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WHY MUST YOU BE AN INFORMED SUSTAINABLE INVESTOR?

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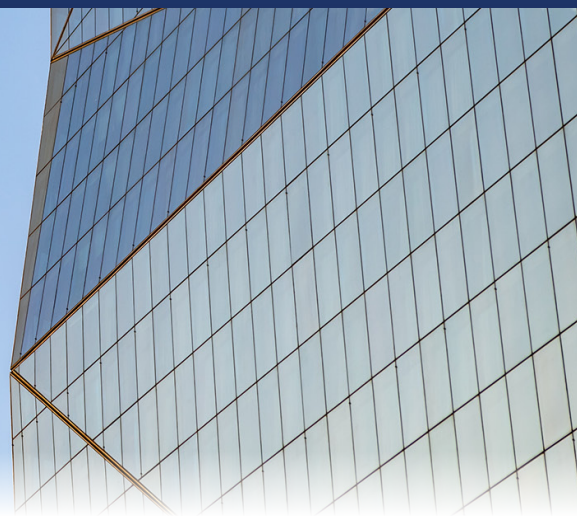

EDITORIAL

The **Investment & Sustainable Business Outlook** is a multi-disciplinary sustainable business magazine published by the
a publishing unit of
Accounting & Business Care – An Accounting & Sustainable Business Consultancy Firm.

This magazine aims to disseminate knowledge and foster dialogue to incorporate sustainable values across accounting, finance, investment, taxation, audit, and business practice.

The magazine accepts topics related to investment analysis, sustainable investment opportunities, sustainable financial instruments, sustainable accounting, sustainable finance, carbon accounting, carbon tax, carbon trading, environmental taxation, carbon audit, sustainable business innovation, and management practice, in addition to traditional accounting, finance, investment, taxation, and audit disciplines. The magazine has both print (ISSN: 2982-3226) and online (ISSN: 2982-3234) versions. The magazine welcomes scholarly contributions in the form of articles and reports from both academics and professionals.

In this introductory issue, the magazine has three articles. In the first article, **Leanne Gaul** passionately argued for being an informed sustainable investor. In the second and third articles, **Dr. Kuntal Goswami** comprehensively mapped 300+ Australian Securities Exchange (ASX)- listed Exchange Traded Funds (ETFs) across 19 ETF clusters and performance of sustainability focused ETFs listed on ASX.

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CONTENT

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Investment & Sustainable Business Outlook Article:1 Issue:1 Volume:1 2026
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Abstract: *Our planet is on the verge of ecological imbalance. Our social justice, social equity, and economic prosperity are all outcomes and subsets of our planet's ecological balance. The current state of ecological imbalance is due to anthropogenic economic activities and other human-induced factors, resulting in multiple interconnected risks worldwide.*

The return of our business and investment is dependent on these risk factors. If the ecological health of our planet declines, both our present and future social justice, equity, and economic prosperity could be jeopardised. It is time to be a prudent investor by incorporating a sustainability perspective in investment decision-making so that capital allocation for business investment follows the principles of sustainable finance frameworks as laid out in The Principles for Responsible Investment (PRI), Principles for Sustainable Insurance (PSI), Equator Principles (EI), and Principles for Responsible Banking.

Hence, a community of sustainable investors can act as a catalyst for changing the mindset from business as usual.

Key words: *Sustainability, sustainable finance, sustainable investors, green investors, social impact investors, sustainable investment strategy, climate change, global risks*

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Introduction

Over three decades of my professional and academic experience as a CA, an ex-financial planner, an academic, and a researcher have provided insight into the influential roles of investors and stakeholders in changing business practices towards sustainability values. In recent years, investors have realised the rationality of sustainable investment practices, as it promotes economic prosperity by mitigating environmental degradation and advancing social justice.

