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# Sustainable ETFs

## Fifty Shades of Green

### Exchange Traded Funds

#### Domestic ETFs

|             |   |
|-------------|---|
| <b>E200</b> | SPDR S&P/ASX 200 ESG Fund                                 |
| <b>GRNV</b> | VanEck MSCI Australian Sustainable Equity ETF             |
| <b>FAIR</b> | Betashares Australian Sustainability Leaders ETF          |
| <b>IESG</b> | iShares Core MSCI Australia ESG Leaders ETF               |
| <b>VETH</b> | Vanguard Ethically Conscious Australian Shares ETF        |
| <b>RARI</b> | Russell Investments Australian Responsible Investment ETF |

#### Domestic ETMFs

|             |  |
|-------------|--|
| <b>INES</b> | Intelligent Investor Ethical Share Fund (Managed Fund) |
| <b>IMPQ</b> | eInvest Future Impact Small Caps Fund (Managed Fund)   |

While we have previously discussed a quantitative framework in constructing and optimising portfolios on an ex-post basis in older editions of our ETF reports, the first step in the investment process is to adequately gauge a client’s objectives and constraints through the development of an Investment Policy Statement (IPS). Fundamental to the construction of any investment portfolio, return objectives and expectations must be tailored such that they consistent with risk objectives. An IPS may target this on an absolute basis or state a discrete rate of return, hurdle or benchmark, in order to appraise the delivery of investment objectives and aid in assessing relative portfolio performance. Risk and return objectives must also be consistent with any further circumstantial constraints, such as value and beliefs, which are likely to have a material impact on portfolio composition. In what is becoming an increasingly mainstream application, a large proportion of investors are now seeking to explicitly include non-financial considerations within their IPS formulation. Sustainable investing recognises that Environmental, Social and Governance (ESG) considerations may impact the long-term risk-return profile of financial assets while also acting to express the cultural conviction of clients.

Conducted by BlackRock, an inaugural 2020 survey into sustainable investing affirmed that such considerations are becoming an increasingly central aspect of respondent investment approaches. Respondents included corporate and public pension plans, sovereign wealth funds, insurers, asset managers, endowments, foundations, and global wealth managers. In total, feedback from 425 separate investors, representing a total of 27 countries and an estimated US\$25tn in assets under management (AUM) was received. Over half of the surveyed global respondents (54%) considered extra-financial considerations to be additive to investment processes and outcomes. The scale of adoption, however, was found to vary considerably by region. 86% of Europe, Middle East and African respondents stated that sustainable investing is already, or will become, central to their investment strategies, while 57% and 47% of respondents in Asia-Pacific and North and South America, respectively, shared this same view.

Divergent acceptance is partly resultant of different political pressures and policies. Earlier in this year on 14 July 2021, the European Commission adopted a series of legislative proposals, in accordance with the European Green Deal, in an effort to reduce net greenhouse gas (GHG) emissions by at least 55% come 2030 (on 1990 levels). The framework broadly supports electrification of the economy, increases the binding target of uptake in renewable sources, mandates unsustainable forest harvesting, protects areas of high-biodiversity value and tightens carbon pricing while facilitating a cap and trade system on the total amount of GHG emissions by installations. Meanwhile the new Biden Administration has already issued an executive order for the U.S. to rejoin the Paris Climate Agreement, further pledging a commitment to achieve a 50-52% emissions reduction target by 2030 (on 2005 levels). A target of net-zero emissions has also been set for 2050. The U.S. Senate has also now successfully passed a US\$1tn infrastructure bill aimed to revitalise transportation, water systems, broadband and manufacturing. The bill will need to pass the U.S. House of Representatives, with a vote scheduled for 27 September 2021. We anticipate these past and future government policies to be largely supportive of the normalisation in, and mainstream application of, sustainable investing.

BlackRock respondents also claimed that they intend to double their amount of sustainable AUM over the next five years, rising from 18% of AUM on average today to 37% on average by 2025. Our analysis of the ASX and Chi-X Exchange Traded Fund

**This report is to be read in conjunction with the PDS/ Prospectus of each Listed Managed Investment and the risks on page 21**

International ETFs (Unhedged)

|             |   |
|-------------|---|
| <b>VESG</b> | Vanguard Ethically Conscious International Shares Index ETF |
| <b>ETHI</b> | BetaShares Global Sustainability Leaders ETF                |
| <b>IWLD</b> | iShares Core MSCI World Ex Australia ESG Leaders ETF        |
| <b>ESGI</b> | VanEck MSCI International Sustainable Equity ETF            |

International ETFs (Hedged)

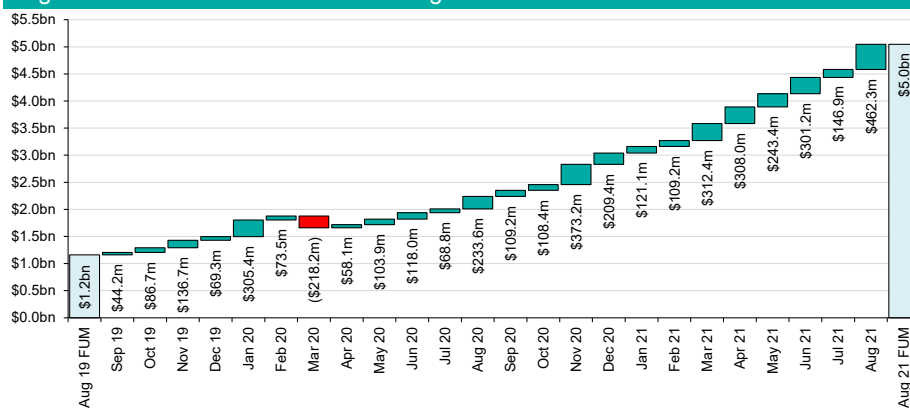
|             |  |
|-------------|--|
| <b>HETH</b> | BetaShares Global Sustainability Leaders ETF (A\$)         |
| <b>IHWL</b> | iShares Core MSCI World Ex Australia ESG Leaders ETF (A\$) |

International ETMFs

|             |  |
|-------------|--|
| <b>MCSE</b> | MFG Core ESG Fund (Managed Fund)         |
| <b>MSUF</b> | Magellan Sustainable Fund (Managed Fund) |

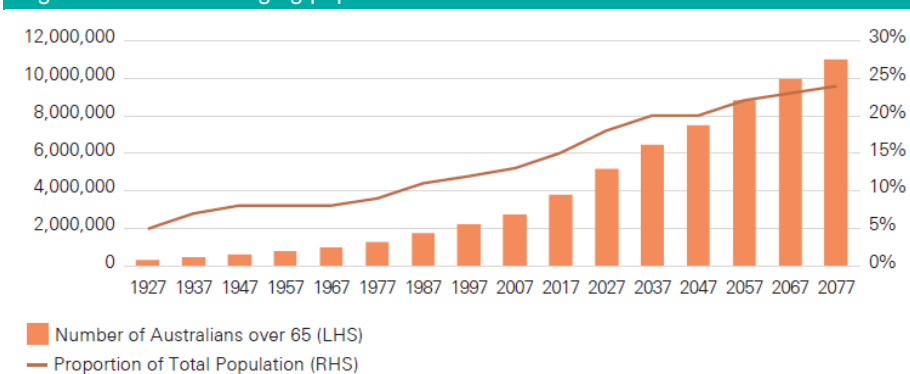
(ETF) market is conducive to similar growth rates. ESG AUM had grown to A\$5.0bn as at the end of August 2021, driven by robust net inflows and investment performance, while accounting for just 4.0% of the comparative Australian listed market. Labelled and integrated AUM has scaled considerably from A\$1.2bn to A\$5.0bn over the past 2 years, with a compounded annual growth rate of 108.5%. Frequent admissions, targeting different types of asset classes with various implementation approaches, continues to drive AUM expansion in the Australian ETF market. Total AUM stood at A\$125.1bn as at 31 August 2021. Growth in ESG related funds and the ETF industry as a whole also continues to benefit from sustained millennial retail investor demand. Persistence and an increase in penetration of this trend is also anticipated, given aging populations and the magnitude of looming generational wealth transfers that may require older investors to rebalance their portfolios accordingly.

Figure 1 - Australian listed funds AUM growth



SOURCE: ASX, CHI-X.

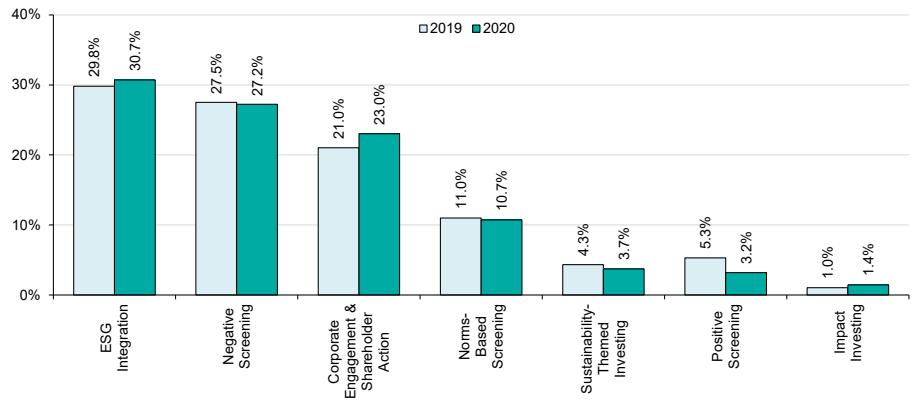
Figure 2 - Australia's aging population



SOURCE: NAOS EX-50 OPPORTUNITIES COMPANY (NAC) ANNUAL REPORT JUNE 2021, NAOS ASSET MANAGEMENT.

