

Quarterly Performance Review

u ethical Australian Equities Trust - Wholesale

Quarterly highlights September 2020

- Australian equity markets were flat following a strong June quarter. While uncertainty from COVID-19 remains high, fiscal stimulus measures and accommodative monetary policy have supported markets.
- The total return for the Trust over the September quarter was 1.17 per cent, outperforming the benchmark by 1.23%.
- Relative outperformance was driven by security selection (particularly across Materials, Financials and Industrials) with sector allocation detracting from performance.
- Top performing stocks for the quarter included Fortescue Metals, Goodman Group and Reliance Worldwide. During the quarter we added Spark Infrastructure Group to the Trust.

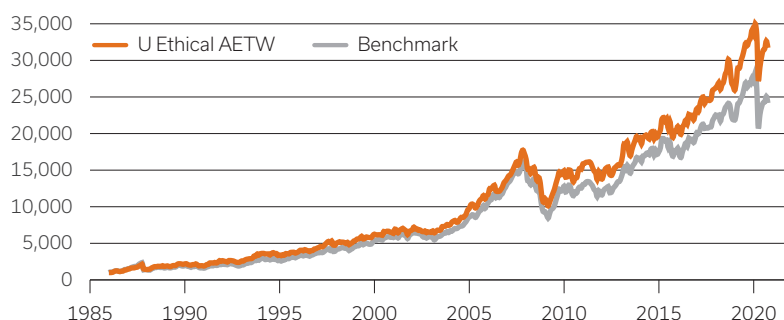
Investment objective

The U Ethical Australian Equities Trust - Wholesale has been developed for the long-term investor, and aims to outperform benchmark after fees over rolling 5-year periods. It invests primarily in Australian shares and listed property trusts, as well as up to 10 per cent in fixed interest and cash. It is available to not-for-profit, corporate and institutional investors.

Fund information

Inception date	1 January 1986 ¹
Fund size	\$406.99 million
Benchmark	S&P/ASX 300 Accumulation Index
Buy/sell spread²	0.25% / 0.25%
Management costs	Estimated up to 0.80% p.a. See Information Memorandum
Portfolio manager	Jon Fernie
Number of stocks	20-40

Growth of \$1000 invested[†]



Annualised returns

	3 months % p.a.	6 months % p.a.	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.
U Ethical Australian Equities Trust - Wholesale[†]	1.17	16.63	-2.84	8.73	10.26	7.92	10.47
Benchmark[*]	-0.06	16.73	-9.96	4.94	7.42	6.85	9.60
Relative performance	1.23	-0.10	7.12	3.79	2.84	1.07	0.87

Past performance is not indicative of future performance.



U Ethical has been certified by the Responsible Investment Association Australasia (RIAA) according to the strict disclosure requirements under the Responsible Investment Certification Program. The Certification Symbol signifies that an investment product or service takes environmental, social, ethical or governance considerations into account along with financial returns. Developed in response to investor requests for help in making informed choices, the Symbol and Certification Program promotes consistent, standardised disclosure and education about responsible investment products and services. The Symbol does not constitute financial advice by RIAA. See www.responsibleinvestment.org for details.

Issued by Uniting Ethical Investors Limited ABN 46 102 469 821 AFSL 294147

¹ The U Ethical Australian Equities Portfolio was originally established on 1 January 1986. The portfolio was then transitioned from a debenture to a unit trust and renamed as the U Ethical Australian Equities Trust - Wholesale on 1 November 2019.

² The buy/sell spread is set at 0.25 per cent per unit and is rounded to the nearest cent. The buy/sell spread was lowered (from 0.30 per cent) on 1 January 2018.

[†] Based on exit price with distributions and franking credits reinvested, and are net of all fees.

Market Commentary

The global economy continued to deliver mixed messages across the quarter, recovering in varying degrees from the COVID-19 induced recession announced in June. Uncertainty has stymied certain elements of household and business activity across all economies, while other sectors have thrived in response to changing consumption patterns and shifts. Global growth is now predicted to be -4.4% (the International Monetary Fund (IMF) October 2020) - less severe than first predicted as economies respond to the massive amount of monetary, fiscal and regulatory stimulus being pumped into economies.

The apparent disconnect between equity markets and the economic outlook - dampened once again by a second wave of cases amongst major global economies, remains a concern. It appears unlikely to turn bullish. It is difficult to foresee when the bond market may turn and interest rates rise - an event which may compel equity investors to seek an alternative and an end to current stock market buoyancy. Most valuation measures appear grossly distorted and contrary to conventional long-term trends.