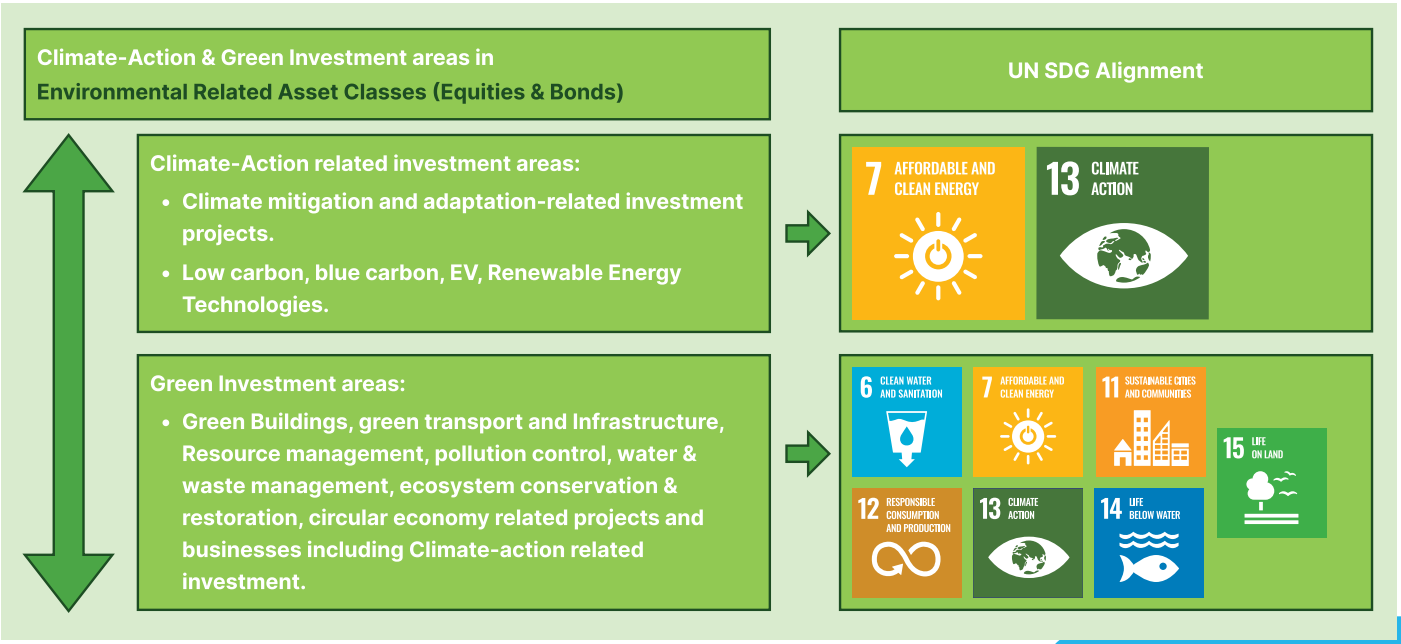
In this article, I have provided my normative argument for sustainable investment as a finance professional and as a sustainability advocate. It is important to highlight that this is general advice only. I recommend that, before investing, one should seek professional financial planning advice and invest based on one's personal risk appetite and financial circumstances.

What is sustainable investing?

The term "sustainable" derives from the "sustainability concept"; hence, "sustainable investors" are those whose investment decisions incorporate economic, environmental, social, and governance factors (Marszk & Lechman, 2023).

In recent years, the sustainable investment market has experienced noticeable growth, leading to a range of new sustainable financial products, including sustainable equity funds, sustainable index funds, sustainable bonds, green bonds, climate action bonds, social bonds, and sustainable loans. **Figure 1** depicts the basic characteristics of these

Figure 1 – Sustainable Investment Areas



Social Impact Related Asset Classes (Equities & Bonds)

Social impact related investment areas:

- **Education, affordable housing, employment generation, food security, or socioeconomic advancement, self-help employment, and empowerment**

UN SDG Alignment

Economic and Governance factors to consider for Sustainable Investment decision making

- **Sustainable Procurement & Supply chain**
- **Board Diversity and Structure**
- **Business Ethics Policies**
- **Corporate Transparency and Reporting**
- **Executive Compensation**

sustainable investment options.
Within the broader sustainable investor community, there are various subgroups: green investors, climate action investors, and social impact investors.

Green investors are those whose investment interests are focused on positive environmental outcomes such as resource management, pollution control, waste management, ecosystem conservation, and restoration (Stein, 2024, October 1). Within the green investor community, the climate action investor sub-group focuses on climate mitigation and adaptation-related outcomes aligned with the objectives of the Kyoto Protocol and the Paris Agreement. Climate action investments aim to fund organisational activities to reduce greenhouse gas (GHG) emissions (as GHG emissions lead to rising global temperatures) or to fund green infrastructure (United Nations, n.d.-b). Green investors make investment choices that incorporate climate action and other favourable environmental outcomes, in addition to financial benefits to the investor.

Social impact investors seek a positive social impact in education, affordable housing, employment generation, food security, or socioeconomic advancement and empowerment, in addition to the financial benefits of the investment. The beneficiaries and stakeholders of the social impact investment can include supply chain stakeholders, local communities, vulnerable groups, customers, and broader society (Anheier et al., 2010). Commonly positive social impact themes are diver-

sity, equity, inclusion, and modern slavery (World Economic Forum, 2022, June). In addition to environmental and social factors, a sustainable investor also needs to consider other economic and governance factors: sustainable procurement and supply chain; board diversity and structure; business ethics policies; corporate transparency and reporting; and executive compensation.

Why should one be a sustainable investor?

Our society and economy are the subsystems of our ecology; hence, living within the ecological boundaries of our planet is the most prudent decision. However, due to over-extraction and other negative impacts of our economic development, the fragile balance of our ecology is at significant risk.