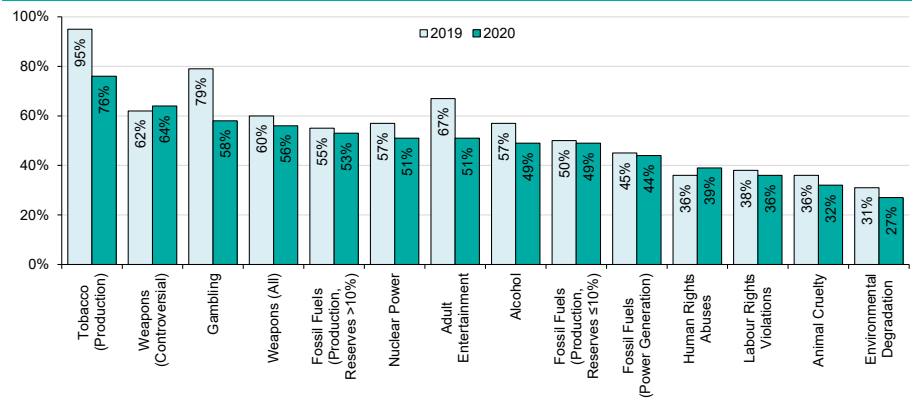
The oldest and most common form of ESG adoption is negative screening (also interchangeably referred to as exclusionary screening in this report), which refers to the process of actively filtering and excluding certain sectors or companies from the investment universe that contravene predetermined boundaries. Exclusions based on values, such as the elimination of companies with revenue thresholds in gambling, alcohol or tobacco lines of business, relates to the conviction of an investor's moral or ethical beliefs in this operation. Exclusions based on standards and norms (norms-based screening), meanwhile, acknowledges controversies and business practices that may induce a material reputational or financial risk, causing concern to be avoided.

Figure 3 - Australian AUM by ESG implementation approach



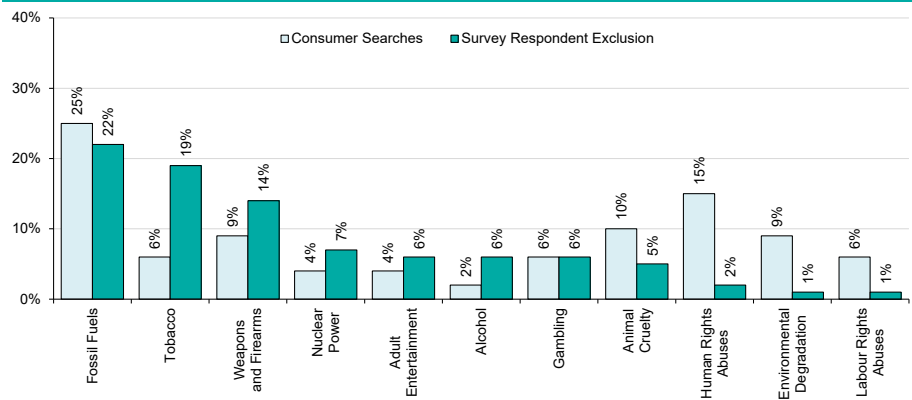
SOURCE: RESPONSIBLE INVESTMENT BENCHMARK REPORT 2021, RIAA.

Figure 4 - Negative screening frequency



SOURCE: RESPONSIBLE INVESTMENT BENCHMARK REPORT 2021, RIAA.

Figure 5 - Negative screening, actual versus demand



SOURCE: RESPONSIBLE INVESTMENT BENCHMARK REPORT 2021, RIAA.

Another common implementation approach is ESG integration, which embeds the assessment of qualitative and quantitative ESG information into traditional investment research and decision-making processes. Active managers opting for this perspective seek to identify the risks and opportunities arising from ESG factors in an effort to determine the core drivers of investment value and risk in fundamental analysis. Companies correctly engaged in managing their ESG resources in accordance with a sustainable business model should derive superior valuation metrics. An analyst may, for example, predict a deterioration in profitability and financial conditions due to poor

environmental safety or labour standards, leading to probable future liabilities. The Responsible Investment Association Australasia (RIAA), a leading and extensive network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand, also defines the following approaches across the implementation spectrum:

- Positive/best-in-class screening
  - ⇒ “Intentionally tilting a proportion of an investment portfolio towards positive solutions, or targeting companies or industries assessed to have better ESG performance relative to benchmarks or peers.”
- Corporate engagement and shareholder action
  - ⇒ “Employing shareholder power to influence corporate behaviour, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines.”
- Thematic investing
  - ⇒ “Investment in themes or assets and programs specifically related to improving social and environmental sustainability (e.g. safe and accessible water, sustainable agriculture, green buildings, lower carbon tilted portfolio, community programs).”
- Impact investing
  - ⇒ “Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.”

An excerpt of this spectrum is detailed on page 5. The broad approach to sustainable investing may materially impact a manager’s methodology and investment universe. Reporting, data standardisation, education and awareness of tailored investment models may help to determine their appropriateness and mitigate greenwashing.

More information is available at: <https://responsibleinvestment.org/>.

BlackRock 2020 Global Investing Survey:

<https://www.blackrock.com/corporate/literature/publication/blackrock-sustainability-survey.pdf>.

European Commission and European Green Deal:

[https://ec.europa.eu/commission/presscorner/detail/en/IP\\_21\\_3541](https://ec.europa.eu/commission/presscorner/detail/en/IP_21_3541).

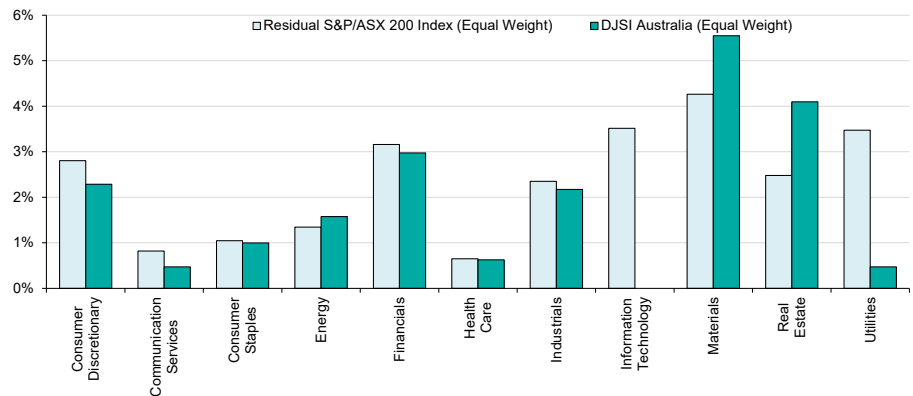
| Figure 6 - Responsible Investment Association Australasia (RIAA) responsible and ethical investment spectrum |   |  |  |   |   |  |   |
|--|---|--|--|---|---|--|---|
| Traditional Investments  |   | Responsible and Ethical Investments                      |  |   |   |  |   |
| Focus  | ESG Integration   | Engagement   | Negative/Exclusionary Screening  | Norms-Based Screening   | Positive/Best-In-Class Screening  | Thematic   |   |
| Limited or no regard for ESG factors   | Consideration of ESG factors as part of investment decision | Using shareholder power to influence corporate behaviour | Industry sectors or companies excluded/divested to avoid risk and better align with values | Screening out investments that do not meet minimum standards and including investments that meet defined ESG criteria | Investments that target companies or industries with better ESG performance | Investments that specifically target sustainability themes                   | Investments that target positive social and environmental impact and provide either a market or below market rate |
| Impact Intention   | Agnostic  | Avoids harm  |  |   |   | Benefits stakeholders  |   |
|  |   |  |  |   |   | Contributes to solutions   |   |
| Impact Intention   |   | Delivers competitive financial returns                   |  |   |   |  |   |
|  |   |  | Manages ESG risks  |   |   |  |   |
|  |   |  |  | Pursues ESG opportunities   |   |  |   |
|  |   |  |  |   |   | Intentionality: delivery of impact is central to underlying asset/investment |   |
|  |   |  |  |   |   |  | Impact of investment is measured/reported   |

SOURCE: RESPONSIBLE INVESTMENT BENCHMARK REPORT 2021, RIAA.

The Dow Jones Sustainability Indices (DJSI) are a series of best-in-class benchmarks. The family was collectively launched back in 1999 as the first global sustainability index aimed at tracking the performance of the world's leading companies based on long-term economic, environmental and social criteria. The rules-based construction process attributes a collective 'Total Sustainability Score' to each prospective constituent security, with top ranked companies in each industry being selected for inclusion in the respective DJSI. No industries are excluded during this conduction. The Dow Jones Sustainability Australia Index, which represents the top 30% of companies in the S&P/ASX 200 Index based on the aforementioned factors, is reviewed annually by investment manager RobecoSAM, who conducts its comprehensive Corporate Sustainability Assessment (CSA). As at 13 November 2020, the index provider had identified 44 companies with leading sustainability practices and performance.

