Industrials	10.3
Communication Services	10.2
Consumer Discretionary	6.1
Materials	4.0
Consumer Staples	1.0
Utilities	0.1
TOTAL	100.00

¹ As at 28 June 2024

Fund performance summary

The Fund returned -3.47% during the quarter. Assets decreased from \$1,504.48m to \$1,193.83m over this period.

Real Estate and Materials were the largest sector detractors to total return, with returns of -12.54% and -19.09%; their contributions were -1.55% and -0.92%, respectively. Financials was the largest positive sector contributor to total return, returning 2.57% and contributing 0.52%.

Pilbara Minerals, Mirvac Group and Brambles were the largest stock detractors to total return, with returns of -19.84%, -18.14% and -10.03% in the period; their contributions were -0.55%, -0.41% and -0.41% respectively. Pro Medicus and Insurance Australia Group (IAG) were the largest positive contributors to total return, with returns of 38.08% and 11.56%. In the period, they contributed 0.47% and 0.44% respectively.

Other commentary

The Responsible Investment Association Australasia (RIAA) has introduced a sustainability classifications framework, drawing from the EU's SFDR, the UK's SDR, and the US SEC's naming rule. This initiative complements RIAA's existing certification program and aims to fit the Australian market while learning from global practices. There are three sustainability classifications: responsible, sustainable, and sustainable plus. To be classified as "responsible," funds must meet RIAA's existing responsible investing certification criteria. The "sustainable" and "sustainable plus" categories, adapted from the EU's SFDR definition, require funds to target specific sustainability themes and invest a significant portion of assets accordingly. The "sustainable plus" classification additionally mandates binding sustainability

objectives in product disclosures and performance tracking. The framework responds to market demand for clearer sustainable fund classifications, encouraging transparency among financial advisers and investors¹.

The Australian Securities and Investments Commission (ASIC) continues to ramp up its efforts to combat greenwashing in the funds management industry. ASIC commenced proceedings in the Federal Court against LGSS Pty Ltd (Active Super) in August 2023. In June 2024, the Federal Court found that Active Super contravened the law in connection with various misleading representations concerning its environmental, social and governance (ESG) credentials. Active Super claimed in its marketing that it eliminated investments that posed too great a risk to the environment and the community, including gambling, coal mining and oil tar sands. Following the invasion of Ukraine, Active Super also made representations that Russian investments were "out". However, the Federal Court found that from 1 February 2021 to 30 June 2023, Active Super invested in various securities (directly or indirectly) that it had claimed were eliminated or restricted by such ESG investment screens².

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 Q2 2024

	Number	Proportion of total
Votes lodged	90	100%
Votes against management	38	42%

Votes against management by topic

	Number	Proportion of total
Governance	38	100%
Social	0	0%
Environmental	0	0%

A report by the Australian Conservation Foundation (ACF) issued in June 2023³ alleged that Suncorp, along with other Australian banks, had significant exposure to potential illegal deforestation in Queensland. The report claimed that more than 364,000 hectares of native vegetation cleared in Queensland from 2018 to 2020 had a significant impact on a listed threatened species or ecological community - and was done without federal approval, making it potentially illegal. We wrote to Suncorp to seek clarification on their exposure and understand their approach to identify, assess and mitigate risks arising from nature and biodiversity exposures. Suncorp responded by stating that their sustainability team is currently focused on developing their climate framework and while it acknowledges the growing risk from a nature and biodiversity perspective, the company hadn't developed any policy or framework around the matter. We will continue to engage with Suncorp and keep track of its progress towards developing a risk assessment framework for nature and biodiversity risks.

1. <https://responsibleinvestment.org/ri-certification/sustainability-classifications/>

2. <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2024-releases/24-121mr-court-finds-active-super-made-misleading-esg-claims-in-a-greenwashing-action-brought-by-asic/>

3. www.acf.org.au/banking-on-nature-destruction

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



The Betashares Australian Sustainability Leaders ETF (ASX: FAIR) 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.responsiblereturns.com.au for details¹.

Important

¹ The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

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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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