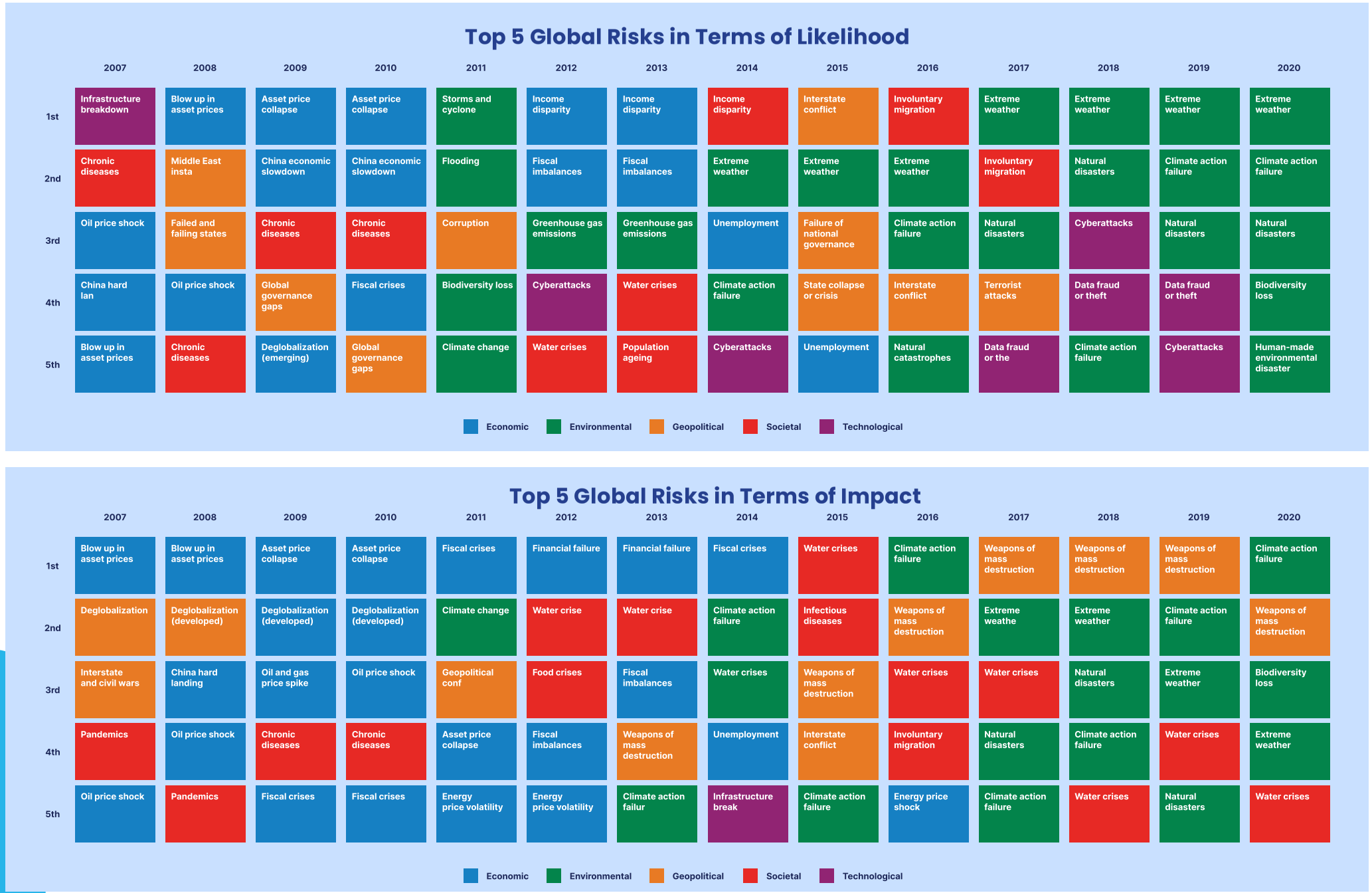
This fact is also evident in the World Economic Forum's Annual Global Risk Reports. Every year, the World Economic Forum presents the risk perceptions of global leaders and experts on geopolitical, environmental, societal, and technological challenges across the short-, medium-, and long-term horizons.

A trend analysis of risk perception from 2007 to 2020 (as shown in Figure 2) revealed that, since 2011, on average, two to three environmentally related risks, in terms of likelihood and impact, have appeared in the top five of the global risk perception table.

[Note: Figure-2 is a recreation of Figure I: The Evolving Risks Landscape, 2007–2020, The Global Risk Report 2020, Page-2]