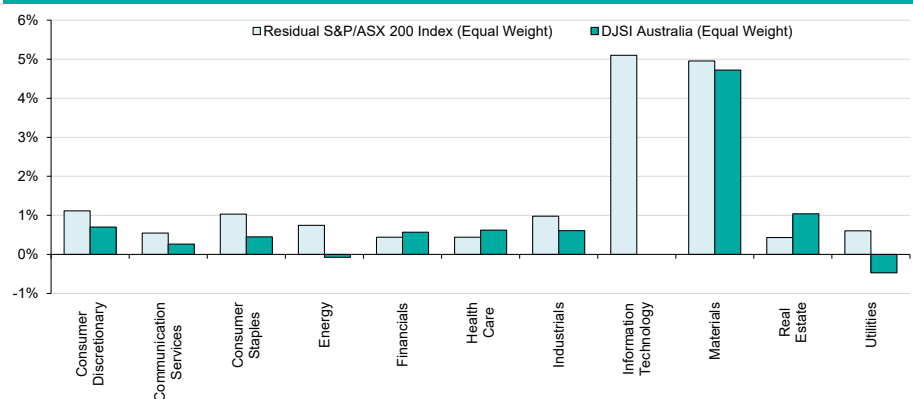
As the materiality of ESG risks are highly impacted by the industry in which a firm operates, we have grouped these 44 constituents and a similar proportion of residual securities from the S&P/ASX 200 Index (the non-ESG reference portfolio) into their assigned Global Industry Classification Standard (GICS) groups. We have then equally weighted all securities in both portfolios, so as to reduce any undue bias caused by single securities with large market capitalisations, noting here that both portfolios share similar concentrations in order to maintain similar idiosyncratic risk. We have then analysed the annualised monthly total returns and the annualised standard deviation of these monthly returns over a period of 5 years from 1 August 2016 to 31 July 2021.

Figure 7 - Annualised 5 year standard deviation, ESG and non-ESG



SOURCE: IRESS.

Figure 8 - Annualised 5 year return, ESG and non-ESG



SOURCE: IRESS.

Our modelling in this sample scenario predicts that in 7 out of 10 applicable industry cases, selective ESG companies are shown to exhibit lower security return volatilities than reference non-ESG companies. These finding would suggest that companies with superior corporate sustainability practices display relatively less risk. Interestingly, ESG company selections in energy and materials produced lower risk-adjusted returns, that is, a combination of both higher volatility and lower return than reference non-ESG companies over the investment horizon.

# Listed ethical equity ETFs

Table 1 - Domestic equity ethical ETF details

| Name                      | Code        | Index                 | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|---------------------------|-------------|-----------------------|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| SPDR S&P/ASX 200 ESG Fund | <b>E200</b> | S&P/ASX 200 ESG Index | 0.13%                                | ~109                  | \$24.43                 | \$34.2m                            |

E200 aims to track the performance (before fees and expenses) of the S&P/ASX 200 ESG Index (the "Index"), a broad-based float-adjusted market capitalisation (FMC) weighted index that is designed to capture the performance of Australian securities meeting sustainability criteria, as defined by the negative revenue screening Eligibility Criteria, while maintaining similar overall industry group weights to the parent S&P/ASX 200 Index. For each Global Industry Classification Standard (GICS) industry group, companies are selected in decreasing order of their S&P DJI ESG Score until 65% of the underlying index universe's cumulative FMC is reached. If a company does not have an S&P DJI ESG score it is excluded from index inclusion.

| Name  | Code        | Index  | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|---|-------------|--|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| VanEck MSCI Australian Sustainable Equity ETF | <b>GRNV</b> | MSCI Australia IMI Select SRI Screened Index | 0.35%                                | ~98                   | \$28.72                 | \$84.4m                            |

GRNV aims to track the performance (before fees and expenses) of the MSCI Australia IMI Select SRI Screened Index (the "Index"), a broad-based float-adjusted market capitalisation (FMC) weighted index that is designed to capture the performance of Australian securities with high Environmental, Social and Governance (ESG) ratings (provided by MSCI ESG Research) by: (1) excluding companies that own any fossil fuel reserves or derive revenue from mining thermal coal or from oil and gas related activities; (2) excluding companies with business activities that are not socially responsible investments or which contravene global standards and norms under the UN Declaration of Human Rights; and (3) targeting companies with high ESG ratings. Constituents are drawn from the parent MSCI Australia Investable Market Index. Maximum weights assigned to each security are capped at 5% so as to avoid concentration risk.

| Name   | Code        | Index   | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|--|-------------|---|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| Betashares Australian Sustainability Leaders ETF | <b>FAIR</b> | Nasdaq Future Australian Sustainability Leaders Index | 0.49%                                | ~81                   | \$20.35                 | \$1,211.8m                         |

FAIR aims to track the performance (before fees and expenses) of the Nasdaq Future Australian Sustainability Leaders Index (the "Index"), a broad-based float-adjusted modified market capitalisation weighted index that is designed to capture the performance of Australian securities, subject to passing screens that seek to exclude companies with direct or significant exposure to fossil fuels or engagement in activities deemed to be inconsistent with responsible investment considerations, as defined by the BetaShares Responsible Investment Committee. The Fund's methodology also preferences companies with positive social and environmental impacts, classified as "Sustainability Leaders", based on their involvement in sustainable business activities. Maximum weights assigned to each security are capped at 4% so as to avoid concentration risk. In addition, no "Additional Renewable Energy" security can have a weight of more than 0.1% in the Index.

| Name  | Code        | Index                                       | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|---|-------------|---|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| iShares Core MSCI Australia ESG Leaders ETF | <b>IESG</b> | MSCI Australia IMI Custom ESG Leaders Index | 0.09%                                | ~116                  | \$26.20                 | \$44.9m                            |

IESG aims to track the performance (before fees and expenses) of the MSCI Australia IMI Custom ESG Leaders Index (the "Index"), a broad-based float-adjusted market capitalisation (FMC) weighted index that is designed to capture the performance of Australian securities with high Environmental, Social and Governance (ESG) ratings (provided by MSCI ESG Research) by: (1) excluding companies in 5 Global Industry Classification Standard (GICS) fossil fuel sub-industries; (2) excluding companies with business activities that are not socially responsible investments or which contravene global standards and norms under the UN Declaration of Human Rights; and (3) targeting companies with high ESG ratings. Constituents are drawn from the parent MSCI Australia Investable Market Index. Maximum weights assigned to each security are capped at 10%, or 2.5% in excess of the issuer's weight in the parent, so as to avoid concentration risk.

SOURCE: BLOOMBERG, COMPANY REPORTS. <sup>1</sup>DATA AS AT 20 SEP 2021. <sup>2</sup>A PERFORMANCE FEE IS ALSO PAYABLE. FOR A COMPLETE BREAKDOWN OF FEES AND ADDITIONAL COSTS, PLEASE REFER TO THE PDS/PROSPECTUS OF EACH LISTED MANAGED INVESTMENT.



# Listed ethical equity ETFs

Table 2 - Domestic equity ethical ETF details (continued)

| Name   | Code | Index                           | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|--|------|---------------------------------|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| Vanguard Ethically Conscious Australian Shares ETF | VETH | FTSE Australia 300 Choice Index | 0.16%                                | ~251                  | \$60.42                 | \$27.7m                            |

VETH aims to track the performance (before fees and expenses) of the FTSE Australia 300 Choice Index (the "Index"), a broad-based float-adjusted market capitalisation (FMC) weighted index that is designed to capture the performance of Australian securities, additionally negatively screening and excluding companies with business activities in non-renewable energies, vice products and armaments; or those with reputations contravening standards established by the UN Global Compact. Constituents are drawn from the parent FTSE Australia 300 Index. Industry weights are capped at 5% under or over the non-active allocation in the parent, so as to maintain adequate diversification.

| Name  | Code | Index                                     | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|---|------|---|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| Russell Investments Australian Responsible Investment ETF | RARI | Russell Australia ESG High Dividend Index | 0.45%                                | ~67                   | \$26.32                 | \$277.3m                           |

RARI aims to track the performance (before fees and expenses) of the Russell Australia ESG High Dividend Index (the "Index"), a selective methodology index which identifies and weights Australian companies based on a demonstrated commitment to responsibility in Environmental, Social and Governance (ESG) categories and high quality dividend income; according to a composite non-linear probability algorithm. Constituents are drawn from the parent FTSE Australia 300 Index. Companies not listed on the ASX and which fail to pass Responsible Investment Committee criteria are eliminated. The remaining companies are then being ranked from highest to lowest using ESG research. Yield scores are also attributed based on average forecast dividends, trailing dividends, forecast dividend growth, trailing dividend growth and EPS volatility.

| Name   | Code | Benchmark                      | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|--|------|--------------------------------|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| Intelligent Investor Ethical Share Fund (Managed Fund) | INES | S&P/ASX 200 Accumulation Index | 0.97%                                | n/a                   | \$3.75                  | \$8.4m                             |

