

# BETASHARES GLOBAL SUSTAINABILITY LEADERS ETF

ASX: ETHI

Quarterly Report - March 2020

Performance <sup>1</sup>	1 Month	3 Months	6 Months	1 Year	3 Years	Inception <sup>2</sup>
	%	%	%	% p.a.	% p.a.	%
Fund Return (net)	-4.73%	-1.07%	7.01%	18.73%	18.40%	18.03%
Growth return	-4.73%	-1.21%	6.86%	13.82%	15.48%	15.33%
Income return	0.00%	0.14%	0.15%	4.91%	2.92%	2.70%
Index	-4.70%	-0.97%	7.25%	19.47%	18.92%	18.45%

**Past performance is not a reliable indicator of future performance.**

<sup>1</sup> Returns are calculated after fees & expenses have been deducted and distributions have been reinvested.

<sup>2</sup> Inception date for the Fund is 5th Jan 2017.

## Investment objective

The Fund aims to track the performance of an index (before fees and expenses) that provides exposure to 100 large global stocks (excluding Australia) which are climate change 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

## Fund Facts

Inception Date	5-Jan-17
Fund Size	\$573.0m
Historical Tracking Error	0.15%
ASX Code	ETHI
Bloomberg Code	ETHI.AU
IRESS Code	ETHI.ASW

## Suggested minimum investment timeframe

At least five years

## Fees

	% p.a.
Management fees	0.49
Recoverable expenses	0.10

## Investment strategy

The Fund will generally invest 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 100 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 a carbon impact which is at least 60% lower than the average carbon impact for a company's industry, or are otherwise superior performers in relation to "Scope 4" carbon emissions (also known as "avoided emissions").

### Investment strategy cont.

- **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 market capitalisation.
- **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 and 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
- Tobacco
- Armaments
- Uranium and nuclear energy
- Destruction of valuable environments
- Animal cruelty
- Mandatory detention of asylum seekers
- Alcohol
- Junk foods
- Pornography
- ESG related reputational risk or controversy
- Human rights and supply chain concerns
- Chemicals of concern
- Lack of board diversity i.e. no women on the board of directors

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

The Index is weighted by market capitalisation, with a maximum weight per security of 4% and a minimum weight of 0.5% at each annual rebalance date.

Top 10 positions <sup>1</sup>	%		%
Apple Inc	5.2	Home Depot	3.8
Roche Holding AG	4.6	NVIDIA Corp	2.8
Visa Inc	4.0	Adobe Inc	2.7
Mastercard Inc	4.0	Netflix Inc	2.7
UnitedHealth Group Inc	3.9	Novo Nordisk A/S	2.0

<sup>1</sup> As at 31 March 2020

Sector exposure	Fund Weight % <sup>1</sup>
Information Technology	32.5
Healthcare	23.2
Financials	12.9
Consumer Discretionary	12.7
Industrials	7.2
Communication Services	5.3
Real Estate	3.6
Consumer Staples	1.5
Materials	1.0
Energy	0.0
<b>TOTAL</b>	<b>100.0</b>

<sup>1</sup> As at 31 March 2020

Country allocation <sup>1</sup>	%		%
United States	74.9	Denmark	2.5
Switzerland	5.8	Sweden	1.6
Japan	4.3	Spain	1.4
Hong Kong	3.0	Finland	0.9
Netherlands	2.5	Other	3.2

<sup>1</sup> As at 31 March 2020

### Fund performance summary

The BetaShares Global Sustainability Leaders ETF returned -1.07% (in AUD) during the quarter. Assets grew from \$480m to \$573m over this period.

Communication Services and Health Care were the strongest sector contributors, with returns of 16.59% and 3.15%, and contributing 0.75% and 0.65% towards total return in AUD respectively. Consumer Discretionary and Financials were the lowest contributors, returning -7.38% and -6.21%, while contributing -0.99% and -0.85% respectively.

Roche, Netflix and Nvidia were the three largest stock contributors to total return. With returns of 18.45%, 33.37% and 28.83% in AUD; their contribution was 0.72%, 0.66% and 0.62% respectively. While, Booking Holdings, Mastercard and Recruit were the three largest stock detractors to total return. With returns of -24.72%, -6.91% and -20.7% in AUD; they detracted -0.31%, -0.29% and -0.21% respectively.

### Other commentary

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

The Fund voted on four resolutions at the AGMs of two companies during the quarter. There were three ESG resolutions at Apple's AGM in February, and one resolution at Starbucks AGM in March.

Company	Resolution	ETHI Vote	Reason
Apple Inc.	Amend proxy access for Director nominations	For	This resolution sought to amend the number of Shareholder Nominees eligible to appear in proxy materials to 20% of the directors serving or 2, whichever is greater.
	Assess Feasibility of Including Sustainability as a Performance Measures	For	This resolution sought Apple to assess including Sustainability, both environmental and social, performance measures into senior executive pay.
	Report on Freedom of Expression and Access to	For	This resolution sought Apple to report on its freedom of expression and access to information.
Starbucks	Report on Risks of Omitting Viewpoint and Ideology from EEO Policy	Against	This resolution was filed by a conservative think tank requesting that Starbucks report on risks related to omitting "viewpoint" and "ideology" from its equal employment opportunity policy. The filer argues that people with conservative political views may face discrimination at Starbucks.

### Other commentary cont.

The Responsible Investment Committee for the Fund engaged with a number of companies over the quarter.

There was engagement with Nike during the quarter regarding its performance on issues of gender equity and discrimination. There is an ongoing class action that claims Nike has created a hostile work environment for women. The company has been responsive and provided examples of initiatives to improve its workplace practices for women. The Responsible Investment Committee will continue to engage with the company regarding these initiatives.

The Responsible Investment Committee has been seeking to engage with Marsh & McLennan company around their underwriting of the Adani Carmichael coal mine. Marsh has been generally resistant to the engagement, but has revealed through the media that it is considering dropping its support for Adani as a result of the public pressure it is facing.

*Important: The information contained in this document is general information only and does not constitute personal financial advice. It does not take into account any person's financial objectives, situation or needs. It has been prepared by BetaShares Capital Limited (ABN 78 139 566 868, Australian Financial Services Licence No. 341181) ("BetaShares"). The information is provided for information purposes only and is not a recommendation to make any investment or adopt any investment strategy. BetaShares assumes no responsibility for any reliance on the information in this document. Past performance is not indicative of future performance. Investments in BetaShares Funds are subject to investment risk and the value of units may go down as well as up. Any person wishing to invest in BetaShares Funds should obtain a copy of the relevant PDS from [www.betashares.com.au](http://www.betashares.com.au) and obtain financial advice in light of their individual circumstances. should obtain a copy of the relevant PDS from [www.betashares.com.au](http://www.betashares.com.au) and obtain financial advice in light of their individual circumstances.*