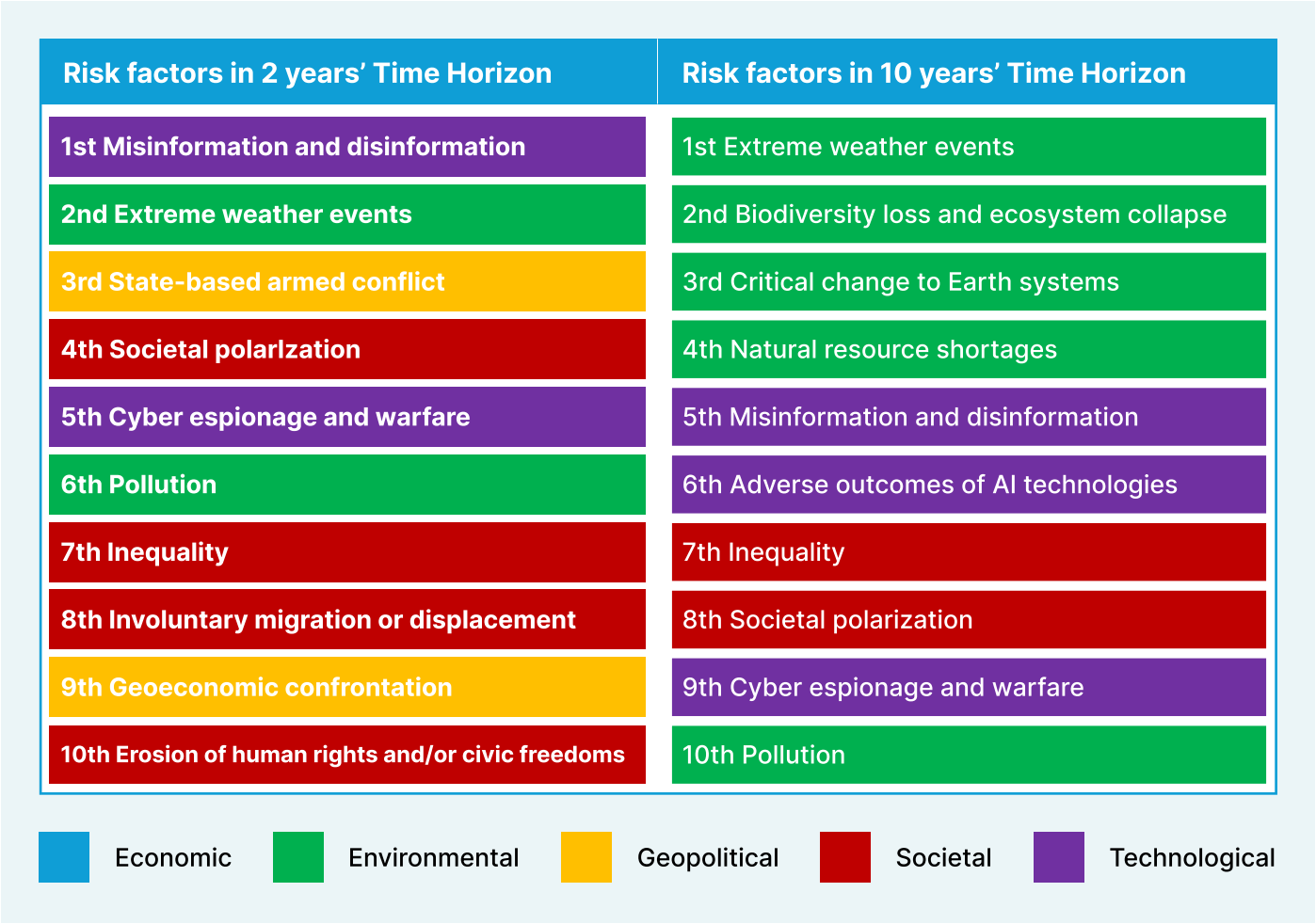
The Investment & Sustainable Business Outlook
2025 VOLUME: 1 ISSUE: 1 PRINT ISSN: 2982-3226 ONLINE ISSN: 2982-3234

Figure-2 The Evolving Risks Trends,2007–2020



The 2025 Global Risk Report (as shown in Figure 3) also reflected a similar trend. The report presented the top 10 global risks by severity. In the short term, two of the top 10 severe risks will arise from environmental categories, whereas four of the top 10 severe risks will arise from societal risk categories. However, in the long run, the severity of environmental risks will worsen, as five of the top 10 severe risks will stem from environmental categories. In contrast, at the same time horizon, two of the top 10 severe risks will be driven by societal factors.

Figure-3 2025 Global risks ranked by severity over the short and long term



These worsening environmental and societal risk perceptions underscore the urgency for businesses to embed sustainability values into their strategic decision-making frameworks and operational practices. These environmental and societal risk factors will continue to escalate, negatively impacting societal resilience (World Economic Forum, 2025).

Every investment in economic development has socio-ecological negative impacts; hence, our investment decision must embrace sustainability or ESG principles to safeguard our capital and returns from these risk factors and their consequential negative impacts. Hence, we must be **informed, sustainable investors.**

Why do carbon emissions affect the global environment?

When we generate energy from carbon-rich fossil fuels, we release the trapped carbon into the atmosphere, a process known as anthropogenic emissions. These energy-rich fossil fuels form over millennia through the natural carbon cycle, which stores excess carbon in rocks, soil, and ecosystems. The Earth's ecosystem maintains a natural balance between the amount of carbon required in the atmosphere to support life and the removal of excess carbon, returning it to nature's carbon sink (Lindsey, 2024, April 9).

However, as anthropogenic emissions have risen since pre-industrial levels, they have created a greenhouse effect, as carbon stores heat while other atmospheric elements do not (Lindsey, 2024, April 9). The release of carbon from burning fossil fuels to meet energy demands for economic development has led to warming of the Earth's atmosphere, melting of permafrost, and melting of polar ice caps (Fecht, 2021, February 25; Lindsey, 2024, April 9). The rate of carbon release from anthropogenic activities has accelerated beyond the capacity of natural ecosystems to capture and store it; hence, the excess carbon remains in our atmosphere, accumulating each day as we emit more.