The Fund seeks to achieve attractive risk-adjusted returns over the medium to long-term, while reducing the risk of permanent capital loss, by identifying businesses with low disruption threats and risk factors arising from Environmental, Social and Governance (ESG) issues, in addition to selecting well-researched companies with market prices at material discounts to their estimated value. INES is mandated to hold between 10-35 securities, with a possible maximum cash weighting of 30%. The maximum exposure to any one security is deemed to be 15% of the NAV on acquisition. The Investment Manager, Intelligent Investor, uses negative screening criteria provided by a global data provider on S&P/ASX 300 companies to remove companies with business involvement in widely-agreed unethical industries.

| Name   | Code | Benchmark                                   | Management Costs (p.a.) <sup>1,2</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|--|------|---|--|-----------------------|-------------------------|------------------------------------|
| eInvest Future Impact Small Caps Fund (Managed Fund) | IMPQ | S&P/ASX Small Ordinaries Accumulation Index | 0.99%                                  | n/a                   | \$6.02                  | \$8.4m                             |

The Fund seeks to provide long-term capital growth by investing in a diversified portfolio of listed Australian and/or New Zealand small and mid-cap companies that contribute positively and sustainably to society and the environment. IMPQ is style neutral and mandated to hold between 25-70 securities (typically 35-50), with a possible maximum cash weighting of 10%. Investment Manager Perennial preferences companies with sound balance sheets, strong global drivers of growth, good management and low debt. The authentic and integrated ESG approach places zero revenue thresholds for negatively screened industries, actively engages with companies to improve outcomes and seeks to identify those businesses with strong proprietary ESG scores, also likely to experience both business and investment headwinds. Companies deriving in excess of half of their revenues from renewable technologies, water treatment, social welfare, environmental services, health outcomes, education and which have strong, diverse governance frameworks are considered for inclusion in the portfolio.

SOURCE: BLOOMBERG, COMPANY REPORTS. <sup>1</sup>DATA AS AT 20 SEP 2021. <sup>2</sup>A PERFORMANCE FEE IS ALSO PAYABLE. FOR A COMPLETE BREAKDOWN OF FEES AND ADDITIONAL COSTS, PLEASE REFER TO THE PDS/PROSPECTUS OF EACH LISTED MANAGED INVESTMENT.

# Listed ethical equity ETFs

Table 3 - International equity ethical ETF details

| Name  | Code | Index   | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|---|------|---|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| Vanguard Ethically Conscious International Shares Index ETF | VESG | FTSE Developed Ex-Australia Choice Net Total Return Index (A\$) | 0.18%                                | ~1,653                | \$74.90                 | \$416.6m                           |

VESG aims to track the performance (before fees and expenses) of the FTSE Developed Ex-Australia Choice Index (with net dividends reinvested in AUD) (the "Index"), a broad-based float-adjusted market capitalisation (FMC) weighted index that is designed to capture the performance of global securities, additionally negatively screening and excluding companies with business activities in non-renewable energies, vice products and armaments; or those with reputations contravening standards established by the UN Global Compact. Constituents are drawn from the parent FTSE Developed Ex-Australia Index.

| Name   | Code | Index   | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|--|------|---|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| BetaShares Global Sustainability Leaders ETF | ETHI | Nasdaq Future Global Sustainability Leaders Index | 0.59%                                | ~214                  | \$12.67                 | \$1,813.7m                         |

ETHI aims to track the performance (before fees and expenses) of the Nasdaq Future Global Sustainability Leaders Index (the "Index"), a broad-based float-adjusted modified market capitalisation weighted index that is designed to capture the performance of global securities, subject to passing screens that seek to exclude companies with direct or significant exposure to fossil fuels or engagement in activities deemed to be inconsistent with responsible investment considerations, as defined by the BetaShares Responsible Investment Committee. The Fund's methodology also preferences companies with positive social and environmental impacts, classified as "Sustainability Leaders", based on their involvement in sustainable business activities. Maximum weights assigned to each security are capped at 4% so as to avoid concentration risk.

| Name   | Code | Index   | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|--|------|---|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| BetaShares Global Sustainability Leaders ETF (A\$) | HETH | NASDAQ Future Global Sustainability Leaders Index (A\$) | 0.62%                                | ~214                  | \$13.00                 | \$139.5m                           |

HETH tracks the same index and methodology as ETHI but is 100% hedged to AUD.

| Name   | Code | Index  | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|--|------|--|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| iShares Core MSCI World Ex Australia ESG Leaders ETF | IWLD | MSCI World Ex-Australia Custom ESG Leaders Index | 0.09%                                | ~716                  | \$42.99                 | \$205.5m                           |

IWLD aims to track the performance (before fees and expenses) of the MSCI World Ex-Australia Custom ESG Leaders Index (the "Index"), an aggregated broad-based float-adjusted market capitalisation (FMC) weighted index, targeting 50% coverage of regional parent indices that is designed to capture the performance of global securities with high Environmental, Social and Governance (ESG) ratings (provided by MSCI ESG Research) by: (1) excluding companies in 5 Global Industry Classification Standard (GICS) fossil fuel sub-industries; (2) excluding companies with business activities that are not socially responsible investments or which contravene global standards and norms under the UN Declaration of Human Rights; and (3) targeting companies with high ESG ratings. Constituents are drawn from regional indices underpinned by the MSCI Pacific Ex-Australia Index, MSCI Europe and Middle East Index, MSCI Canada Index and MSCI USA Index.

SOURCE: BLOOMBERG, COMPANY REPORTS. <sup>1</sup>DATA AS AT 20 SEP 2021. <sup>2</sup>A PERFORMANCE FEE IS ALSO PAYABLE. FOR A COMPLETE BREAKDOWN OF FEES AND ADDITIONAL COSTS, PLEASE REFER TO THE PDS/PROSPECTUS OF EACH LISTED MANAGED INVESTMENT.

# Listed ethical equity ETFs

Table 4 - International equity ethical ETF details (continued)

| Name   | Code | Index  | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|--|------|--|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| iShares Core MSCI World Ex Australia ESG Leaders ETF (A\$) | IHWL | MSCI World Ex-Australia Custom ESG Leaders Index (A\$) | 0.12%                                | ~708                  | \$43.21                 | \$246.2m                           |

IHWL tracks the same index and methodology as IWLD but is 100% hedged to AUD.

| Name   | Code | Index   | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|--|------|---|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| VanEck MSCI International Sustainable Equity ETF | ESGI | MSCI World Ex-Australia Ex-Fossil Fuel Select SRI and Low Carbon Capped Index | 0.55%                                | ~141                  | \$29.84                 | \$107.5m                           |

ESGI aims to track the performance (before fees and expenses) of the MSCI World Ex-Australia Ex-Fossil Fuel Select SRI and Low Carbon Capped Index (the "Index"), a broad-based float-adjusted market capitalisation (FMC) weighted index that is designed to capture the performance of global securities with high Environmental, Social and Governance (ESG) ratings (provided by MSCI ESG Research) by: (1) excluding companies that own any fossil fuel reserves or derive revenue from mining thermal coal or from oil and gas related activities; (2) excluding companies with business activities that are not socially responsible investments or which contravene global standards and norms under the UN Declaration of Human Rights; (3) targeting companies with high ESG ratings; and (4) excluding high carbon emitters. Constituents are drawn from the parent MSCI World Ex-Australia Index. Maximum weights assigned to each security are capped at 5% so as to avoid concentration risk.

| Name                             | Code | Benchmark                               | Management Costs (p.a.) <sup>1</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|----------------------------------|------|---|--------------------------------------|-----------------------|-------------------------|------------------------------------|
| MFG Core ESG Fund (Managed Fund) | MCSE | MSCI World Net Total Return Index (A\$) | 0.50%                                | n/a                   | \$4.21                  | \$14.8m                            |

The Fund seeks to achieve attractive risk-adjusted returns over the medium to long-term by identifying businesses with low disruption threats and risk factors arising from Environmental, Social and Governance (ESG) issues, in addition to leveraging Magellan's long-standing proven investment process, incorporating extensive fundamental research, which aims to identify durable competitive advantages ("economic moat"). MCSE is mandated to hold between 70-90 securities, with a possible maximum cash weighting of 10%. The investment universe is filtered for size, liquidity and base exclusions; such as fossil fuels and mining, controversial weapons, gambling and tobacco. A proprietary low carbon and ESG exclusion framework is then applied, with the remaining securities being assessed on the basis of valuation, having regard to stock and industry specific factors, including sustainable growth opportunities, returns on capital, cash generation, and other non-cash considerations. The fund upweights companies with greater ESG opportunities or lower ESG risks, based on analysis from Magellan's proprietary ESG risk framework. Magellan's Core Series are actively managed, but rebalanced on a quarterly or ad-hoc basis as determined by the Investment Manager.

| Name                                     | Code | Benchmark                               | Management Costs (p.a.) <sup>1,2</sup> | Holdings <sup>1</sup> | Unit Price <sup>1</sup> | Market Capitalisation <sup>1</sup> |
|--|------|---|--|-----------------------|-------------------------|------------------------------------|
| Magellan Sustainable Fund (Managed Fund) | MSUF | MSCI World Net Total Return Index (A\$) | 1.35%                                  | n/a                   | \$2.88                  | \$8.6m                             |

The Fund seeks to achieve attractive risk-adjusted returns over the medium to long-term while reducing the risk of permanent capital loss, by identifying businesses with low disruption threats and risk factors arising from Environmental, Social and Governance (ESG) issues, also delivering low carbon exposure with a focus on fundamental business value. MSUF is mandated to hold between 20-50 securities, with a possible maximum cash weighting of 20%. Underpinned by the 2015 Paris Agreement, Magellan incorporates a proprietary low carbon overlay in portfolio construction by (1) screening out companies based on their carbon emissions intensity; (2) excluding companies with fossil fuel exposures and/or interests (e.g. extraction, storage and transportation); and (3) limiting the overall carbon emissions of the portfolio through a portfolio emissions intensity cap. International listed companies with attractive business characteristics at a discount to their assessed intrinsic values will be considered for inclusion.

