

# Fund Profile

An in-depth look at Russell Investments' ETF

## Russell Investments Australian Responsible Investment ETF (RARI)

The Russell Investments Australian Responsible Investment ETF provides investors with a simple, cost-effective and transparent means of accessing an environmental, social, and governance (ESG) enhanced portfolio of Australian shares.

### Investment approach

RARI seeks to track the performance of a custom-built, smart-beta index (the Russell Australia ESG High Dividend Index) by investing predominantly in Australian shares and trusts listed on the ASX. The index is weighted to companies that demonstrate positive ESG characteristics after negatively screening for companies that have a significant involvement in a range of activities deemed inconsistent with widely recognised responsible investment objectives. In addition, the portfolio is weighted to improve expected future income (including franking credits).

### Investment approach

As a signatory of the United Nations' Principles for Responsible Investment (UNPRI) since 2009, Russell Investments has voluntarily committed to the six principles.<sup>1</sup>

In addition, Russell Investments operates a comprehensive Proxy Voting Policy to ensure that we discharge the ownership responsibilities that clients have delegated to us in a way that is consistent, responsible and effective.



"We believe RARI can provide investors with cost-effective Australian shares exposure that's consistent with responsible investment objectives."

**JAMES HARWOOD**  
PORTFOLIO MANAGER,  
RUSSELL INVESTMENTS



CERTIFIED BY RIAA

The Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that the Russell Investments Australian Responsible Investment ETF adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product Provider. The Certification Symbol is a Registered Trade Mark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and the Russell Investments Australian Responsible Investment ETF methodology, performance and stock holdings can be found at [www.responsiblereturns.com.au](http://www.responsiblereturns.com.au), together with details about other responsible investment products certified by RIAA.\*

## Quick Overview

**Underlying assets:** Australian equities with favourable ESG characteristics (physicals)

**Benchmark index:** Russell Australia ESG High Dividend Index

**Management cost:** 0.45% p.a.

**Number of holdings:** Up to 100

**Distribution frequency:** Semi-annual (period ending December and June)

**Distribution reinvestment:** Available (full and partial)

# Russell Investments Australian Responsible Investment ETF (RARI)

RARI is designed to track the performance of the Russell Australia ESG High Dividend Index. The Index takes into account ESG considerations in its selection process and eligibility criteria (see the PDS for more details), which includes:

- » **Negative or exclusionary screening:** The Index seeks to exclude investments in companies that are inconsistent with widely recognised responsible investment considerations as represented in Australia.
- » **Positive screening:** The Index is weighted towards companies that exhibit positive ESG characteristics.

## RARI highlights

- » Designed to provide a simple, cost effective and transparent means of accessing an ESG enhanced portfolio.
- » Companies are excluded from the Index universe based on specific criteria such as revenue generated from certain activities including the manufacturing and/or distribution of tobacco, alcohol, gambling, pornography and armaments.
- » Company ratings and active weights in the Index are determined by two key factors. Each company in the investment universe is assigned a score based on two criteria: (1) total ESG rating provided by Sustainalytics<sup>2</sup> and (2) an income score (calculated per the existing Russell Australia High Dividend Index methodology).
- » To meet the needs of Australian investors, the index also seeks to improve expected future income (including franking credits) after meeting its desired responsible investment objectives.
- » RARI is expected to invest in up to 100 listed companies providing a broadly representative portfolio of Australian listed companies.

pornography and armaments. Companies which have fossil fuel reserves or are involved in the extraction or burning of fossil fuels are also excluded. In addition, companies which lag industry peers in approaching ESG risk may also be excluded.

## Potential benefits

- » Exposure to a portfolio that focuses on Australian companies with positive ESG characteristics,
- » Improvement in expected future income (including franking credits),
- » Flexibility to buy and sell investments on the ASX,
- » Full daily transparency of underlying holdings,
- » Effective cash flow and liquidity management for responsible investment-focused institutional portfolios, and
- » An 'income protection feature' designed to ensure that the income entitled to existing RARI investors is not diluted by new investors.<sup>3</sup>

1 "The six principles." UNPRI. <http://www.unpri.org/about-pri/the-six-principles/>

2 Sustainalytics is a third-party ESG data provider that delivers a global service of stock-level ESG data to Russell Investments.

3 It should be noted that franking credits may be diluted by new investors joining the fund.

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