This effect will continue until all countries reach net zero emissions, as forecasted by the United Nations for 2050, based on the net zero commitments of its 195 member countries (United Nations, n.d.-a). Until this time, the atmospheric carbon molecules continue to rise, capturing and storing heat and consequently continue to warm our planet, which is the catalyst for climate change (Moseman & Rothman, 2024, January 26).

To provide some insights into the increased level of carbon emissions in the atmosphere, prior to industrialisation, it was 280 parts per million, and now it is over 400 parts per million (Mulhern, 2020, August 12). This has not only caused increased global temperatures but also exacerbated precipitation, leading to intense rainfall over a short period, resulting in more severe flooding and the destruction of economic assets (I. Cresswell et al., 2021; Lindsey, 2024, April 9).

In recent times, Australia has also been experiencing an increasing trend of extreme weather, similar to the rest of the world.

In 2025, the cities of Brisbane and the Gold Coast, and other populated areas of Northern NSW, experienced Cyclone Alfred, an extreme weather event. The southern Queensland coastline was impacted severely due to surging sea levels, causing coastal inundation and flooding across these areas (Doermann, 2025, March 7) and coastal erosion (Ritchie-Tyo et al., 2025, March 6), resulting in significant economic loss and recovery costs (Doermann, 2025, March 7).

Some of the estimated economic costs in the aftermath of Cyclone Alfred in Australia are as follows:

- In NSW, farmers estimate stock of about $17 million (Honan, 2025, March 17),
- Cyclone Alfred's estimated aftermath cost to the Gold Coast's local economy is about of $790 million due to damage to tourism precincts and infrastructure (extensive sand
- Erosion, damaged beach accessways, and coastal infrastructure destruction along the Gold Coast region) (Ganesan, 2025, March 18),
- Post-cyclone early figures for insurance claims suggest about 73,600 were filed, and this figure may have increased further. This initial claim submission figure includes home
- Insurance, motor vehicles, and commercial properties (Insurance Council of Australia, 2025, March 17).

Over the years, the cost of recovery has increased as the impact of extreme weather has become more frequent and intensified.

In the 2022 flood, insurance companies paid $6.4 billion for 245,000 claims; in the 2023 tropical cyclone, $7.4 billion in compensation for insurance claims. These figures highlight the rising frequency and magnitude of economic and social costs from extreme weather events driven by human-induced climate change (Insurance Council of Australia, 2025, March 17).

Global warming is not only increasing the severity and frequency of extreme weather events but also diversifying extreme weather conditions across different geographical locations. One geographical area can have floods, while another can suffer extreme drought. Droughts in Australia have increased by 29% since 2000 (NSW Environmental Protection Agency, 2025).

The juxtaposition of rainy seasons with drought can exacerbate the risks of catastrophic bushfires. In 2021, more than 24 million hectares of land were burnt during the Black Summer fires in Victoria, with 33 deaths, and approximately 450 people were hospitalised from smoke inhalation. The CSIRO published an analysis of the Black Summer findings and confirmed that it was part of a worsening trend from anthropogenically induced climate change (Cook et al., 2021, November 29).

In 2023, the destructive bushfires in the Northern Territory covered a larger geographical area than the Black Summer fires. This was attributed to the growth of fire-prone vegetation from the wet period in the previous year (Sentinel, 2024, April 23).

Within Earth's carbon cycle, the ocean is one of the most effective natural carbon sinks, absorbing 30% of anthropogenic emissions (Fecht, 2021, February 25; Lindsey, 2024, April 9).

However, increased atmospheric carbon also alters the pH of ocean water, causing ocean acidification (Lindsey, 2024, April 9) and resulting in a negative impact on the delicate balance of underwater environments critical for the survival of marine biodiversity (I. D. Cresswell et al., 2021; Lindsey, 2024, April 9; United States Environmental Protection Agency, 2025, March 27).

Unfortunately, this is not the only negative impact attributed to declining marine biodiversity; it also impacts coastal livelihood. As we rely on the marine environment for food, employment, resources, trade, and other economic activities, the destruction of marine habitat, directly and indirectly, impacts the quality of life in our global population and can lead to conflict within a country or among countries for economic control of declining marine economic resources (Environmental Justice Foundation, 2011).

Over the years, cases of illegal fishing within sovereign nations' territorial waters and the overexploitation of marine resources have increased. This has a significant impact on communities in developing countries that rely on fish stocks to feed their population (Environmental Justice Foundation, 2011).

Hence, excessive carbon emissions from burning fossil fuels destabilize Earth's natural carbon cycle, resulting in negative impacts on life on land and in the ocean.

Therefore, two main arguments made within this section for becoming a sustainable society influenced by sustainable investments:

- Firstly, we have to make prudent investment decisions that avoid harming our environment and, consequently, our social systems;

- Secondly, we need to analyse the costs and benefits of all economic activities through the prism of sustainable development principles.