SOURCE: BLOOMBERG, COMPANY REPORTS. <sup>1</sup>DATA AS AT 20 SEP 2021. <sup>2</sup>A PERFORMANCE FEE IS ALSO PAYABLE. FOR A COMPLETE BREAKDOWN OF FEES AND ADDITIONAL COSTS, PLEASE REFER TO THE PDS/PROSPECTUS OF EACH LISTED MANAGED INVESTMENT.

Figure 9 - Domestic equity mandate peer comparison

| Issuer                              | E200 State Street                                     | GRNV VanEck                                  | FAIR BetaShares                                       | IESG iShares                                | VETH Vanguard                   | RARI Russell Investments                  | INES InvestSMART               | IMPO Perennial                              |
|-------------------------------------|---|--|---|---|---------------------------------|---|--------------------------------|---|
| Index / Benchmark                   | S&P/ASX 200 ESG Index                                 | MSCI Australia IMI Select SRI Screened Index | Nasdaq Future Australian Sustainability Leaders Index | MSCI Australia IMI Custom ESG Leaders Index | FTSE Australia 300 Choice Index | Russell Australia ESG High Dividend Index | S&P/ASX 200 Accumulation Index | S&P/ASX Small Ordinaries Accumulation Index |
| Index Oversight Committee           | Yes   | No   | Yes   | No  | Yes                             | Yes                                       | n/a                            | n/a   |
| Research Provider(s)                | Arbesque S-Ray, RepRisk AG, Sustainalytics, RobecoSAM | MSCI ESG Research                            | Tucoast   | MSCI ESG Research                           | RepRisk AG, Sustainalytics      | Sustainalytics                            | Proprietary/Integrated         | Proprietary/Integrated                      |
| Adult Entertainment                 | No  | Yes  | Yes   | Yes   | Yes                             | Yes                                       | Yes                            | Yes   |
| Alcohol                             | No  | Yes  | Yes   | Yes   | Yes                             | Yes                                       | Yes                            | Yes   |
| Animal Welfare                      | No  | Yes  | Yes   | No  | No                              | Yes                                       | Yes                            | Yes   |
| Chemicals of Concern                | No  | No   | Yes   | No  | No                              | No  | Yes                            | Yes   |
| Civilian Firearms                   | No  | Yes  | Yes   | Yes   | Yes                             | Yes                                       | No                             | Yes   |
| Controversial Weapons               | Yes   | Yes  | Yes   | Yes   | Yes                             | Yes                                       | Yes                            | Yes   |
| Conventional Weapons                | No  | Yes  | Yes   | Yes   | Yes                             | Yes                                       | Yes                            | Yes   |
| Fossil Fuel Extraction and Reserves | Yes   | Yes  | Yes   | Yes   | Yes                             | Yes                                       | Yes                            | Yes   |
| Fossil Fuel Power Generation        | Yes   | Yes  | Yes   | Yes   | No                              | Yes                                       | Yes                            | Yes   |
| Fossil Fuel Services                | No  | Yes  | Yes   | Yes   | Yes                             | Yes                                       | Yes                            | Yes   |
| Gambling                            | No  | Yes  | Yes   | Yes   | Yes                             | Yes                                       | Yes                            | Yes   |
| Genetic Engineering                 | No  | Yes  | No  | No  | No                              | No  | No                             | No  |
| Nuclear Power                       | No  | Yes  | Yes   | Yes   | Yes                             | Yes                                       | Yes                            | Yes   |
| Nuclear Weapons                     | No  | Yes  | Yes   | Yes   | Yes                             | Yes                                       | No                             | Yes   |
| Nutrition and Health                | No  | Yes  | Yes   | No  | No                              | No  | Yes                            | No  |
| Tobacco                             | Yes   | Yes  | Yes   | Yes   | Yes                             | Yes                                       | Yes                            | Yes   |
| Consumer Protection                 | No  | Yes  | Yes   | Yes   | No                              | No  | Yes                            | No  |
| Environment                         | No  | Yes  | Yes   | Yes   | Yes                             | No  | Yes                            | Yes   |
| Governance                          | No  | Yes  | Yes   | Yes   | Yes                             | No  | Yes                            | Yes   |
| Human Rights                        | No  | Yes  | Yes   | Yes   | Yes                             | No  | Yes                            | Yes   |
| Labour Rights                       | No  | Yes  | Yes   | Yes   | Yes                             | No  | No                             | Yes   |
| AAA (Leader)                        | 13%   | 20%  | 20%   | 16%   | 10%                             | 11%                                       |                                |   |
| AA                                  | 23%   | 43%  | 37%   | 44%   | 37%                             | 33%                                       |                                |   |
| A                                   | 62%   | 37%  | 31%   | 35%   | 43%                             | 42%                                       |                                |   |
| BBB                                 | 1%  | 0%   | 6%  | 4%  | 5%                              | 9%  |                                |   |
| BB                                  | 1%  | 0%   | 2%  | 1%  | 2%                              | 4%  |                                |   |
| B                                   | 0%  | 0%   | 1%  | 0%  | 1%                              | 0%  |                                |   |
| CCC (Laggard)                       | 0%  | 0%   | 0%  | 0%  | 1%                              | 0%  |                                |   |
| Thematic Investing                  | No  | No   | Yes   | No  | No                              | No  | No                             | Yes   |
| Impact Investing                    | No  | No   | Yes   | No  | No                              | No  | Yes                            | Yes   |

SOURCE: PRODUCT DISCLOSURE STATEMENTS, INDEX METHODOLOGIES, COMPANY REPORTS. POSITIVE SCREEN ANALYSIS IS PROVIDED BY MSCI ESG RESEARCH.



## Regional exposure

The United States accounts for the majority of regional exposure among each of the international ETFs, being featured to a lesser extent for ESGI and MSUF. In comparison, the MSCI World Index has a North American allocation of 71.2%, followed by Japan and the United Kingdom with 6.6% and 4.1%, respectively.

Table 5 - Regional exposures (international equity)

| Vanguard Ethically Conscious International Shares Index ETF | BetaShares Global Sustainability Leaders ETF               | BetaShares Global Sustainability Leaders ETF (A\$) |
|---|--|--|
| <b>VESG</b>   | <b>ETHI</b>  | <b>HETH</b>  |
| <i>As at 31 July 2021</i>                                   | <i>As at 31 August 2021</i>                                | <i>As at 31 August 2021</i>                        |
| United States 70.2%   | United States 70.0%  | United States 70.0%                                |
| Japan 7.6%  | Japan 8.2%   | Japan 8.2%   |
| United Kingdom 3.5%   | Netherlands 4.5%   | Netherlands 4.5%                                   |
| Switzerland 2.7%  | United Kingdom 3.6%  | United Kingdom 3.6%                                |
| Canada 2.6%   | Switzerland 3.3%   | Switzerland 3.3%                                   |
| Germany 2.3%  | France 2.5%  | France 2.5%  |
| France 2.1%   | Hong Kong 2.2%   | Hong Kong 2.2%                                     |
| Korea 1.8%  | Germany 2.1%   | Germany 2.1%                                       |
| Netherlands 1.7%  | Denmark 1.2%   | Denmark 1.2%                                       |
| Hong Kong 1.0%  | Other 2.3%   | Other 2.3%   |
|   |  |  |
| iShares Core MSCI World Ex Australia ESG Leaders ETF        | iShares Core MSCI World Ex Australia ESG Leaders ETF (A\$) | VanEck MSCI International Sustainable Equity ETF   |
| <b>IWLD</b>   | <b>IHWL</b>  | <b>ESGI</b>  |
| <i>As at 31 August 2021</i>                                 | <i>As at 31 August 2021</i>                                | <i>As at 31 August 2021</i>                        |
| United States 71.4%   | United States 71.2%  | United States 36.5%                                |
| Japan 6.7%  | Japan 6.7%   | Japan 11.8%  |
| Canada 3.2%   | Canada 3.2%  | United Kingdom 8.7%                                |
| United Kingdom 3.0%   | United Kingdom 3.0%  | France 8.1%  |
| France 2.9%   | France 2.9%  | Germany 6.5%                                       |
| Germany 2.3%  | Germany 2.8%   | Denmark 6.3%                                       |
| Netherlands 2.2%  | Netherlands 2.2%   | Switzerland 4.5%                                   |
| Switzerland 1.7%  | Switzerland 1.7%   | Canada 3.8%  |
| Sweden 1.3%   | Sweden 1.2%  | Sweden 2.4%  |
| Denmark 1.1%  | Denmark 1.1%   | Spain 2.3%   |
|   |  |  |
| MFG Core ESG Fund (Managed Fund)                            | Magellan Sustainable Fund (Managed Fund)                   |  |
| <b>MCSE</b>   | <b>MSUF</b>  |  |
| <i>As at 31 August 2021</i>                                 | <i>As at 31 August 2021</i>                                |  |
| United States 74.8%   | United States 60.3%  |  |
| France 8.2%   | Switzerland 6.8%   |  |
| Germany 4.1%  | Germany 5.5%   |  |
| United Kingdom 3.3%   | China 4.9%   |  |
| China 2.4%  | Spain 4.0%   |  |
| Switzerland 2.3%  | Netherlands 3.1%   |  |
| Netherlands 2.2%  | United Kingdom 3.0%  |  |
| Spain 0.7%  | Cash 12.5%   |  |
| Cash 2.0%   |  |  |