In Australia, the impacts of frequent weather events and the volume of insurance claims raise questions about how long households and businesses can afford the ever-increasing cost of insurance premiums and whether insurance companies can pay these claims. Furthermore, the economic impacts are only one part of the equation; there is also the limit of community resilience, as they bear the brunt of increasingly frequent disasters. These impacts indicate that we need to think beyond the traditional financial risks and impact analyses; we must undertake pre-emptive measures by incorporating sustainability factors into investment decisions.

Where is Australia positioned in climate action?

Australia has a small population, given its landmass; however, our per capita emissions are the highest among our global peers (Cresswell et al., 2021). Unfortunately, our lack of decisive climate action stems from our lower cumulative emissions compared to those of other countries with larger populations. This provides a complacent mindset towards action against climate change.

However, we must also consider the impacts of our fossil fuel exports, as Australia is a significant global supplier. To make an appropriate assessment of our contributions to global emissions, Australia must be accountable for its fossil fuel exports.

We must consider the present and future impacts of increasing emissions, which will worsen climate-related disasters. These can include more frequent, intensified, and unpredictable extreme weather events that lead to uncontrollable bushfires, flooding, and other natural disasters in Australia. These events should provide sufficient reasoning for a call to action against climate change (I. Cresswell et al., 2021).

Are there other anthropogenic impacts that should be considered?

In addition to erratic extreme weather events, we are also failing to address **micro- and nano plastics.** Micro- and nano-plastics have become integrated into our ecosystems and contaminate our environment, rivers, lakes, seas, water sources, and other wetlands.

One assessment show that we consume the equivalent of one credit card's amount of microplastics every year. Links have been made between micro- and nano plastics and human health, including neurological diseases such as Alzheimer's and Parkinson's (Gaul, 2025; Gou et al., 2024). This brings us to the question of how plastics enter our bodies.

It starts as a plastic bottle or a packet discarded by its user and eventually finds its way into our rivers, seas, and, finally, the ocean. As these items disintegrate into micro- and nanoparticle forms over time, they enter our food chains via fish and other marine animals we consume (Gou et al., 2024).

Evidence also showed that plastic waste creates marine pollution. Ocean currents drive the plastic waste into specific geographical areas. These areas are known as plastic waste supercells, and there are currently five in existence.

The largest is the Great Pacific Garbage Patch, located between California and Hawaii, which is three times the size of France (Lebreton et al., 2018). Discovered in 1997, it has grown over the years. It is estimated that 94% of the mass is microplastics, which have fragmented from the original plastic waste items (Lebreton et al., 2018)

Other sources of microplastics and nano plastics are our clothes. Most of our clothes contain synthetic fibres which are derived from petroleum-based products (Gou et al., 2024). When we launder these products in our washing machines, fibres disintegrate into micro- and nanoparticle pollutants that pollute our natural water systems through wastewater discharge.

Exacerbating this problem is Australia's per-capita consumption of apparel and fast-fashion items which are the highest in the world. More than 200,000 tonnes of clothing are sent to municipal waste per annum, equivalent to about four Sydney Harbour bridges (The Australia Institute, 2024, May 29).

Scientific research has provided sufficient, reliable information to understand the negative impact of our economic development on our ecosystem. Hence, it is time to change our over-consumption-centric behaviour and adopt an ecologically sustainable development model.

However, key to any economic development is the availability of capital. Therefore, as a capital provider, regardless of the size of our capital, we must be accountable and ask ourselves where it is invested. Are the project, venture, or the company's economic activities impacting positively or negatively on the process of ecologically sustainable development?

This fundamental logic of investing highlights how a growing community of sustainable investors can influence decisions on where capital should be allocated or reinvested and how capital will be used to optimize positive economic, social, and environmental impacts and outcomes, not just for the economic profit motive.

How do I become a Sustainable Investor?

Investors should begin with an investment strategy. This can vary depending on one's investment goals and the need for access to funds. The length of the investment maturity period will decide the types of investments and asset classes appropriate for one's financial and personal needs. One's risk appetite will also affect investment choices and the strategy selected.

If you have no financial and/or investment experience, it is best to get financial advice from a Financial Planner. Even an experienced investor may benefit from the expert advice of a Financial Planner, who can provide information on a range of investment options and guidance based on personal goals and financial circumstances.

A financial planner will:

- Address personal and financial goals;
- Assess risk appetite,
- Plan for future cash flow needs and
- Investigate investment opportunities and risk-mitigation strategies.

Considering Sustainable Investment Strategy

One may consider any of the following strategies to be a sustainable investor. These strategies will assist in selecting and screening the best sustainability or ESG-performing companies and investment options:

Exclusionary screening excludes certain companies, industries, sectors, or countries from the portfolio that are not aligned with investors' values, norms, moral principles, or ESG criteria.

Commonly, products or services can also be excluded, such as gambling, weapons, fossil fuels, and tobacco. Other ethical considerations are human rights and corruption (Principles for Responsible Investment Association, 2025a; Goswami & Evers, 2022).

Best-in-class strategy selects only the best-performing sustainability or ESG companies within sectors or industry peers (Principles for Responsible Investment Association, 2025a; Goswami & Evers, 2022).

Norms-based Investment strategy excludes investment options that fail to comply with criteria or standards defined by the UN Global Compact, the Kyoto Protocol, the UN Declaration of Human Rights, the International Labour Organisation, or widely recognised ESG standards or norms (Principles for Responsible Investment Association, 2025a; Goswami & Evers, 2022).

Thematic Investment screening selects investment opportunities that promote or provide sustainable solutions such as sustainable agriculture, green construction or technologies, and diversity, equity, and inclusion (Bryan, 2020, September 3; Principles for Responsible Investment Association, 2025b; Goswami & Evers, 2022).

In addition to these sustainable investment strategies, one can develop a more high-level investment strategy by following the recommendations of the **Taskforce on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNDF)** and by understanding sustainable finance frameworks such as **The Principles for Responsible Investment (PRI), Principles for Sustainable Insurance (PSI), Equator Principles (EI),** and **Principles for Responsible Banking** (Goswami & Evers, 2022).

Most respected and reputable domestic and multinational companies provide disclosures in their annual or sustainability reports in line with **the recommendations of the TCFD. TNFD** aligned its activities with **the UN Sustainable Development Goals.** They format their sustainability disclosures according to either the **Global Reporting Initiative (GRI) or the Value Reporting Foundation (VRF).**

With the establishment of the **International Sustainability Standards Board (ISSB)** and the Australian Accounting Standards Board (AASB), the normative foundation for formulating a Sustainable Investment Strategy became stronger.

Hence, all these strategies, recommendations, frameworks, sustainability benchmarks, and standards will provide an investor with a high-level understanding of what constitutes sustainable practice. It also facilitates an investor to make an informed, sustainable investment decision.

What opportunities are available for small and individual investors to be Sustainable Investors?

There is a range of opportunities for small and individual investors to enter sustainable or ESG-focused investment markets. The investment option of Electronically Traded Funds (ETFs) is one of the better ways to enter a sustainable investment market.

Some of the sustainability-focused Australian Stock Exchange (ASX) listed ETFs are as follows:

- Beta Shares Australian Sustainability Leaders
- VanEck MSCI Australian Sustainable Equity
- BetaShares Climate Change Innovation
- BetaShares Global Sustainability Leaders
- BetaShares Global Sustainability Leaders ETF - Currency Hedged
- Alphinity Global Sustainable Equity Fund
- Abrdn Sustainable Asian Opportunities

- BetaShares Sustainability Leaders Diversified Bond
- Janus Henderson Sustainable Credit
- Munro Climate Change Leaders Fund
- JP Morgan Climate Change Solutions

(ASX, n.d.)

All these sustainability-focused ETFs are diversified portfolios comprising equity and/or bond asset classes, invested across companies in various sectors and countries. These ETFs can be classified as sustainability-focused ETFs because they meet specified selections of the following characteristics:

- Responsible Investment Certified, or
- Invested in domestic and international companies that enable transition or benefit from decarbonizing the planet, or
- Invested in green bonds that have been screened to avoid issuers with material exposure to the fossil fuel industry, or
- Invested in a high-conviction portfolio of forward-thinking companies developing and scaling solutions to address climate change, or
- Focusing on companies with the potential for sustainable growth and positive environmental, social, and governance (ESG) impacts, or
- Fund invested in leading global companies that derive at least 50% of their revenues from products and services that help address climate change and other environmental problems through reducing or avoiding CO2 emissions. This covers clean energy providers, or invested in leading companies tackling green transport, waste management, sustainable product development, and improved energy efficiency and storage, or
- Diversified portfolio of sustainable Australian companies based on their ESG performance, or
- The ETF investment includes Australian companies that have passed screens to exclude companies with direct or significant exposure to fossil fuels, or
- Invested in companies whose involvement in business activities aligned with the UN Sustainable Development Goals (SDG), or
- The fund invested in a diversified portfolio of debt securities issued by companies with robust, sustainable practices or with the potential to enhance outcomes for society or the planet, or
- Invested in companies not involved in fossil fuels, nuclear power, alcohol, tobacco, cannabis, gambling, adult entertainment, or weapons (Vanguard, 2021)

One can start their sustainable investment journey with any of these sustainability-focused ETFs for as little as AUD$500, plus brokerage fees and GST.

What if I do not have any investment capital? Can I use a green or sustainable strategy for my superannuation fund?

One can also invest in ESG funds and Sustainable Investment options via their superannuation fund or Self-managed Superannuation Fund (SMSF). Every superannuation has a "Managed Investment Option" through which one can select their investment options, including socially responsible or ethical investment funds approved by the super fund.