SOURCE: COMPANY REPORTS

## Sector exposure

Unlike regional exposures, the underlying sector weights of each portfolio is more unique across mandates. Generally, ESG indices targeting similar overall composition, regardless of negative screening stringency, appear to mirror the S&P/ASX 200 Index in this regard due to the operations of large companies. Best-in-class selection is the main differentiator.

Table 6 - Sector exposures (domestic equity)

| SPDR S&P/ASX 200 ESG Fund    | VanEck MSCI Australian Sustainable Equity ETF | Betashares Australian Sustainability Leaders ETF |
|------------------------------|---|--|
| <b>E200</b>                  | <b>GRNV</b>                                   | <b>FAIR</b>                                      |
| <i>As at 31 August 2021</i>  | <i>As at 31 August 2021</i>                   | <i>As at 31 August 2021</i>                      |
| Financials 26.6%             | Materials 19.9%                               | Health Care 26.4%                                |
| Materials 19.4%              | Financials 15.7%                              | Real Estate 19.3%                                |
| Health Care 13.4%            | Real Estate 14.4%                             | Financials 17.1%                                 |
| Consumer Discretionary 9.0%  | Industrials 13.6%                             | Communication Services 11.2%                     |
| Industrials 6.7%             | Health Care 12.6%                             | Information Technology 8.8%                      |
| Consumer Staples 6.6%        | Information Technology 11.0%                  | Consumer Discretionary 5.5%                      |
| Real Estate 6.5%             | Communication Services 9.2%                   | Industrials 5.3%                                 |
| Communication Services 4.7%  | Consumer Discretionary 2.3%                   | Materials 3.9%                                   |
| Information Technology 3.6%  | Utilities 0.6%                                | Consumer Staples 2.2%                            |
| Energy 2.6%                  | Consumer Staples 0.6%                         | Utilities 0.3%                                   |
| <b>IESG</b>                  | <b>VETH</b>                                   | <b>RARI</b>                                      |
| <i>As at 31 August 2021</i>  | <i>As at 31 August 2021</i>                   | <i>As at 31 August 2021</i>                      |
| Financials 25.4%             | Financials 35.6%                              | Financials 43.9%                                 |
| Materials 20.2%              | Materials 13.0%                               | Real Estate 17.3%                                |
| Health Care 16.2%            | Health Care 12.7%                             | Materials 11.0%                                  |
| Real Estate 10.7%            | Industrials 11.8%                             | Consumer Discretionary 7.0%                      |
| Consumer Discretionary 9.0%  | Real Estate 9.6%                              | Industrials 6.7%                                 |
| Industrials 6.7%             | Consumer Discretionary 9.2%                   | Health Care 6.1%                                 |
| Information Technology 4.5%  | Communication Services 3.3%                   | Communication Services 5.5%                      |
| Communication Services 4.1%  | Information Technology 2.8%                   | Information Technology 1.3%                      |
| Utilities 1.6%               | Consumer Staples 1.4%                         | Utilities 1.2%                                   |
| Consumer Staples 1.2%        | Utilities 0.6%                                |  |
| <b>INES</b>                  | <b>IMPQ</b>                                   |  |
| <i>As at 31 August 2021</i>  | <i>As at 31 August 2021</i>                   |  |
| Cash 25.9%                   | Health Care 27.9%                             |  |
| Communication Services 19.1% | Financials 17.9%                              |  |
| Information Technology 16.6% | Cash 8.2%                                     |  |
| Industrials 12.2%            | Materials 7.7%                                |  |
| Financials 11.4%             | Industrials 6.7%                              |  |
| Real Estate 8.3%             | Information Technology 6.2%                   |  |
| Health Care 3.8%             | Communication Services 6.2%                   |  |
| Utilities 1.6%               | Consumer Discretionary 6.1%                   |  |
| Consumer Discretionary 1.1%  | Utilities 6.1%                                |  |
|                              | Real Estate 5.7%                              |  |

SOURCE: COMPANY REPORTS



## Sector exposure

Sector weights on international equity portfolio is also more unique. Information Technology constitutes a significant proportion of the MSCI World Index (22.8%), however this is even more prevalent in BetaShares and Magellan products. Thematic layers, focused on sustainable innovations and carbon emission avoidance seems to tilt this further.

Table 7 - Sector exposures (international equity)

| Vanguard Ethically Conscious International Shares Index ETF | BetaShares Global Sustainability Leaders ETF                      | BetaShares Global Sustainability Leaders ETF (A\$)      |
|---|---|---|
| <b>VESG</b>   | <b>ETHI</b>   | <b>HETH</b>   |
| <i>As at 31 August 2021</i>                                 | <i>As at 31 August 2021</i>                                       | <i>As at 31 August 2021</i>                             |
| Information Technology 28.5%                                | Information Technology 42.0%                                      | Information Technology 42.0%                            |
| Consumer Discretionary 16.6%                                | Health Care 15.6%   | Health Care 15.6%                                       |
| Health Care 13.7%   | Financials 15.0%  | Financials 15.0%  |
| Financials 13.2%  | Consumer Discretionary 13.3%                                      | Consumer Discretionary 13.3%                            |
| Industrials 11.3%   | Industrials 4.8%  | Industrials 4.8%  |
| Consumer Staples 5.6%                                       | Real Estate 4.1%  | Real Estate 4.1%  |
| Communication Services 4.0%                                 | Communication Services 3.0%                                       | Communication Services 3.0%                             |
| Real Estate 3.2%  | Consumer Staples 1.3%   | Consumer Staples 1.3%                                   |
| Materials 2.5%  | Utilities 0.5%  | Utilities 0.5%  |
| Utilities 1.2%  | Materials 0.4%  | Materials 0.4%  |
| <b>iShares Core MSCI World Ex Australia ESG Leaders ETF</b> | <b>iShares Core MSCI World Ex Australia ESG Leaders ETF (A\$)</b> | <b>VanEck MSCI International Sustainable Equity ETF</b> |
| <b>IWLD</b>   | <b>IHWL</b>   | <b>ESGI</b>   |
| <i>As at 31 August 2021</i>                                 | <i>As at 31 August 2021</i>                                       | <i>As at 31 August 2021</i>                             |
| Information Technology 28.4%                                | Information Technology 28.4%                                      | Financials 26.5%  |
| Financials 13.0%  | Financials 13.0%  | Health Care 22.8%                                       |
| Health Care 12.3%   | Health Care 12.3%   | Consumer Discretionary 16.9%                            |
| Consumer Discretionary 11.9%                                | Consumer Discretionary 11.8%                                      | Industrials 13.6%                                       |
| Industrials 10.5%   | Industrials 10.4%   | Communication Services 10.6%                            |
| Communication Services 9.5%                                 | Communication Services 9.5%                                       | Information Technology 3.4%                             |
| Consumer Staples 5.4%                                       | Consumer Staples 5.5%   | Materials 2.2%  |
| Materials 4.0%  | Materials 4.0%  | Real Estate 2.1%  |
| Real Estate 2.6%  | Real Estate 2.5%  | Consumer Staples 0.6%                                   |
| Utilities 1.5%  | Utilities 1.5%  | Utilities 0.6%  |
| <b>MFG Core ESG Fund (Managed Fund)</b>                     | <b>Magellan Sustainable Fund (Managed Fund)</b>                   |   |
| <b>MCSE</b>   | <b>MSUF</b>   |   |
| <i>As at 31 August 2021</i>                                 | <i>As at 31 August 2021</i>                                       |   |
| Information Technology 23.7%                                | Communication Services 19.9%                                      |   |
| Consumer Discretionary 23.2%                                | Consumer Discretionary 17.6%                                      |   |
| Financials 14.4%  | Information Technology 16.1%                                      |   |
| Consumer Staples 12.8%                                      | Consumer Staples 15.9%  |   |
| Communication Services 7.3%                                 | Cash 12.5%  |   |
| Industrials 6.8%  | Financials 6.7%   |   |
| Health Care 3.8%  | Industrials 4.4%  |   |
| Real Estate 2.1%  | Health Care 3.6%  |   |
| Utilities 2.0%  | Utilities 3.3%  |   |
| Cash 2.0%   |   |   |

SOURCE: COMPANY REPORTS



# Security exposure

Individual security selection differs markedly from portfolio-to-portfolio. Managers may also provide guidance and commentary as to why companies are omitted from inclusion and on what basis. We note that this practice is not standardised, particularly when it comes to filtering companies on qualitative standards and norms, as opposed to revenue thresholds.

Table 8 - Top 10 holdings (domestic equity)

| SPDR S&P/ASX 200 ESG Fund                                     | VanEck MSCI Australian Sustainable Equity ETF               | Betashares Australian Sustainability Leaders ETF                 |
|---|---|--|
| <b>E200</b>   | <b>GRNV</b>   | <b>FAIR</b>  |
| <i>As at 31 August 2021</i>                                   | <i>As at 31 August 2021</i>                                 | <i>As at 31 August 2021</i>                                      |
| CSL 9.5%  | CSL 5.1%  | Resmed Inc 5.1%  |
| BHP Group 8.9%  | Telstra Corp 5.1%   | Telstra Corp 4.4%  |
| Westpac Banking Corp 6.3%                                     | Goodman Group 5.0%  | Goodman Group 4.4%   |
| National Australia Bank 6.1%                                  | ANZ Banking Group 4.6%                                      | Sonic Healthcare 4.1%  |
| ANZ Banking Group 5.3%  | Transurban Group 4.6%                                       | Xero 4.1%  |
| Wesfarmers 4.5%   | Fortescue Metals Group 4.1%                                 | Cochlear 4.0%  |
| Macquarie Group 3.8%  | Afterpay 3.8%   | Brambles 3.8%  |
| Woolworths Group 3.5%   | Sydney Airport 2.8%   | Suncorp Group 3.7%   |
| Telstra Corp 3.0%   | Newcrest Mining 2.6%  | CSL 3.5%   |
| Rio Tinto 2.8%  | Xero 2.6%   | Fisher & Paykel Healthcare 3.3%                                  |
| <b>iShares Core MSCI Australia ESG Leaders ETF</b>            | <b>Vanguard Ethically Conscious Australian Shares ETF</b>   | <b>Russell Investments Australian Responsible Investment ETF</b> |
| <b>IESG</b>   | <b>VETH</b>   | <b>RARI</b>  |
| <i>As at 31 August 2021</i>                                   | <i>As at 31 August 2021</i>                                 | <i>As at 31 August 2021</i>                                      |
| Commonwealth Bank 11.2%                                       | Commonwealth Bank 9.8%                                      | Commonwealth Bank 9.2%   |
| CSL 10.3%   | CSL 8.7%  | Westpac Banking Corp 5.3%  |
| Wesfarmers 6.8%   | Westpac Banking Corp 5.2%                                   | National Australia Bank 5.2%                                     |
| Macquarie Group 5.7%  | National Australia Bank 5.0%                                | ANZ Banking Group 4.6%   |
| Transurban Group 3.9%   | ANZ Banking Group 4.4%                                      | CSL 4.3%   |
| Goodman Group 3.8%  | Wesfarmers 4.2%   | Wesfarmers 3.9%  |
| Fortescue Metals Group 3.6%                                   | Macquarie Group 3.0%  | Telstra Corp 3.2%  |
| James Hardie Industries 2.4%                                  | Telstra Corp 2.8%   | Transurban Group 2.7%  |
| Xero 2.0%   | Goodman Group 2.6%  | Suncorp Group 1.9%   |
| Newcrest Mining 2.0%  | Fortescue Metals Group 2.5%                                 | Fortescue Metals Group 1.8%                                      |
| <b>Intelligent Investor Ethical Share Fund (Managed Fund)</b> | <b>eInvest Future Impact Small Caps Fund (Managed Fund)</b> |  |
| <b>INES</b>   | <b>IMPQ</b>   |  |
| <i>As at 31 August 2021</i>                                   | <i>As at 31 August 2021</i>                                 |  |
| Frontier Digital Ventures 8.3%                                | Spark New Zealand 4.0%                                      |  |
| Pinnacle Invest Mgmt Group 7.2%                               | Integral Diagnostics 3.5%                                   |  |
| Uniti Group 6.9%  | Immutep 3.5%  |  |
| Sydney Airport 6.5%   | Calix 3.4%  |  |
| Audinate 6.3%   | Meridian Energy 3.1%  |  |

SOURCE: COMPANY REPORTS

# Security exposure

Individual security selection differs markedly from portfolio-to-portfolio. Managers may also provide guidance and commentary as to why companies are omitted from inclusion and on what basis. We note that this practice is not standardised, particularly when it comes to filtering companies on qualitative standards and norms, as opposed to revenue thresholds.

Table 9 - Top 10 holdings (international equity)

| Vanguard Ethically Conscious International Shares Index ETF | BetaShares Global Sustainability Leaders ETF               | BetaShares Global Sustainability Leaders ETF (A\$) |
|---|--|--|
| <b>VESG</b>   | <b>ETHI</b>  | <b>HETH</b>  |
| <i>As at 31 August 2021</i>                                 | <i>As at 31 August 2021</i>                                | <i>As at 31 August 2021</i>                        |
| Apple Inc 4.8%  | NVIDIA Corp 5.3%   | NVIDIA Corp 5.3%                                   |
| Microsoft Corp 4.6%   | Apple Inc 4.3%   | Apple Inc 4.3%                                     |
| Amazon.com Inc 3.0%   | Visa Inc 3.7%  | Visa Inc 3.7%                                      |
| Facebook Inc 1.8%   | Home Depot Inc 3.4%  | Home Depot Inc 3.4%                                |
| Alphabet Inc Class A 1.7%                                   | PayPal Holdings 3.2%                                       | PayPal Holdings 3.2%                               |
| Alphabet Inc Class C 1.7%                                   | Adobe Inc 2.9%   | Adobe Inc 2.9%                                     |
| Tesla Inc 1.2%  | Mastercard Inc 2.9%  | Mastercard Inc 2.9%                                |
| NVIDIA Corp 1.1%  | ASML Holding NV 2.8%                                       | ASML Holding NV 2.8%                               |
| JPMorgan Chase & Co 1.0%                                    | Cisco Systems Inc 2.4%                                     | Cisco Systems Inc 2.4%                             |
| UnitedHealth Group Inc 0.8%                                 | Toyota Motor Corp 2.3%                                     | Toyota Motor Corp 2.3%                             |
| iShares Core MSCI World Ex Australia ESG Leaders ETF        | iShares Core MSCI World Ex Australia ESG Leaders ETF (A\$) | VanEck MSCI International Sustainable Equity ETF   |
| <b>IWLD</b>   | <b>IHWL</b>  | <b>ESGI</b>  |
| <i>As at 31 August 2021</i>                                 | <i>As at 31 August 2021</i>                                | <i>As at 31 August 2021</i>                        |
| Apple Inc 8.1%  | Apple Inc 8.1%   | Home Depot Inc 4.9%                                |
| Microsoft Corp 6.9%   | Microsoft Corp 6.9%  | Novo Nordisk A/S 4.4%                              |
| Alphabet Inc Class A 2.8%                                   | Alphabet Inc Class A 2.8%                                  | Blackrock Inc 3.7%                                 |
| Alphabet Inc Class C 2.7%                                   | Alphabet Inc Class C 2.7%                                  | Sony Corp 3.4%                                     |
| Tesla Inc 1.9%  | Tesla Inc 1.9%   | Amgen Inc 3.4%                                     |
| NVIDIA Corp 1.8%  | NVIDIA Corp 1.8%   | Allianz SE 2.5%                                    |
| Home Depot Inc 1.1%   | Procter & Gamble 1.1%                                      | Schneider Electric SE 2.5%                         |
| ASML Holding NV 1.1%  | ASML Holding NV 1.1%                                       | Gilead Sciences Inc 2.4%                           |
| Procter & Gamble 1.1%                                       | Home Depot Inc 1.1%  | Automatic Data Processing Inc 2.3%                 |
| Paypal Holdings Inc 1.0%                                    | Paypal Holdings Inc 1.0%                                   | Marsh & McLennan Cos Inc 2.1%                      |
| MFG Core ESG Fund (Managed Fund)                            | Magellan Sustainable Fund (Managed Fund)                   |  |
| <b>MCSE</b>   | <b>MSUF</b>  |  |
| <i>As at 30 June 2021</i>                                   | <i>As at 30 June 2021</i>                                  |  |
| Alibaba Group Holding 2.3%                                  | Microsoft Corp 7.7%  |  |
| LVMH Moet Hennessy LV 2.3%                                  | Alphabet Inc Class C 7.6%                                  |  |
| Kering SA 2.2%  | Facebook Inc 6.7%  |  |
| Moody's Corp 2.2%   | Netflix Inc 4.0%   |  |
| Alphabet Inc Class A 2.2%                                   | Alibaba Group Holding 3.9%                                 |  |
| Adobe Inc 2.1%  | Reckitt Benckiser Group 3.7%                               |  |
| Microsoft Corp 2.1%   | Novartis AG 3.5%   |  |
| S&P Global Inc 2.1%   | Chipotle Mexican Grill Inc 3.5%                            |  |
| Yum! Brands Inc 2.1%  | Unilever PLC 3.3%  |  |
| Facebook Inc 2.0%   | Yum! Brands Inc 3.3%                                       |  |