Conclusion

Sustainable Investment is a new and growing frontier of finance. A "Global Outlook on Financing for Sustainable Development 2025" report highlighted that financing in SDG-related projects has grown by 22% from USD $4.31 trillion in 2015 to USD $5.24 trillion in 2022 (OECD, 2025). However, annual financing needed to achieve the SDGs by 2030 surged 36% over the same period, from USD $6.81 trillion in 2015 to $9.24 trillion in 2022. Another report highlights that investment opportunities in energy efficiency investments (such as renewable and low-carbon energy, energy storage, energy efficiency, and public transport) have increased in the past two years (Hill et al., 2024).

Hence, more capital is required to address global commitment to the Paris Agreement and the 2030 Sustainable Development Goals. In this context, individual investors also have a role to play by investing in sustainability-focused investment options. Green, climate action- and sustainability-focused investment are becoming increasingly easier as stock exchanges and global financial markets facilitate the mobilisation of capital to finance assets and projects with green or sustainable outcomes. A capital provider can change the path of economic development towards sustainability.

Today, the world is at a crossroads: between the need for an ecologically sustainable planet and the fact that we are exceeding its ecological boundaries. Hence, we need to think more carefully about the consequences of our investment decisions.

This quote from Charles Darwin, the father of evolutionary biology, provides insight into our future path to preserve the liveability of our world: "It is not the strongest of the species that survives, not the most intelligent, but the one most adaptable to change" (University of Cambridge, 2024).

The article is supported by a podcast

About the Author

Leanne Gaul is a Qualified Chartered Accountant, Ex Financial Planner, Academic and Researcher with a professional experience of 30 plus years. She has an academic background in economics, accountancy, and finance.

Currently, she is pursuing her PhD from the University of Technology, Sydney. She is also associated with Charles Sturt University and the University of Technology as an Academic. Previously, Leanne was associated with a major Australian Bank and financial services pro viders as a financial planner.

Leanne Gaul is a passionate researcher in sustainability, stakeholder engagement, governance frameworks, codes of ethics, and risk management frameworks.

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THE INVESTMENT OUTLOOK

MAPPING EXCHANGE TRADED FUNDS (ETFS) LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE (ASX)

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Abstract: *The future is uncertain and insecure; however, we must be hopeful for our future and must be prudent financial planners to maintain or improve our quality of life in future. The Australian Securities Exchange (ASX)-listed Exchange Traded Funds (ETFs) are relatively safer investment products that help preserve the purchasing power of our capital and drive the growth of our savings for future economic prosperity. Exchange Traded Funds (ETFs) are inherently diversified financial products with investment exposure to different asset classes, geographical markets, sectors, and investment strategies to minimize risk and maximize returns.*

This article has mapped and analyzed, on average, 340+ ASX-listed ETFs across 19 ETF clusters between 2024 and 2025. A comprehensive analysis of all ETF clusters showed that, on average, ASX-listed ETFs provide 3.35% annual distribution (dividends & interest earnings), with a weighted-average 1-year total return of 27% and weighted-average 3-to 5-year total returns of 14.50% to 9.32%, respectively. In addition, the ETF market had experienced 17.28% capital growth between 2024 and 2025, with an indicative beta of 1.03.

Hence, ASX-listed diversified ETF portfolios are relatively inflation-proof, safer, and resilient investment opportunities for individual retail investors for future economic prosperity and retirement planning.

Key words: *: Australian Securities Exchange (ASX), Exchange Traded Funds (ETFs), Investment strategy, Portfolio diversification*

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INVESTMENT ANALYSIS OF SUSTAINABILITY-FOCUSED EXCHANGE TRADED FUNDS (ETFS) LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE (ASX): A SUSTAINABLE FINANCE PERSPECTIVE

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Abstract: *A sustainable finance system is an emerging financial system that integrates sustainability issues into investment decision-making processes to promote an ecologically sustainable and inclusive economy. Within this system, Sustainability-focused Exchange Traded Funds (ETFs) are new financial instruments that facilitate the mobilization of capital from retail and institutional investors for the transition towards a sustainable economy.*

On the Australian Securities Exchange (ASX), 373 Exchange Traded Funds (ETFs) are listed, of which 30 are sustainability-focused-(including green & climate-focused) ETFs. The investment analysis of sustainability-focused (including green & climate-focused) ETF portfolios show that, on average, these portfolios provide 2.56% annual distributions (dividends & interest earnings), with 1-year and 3-year total annual returns of 13.36% and 6.92%, respectively, relative to an average beta (riskiness) of 0.94.

Investors must contextualize these responsible and ethical investment returns within the strict norms of Responsible & Sustainable Investment (R&SI) Approaches, the disclosure expectations of the Responsible Investment Certification, the principles of the UN Global Compact, and the sustainable finance system's global commitment to advance and contribute to the UN SDGs and the Paris Agreement. In addition, the sustainable finance system faces challenges due to a lack of standardised policy support for the emerging sustainability market worldwide.

Hence, a sustainable finance system requires long-term investment support from investors and policy support from respective governments worldwide.

Key words: *Sustainable Finance, ESG Risk, Australian Securities Exchange (ASX), Exchange Traded Funds (ETFs), Sustainable Investment strategy, Climate Change, Net Zero, Green Bond, Portfolio diversification, Responsible & Sustainable Investment (R&SI) Approaches.*

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