SOURCE: COMPANY REPORTS

# Unit price performance

Table 10 - ETF unit price performance (domestic equity)

| SPDR S&P/ASX 200 ESG Fund                              | VanEck MSCI Australian Sustainable Equity ETF        | Betashares Australian Sustainability Leaders ETF          |
|--|--|---|
| <b>E200</b>  | <b>GRNV</b>  | <b>FAIR</b>   |
| <i>As at 20 September 2021</i>                         | <i>As at 20 September 2021</i>                       | <i>As at 20 September 2021</i>                            |
| 1 Month -1.3%  | 1 Month 0.4%   | 1 Month 2.2%  |
| 3 Month 1.2%   | 3 Month 5.3%   | 3 Month 8.1%  |
| 6 Month 10.3%  | 6 Month 15.6%  | 6 Month 18.0%   |
| YTD 13.7%  | YTD 15.2%  | YTD 16.7%   |
| 1 Year 27.5%   | 1 Year 26.0%   | 1 Year 26.0%  |
| 3 Year n/a   | 3 Year 11.7%   | 3 Year 11.3%  |
| Distribution Yield 6.1%                                | Distribution Yield 3.1%                              | Distribution Yield 2.9%                                   |
| Distribution Freq. Qtr                                 | Distribution Freq. Qtr                               | Distribution Freq. Semi                                   |
| iShares Core MSCI Australia ESG Leaders ETF            | Vanguard Ethically Conscious Australian Shares ETF   | Russell Investments Australian Responsible Investment ETF |
| <b>IESG</b>  | <b>VETH</b>  | <b>RARI</b>   |
| <i>As at 20 September 2021</i>                         | <i>As at 20 September 2021</i>                       | <i>As at 20 September 2021</i>                            |
| 1 Month 0.3%   | 1 Month 1.0%   | 1 Month 1.2%  |
| 3 Month 3.2%   | 3 Month 3.5%   | 3 Month 3.4%  |
| 6 Month n/a  | 6 Month 13.9%  | 6 Month 14.4%   |
| YTD n/a  | YTD 16.7%  | YTD 16.3%   |
| 1 Year n/a   | 1 Year n/a   | 1 Year 36.3%  |
| 3 Year n/a   | 3 Year n/a   | 3 Year 7.8%   |
| Distribution Yield 0.2%                                | Distribution Yield 1.5%                              | Distribution Yield 2.7%                                   |
| Distribution Freq. Irreg                               | Distribution Freq. Qtr                               | Distribution Freq. Semi                                   |
| Intelligent Investor Ethical Share Fund (Managed Fund) | eInvest Future Impact Small Caps Fund (Managed Fund) |   |
| <b>INES</b>  | <b>IMPQ</b>  |   |
| <i>As at 20 September 2021</i>                         | <i>As at 20 September 2021</i>                       |   |
| 1 Month 3.8%   | 1 Month 4.8%   |   |
| 3 Month 13.9%  | 3 Month 8.6%   |   |
| 6 Month 16.6%  | 6 Month 18.8%  |   |
| YTD 19.1%  | YTD 16.0%  |   |
| 1 Year 36.1%   | 1 Year 39.9%   |   |
| 3 Year n/a   | 3 Year n/a   |   |
| Distribution Yield 1.9%                                | Distribution Yield 2.9%                              |   |
| Distribution Freq. Irreg                               | Distribution Freq. Irreg                             |   |

SOURCE: BLOOMBERG

# Unit price performance

Table 11 - ETF unit price performance (international equity)

| Vanguard Ethically Conscious International Shares Index ETF | BetaShares Global Sustainability Leaders ETF                      | BetaShares Global Sustainability Leaders ETF (A\$)      |
|---|---|---|
| <b>VESG</b>   | <b>ETHI</b>   | <b>HETH</b>   |
| <i>As at 20 September 2021</i>                              | <i>As at 20 September 2021</i>                                    | <i>As at 20 September 2021</i>                          |
| 1 Month 1.1%  | 1 Month 1.3%  | 1 Month 1.5%  |
| 3 Month 11.1%   | 3 Month 11.0%   | 3 Month 6.7%  |
| 6 Month 19.5%   | 6 Month 20.9%   | 6 Month 14.3%   |
| YTD 24.3%   | YTD 24.8%   | YTD 19.6%   |
| 1 Year 33.5%  | 1 Year 36.3%  | 1 Year 35.1%  |
| 3 Year 16.3%  | 3 Year 24.0%  | 3 Year n/a  |
| Distribution Yield 1.0%                                     | Distribution Yield 5.3%   | Distribution Yield 11.4%                                |
| Distribution Freq. Qtr                                      | Distribution Freq. Semi   | Distribution Freq. Semi                                 |
| <b>iShares Core MSCI World Ex Australia ESG Leaders ETF</b> | <b>iShares Core MSCI World Ex Australia ESG Leaders ETF (A\$)</b> | <b>VanEck MSCI International Sustainable Equity ETF</b> |
| <b>IWLD</b>   | <b>IHWL</b>   | <b>ESGI</b>   |
| <i>As at 20 September 2021</i>                              | <i>As at 20 September 2021</i>                                    | <i>As at 20 September 2021</i>                          |
| 1 Month 1.5%  | 1 Month 1.5%  | 1 Month 0.2%  |
| 3 Month <sup>1</sup> 13.0%                                  | 3 Month <sup>1</sup> 8.8%   | 3 Month 8.4%  |
| 6 Month <sup>1</sup> 21.6%                                  | 6 Month <sup>1</sup> 14.8%  | 6 Month 17.6%   |
| YTD <sup>1</sup> 29.7%                                      | YTD <sup>1</sup> 24.3%  | YTD 21.1%   |
| 1 Year <sup>1</sup> 40.1%                                   | 1 Year <sup>1</sup> 39.0%   | 1 Year 27.4%  |
| 3 Year <sup>1</sup> 14.7%                                   | 3 Year <sup>1</sup> 13.5%   | 3 Year 12.4%  |
| Distribution Yield 14.9%                                    | Distribution Yield 12.0%  | Distribution Yield 1.5%                                 |
| Distribution Freq. Semi                                     | Distribution Freq. Irreg  | Distribution Freq. Ann                                  |
| <b>MFG Core ESG Fund (Managed Fund)</b>                     | <b>Magellan Sustainable Fund (Managed Fund)</b>                   |   |
| <b>MCSE</b>   | <b>MSUF</b>   |   |
| <i>As at 20 September 2021</i>                              | <i>As at 20 September 2021</i>                                    |   |
| 1 Month -0.5%   | 1 Month -1.0%   |   |
| 3 Month 10.7%   | 3 Month 8.3%  |   |
| 6 Month 21.9%   | 6 Month 16.5%   |   |
| YTD 23.0%   | YTD 18.4%   |   |
| 1 Year n/a  | 1 Year n/a  |   |
| 3 Year n/a  | 3 Year n/a  |   |
| Distribution Yield 1.7%                                     | Distribution Yield 1.7%   |   |
| Distribution Freq. Semi                                     | Distribution Freq. Semi   |   |

SOURCE: BLOOMBERG. <sup>1</sup>BENCHMARK CHANGED 8 JUNE 2021

# Risks

- **Investment strategy risk:** Historical performance is no guarantee of future performance, and cannot be solely relied upon in evaluating a manager's ability to provide value. There is no guarantee that the strategy of a fund will be executed by the manager/provider successfully or will deliver in meeting its desired objectives.
- **Manager/Responsible entity risk:** A fund could unexpectedly terminate, change its fees and expenses, or the responsible entity may be replaced by another entity. Key personal from the investment manager of an actively managed fund may also leave.
- **Currency risk:** Unhedged investments in global securities are subject to fluctuations in foreign exchange rates that may adversely affect the AUD value of the portfolio. Conversely, hedged investment vehicles may underperform if there are positive AUD movements in the foreign exchange market.
- **Concentration risk:** A smaller number of holdings in a fund may increase the non-systemic associated with the portfolio.
- **Underlying benchmark risk:** Investors should understand the objective of the index and in particular the selection criteria and methodology of individual weighting in the benchmark. There is no guarantee that the benchmark used will meet its objectives or produce a satisfactory return.
- **Geographic risk:** A natural or other disaster could occur in a geographic area that may have an adverse impact on a large proportion of the underlying companies' operations and therefore the return of the fund.
- **Liquidity risk:** ETFs are generally highly reliable on market makers making a market in units to ensure stable liquidity. There may be times when market liquidity is thin and spreads widen out which possesses a risk of trading at a price that is less representative of the fair value of the ETF.
- **Tracking risk:** The price at which the units trade on the ASX may not accurately reflect the NAV at a particular point in time. The role of the market maker will be to minimise the tracking error, not to eliminate it.

**Refer to the PDS/Prospectus of each Listed Managed Investment for further information on risks associated with each specific investment and the risks of using ETFs.**

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