Active portfolio management will be a means to mitigate outstanding risks of the pandemic and consequent economic turbulence left in its wake. There will be significant shifts in economic, social and political patterns in response, creating opportunities our portfolios will seek to capture. Increasing scrutiny across factors such as modern slavery, climate change practice and executive and boardroom behaviour remains in our line of focus. Ethical investment should offer inherently sustainable solutions to help steer our portfolios through these challenging times.

Portfolio commentary

The Trust delivered a total return of 1.2 per cent over the quarter, outperforming the benchmark return of -0.1 per cent. Reporting season was better than initially feared, although expectations had been low given COVID-19. Consumer Staples, Building Materials, Retail and Industrials stocks showed surprising resilience, although the uncertain outlook led to many companies not issuing forward guidance. Fortescue Metals was again a top performer benefiting from elevated iron ore prices and robust Chinese demand. Goodman Group also contributed strongly as the company benefit from demand for quality industrial property and growth in e-commerce. The a2 Milk Company was a key detractor after downgrading earnings guidance due to a disruption to Daigou channel sales. During the quarter, we added Spark Infrastructure Group to the Trust to further support portfolio income. We continue to remain cautious holding higher levels of cash and exposure to quality defensive stocks. However, we note the outlook domestically has improved given fiscal support from the Federal budget, the Reserve Bank of Australia signalling that monetary policy will remain accommodative and improved containment of COVID-19.

Top 10 holdings*

CSL	8%
Commonwealth Bank of Australia	6%
Goodman Group	4%
Wesfarmers	4%
Fortescue Metals	4%
Macquarie Group	4%
Transurban Group	4%
Coles Group	3%
Telstra Corporation	3%
Sonic Healthcare	3%
Total	43%

Sector Exposure*

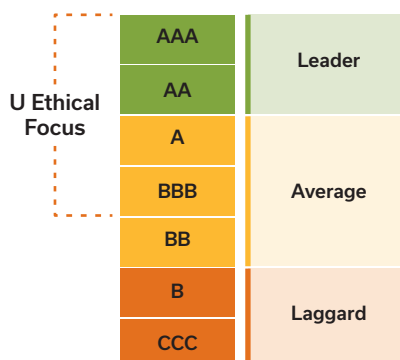


Health Care	17%
Banks	14%
Industrials	12%
Materials	9%
Communication Services	9%
Consumer Discretionary	8%
Insurance & Diversified Financials	8%
Real Estate	8%
Cash	8%
Consumer Staples	5%
Utilities	2%

*% (rounded to nearest whole)

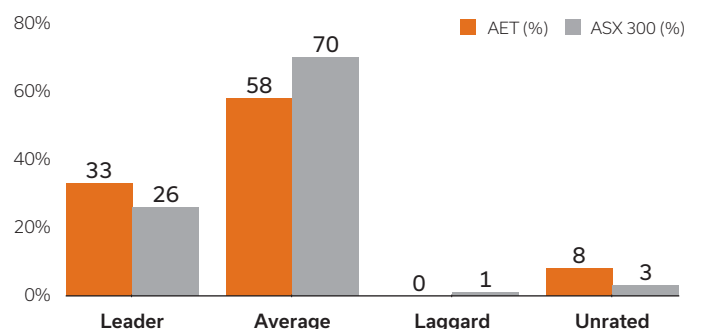
Ethical Outcomes

Environmental, Social, and Governance (ESG) refers to the three central factors in measuring the sustainable and societal impact of an investment.



ESG ratings

The fund has more leading ESG ratings compared to the benchmark



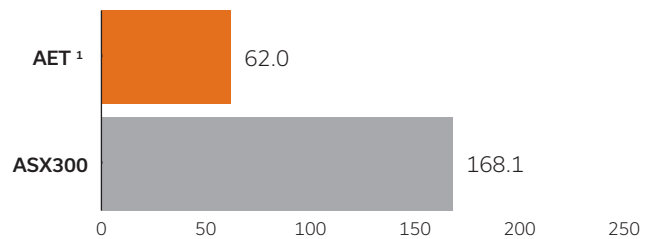
SDG Champions

The United Nations Sustainable Development Goals (SDGs) have created a clear message that the private sector has a significant role to play in their achievement.

The SDGs are used as a targeted alignment with the Portfolio. Using the goals as a guideline for ethical investing helps maintain our vision of doing well while doing good.



Carbon footprint (Tonnes CO2 equivalents per \$ million invested)



Top pick for sustainable impact this quarter

Company: **Brambles**
 Industry classification: **Commercial services & supplies company**

Weight: **2.43%**

ESG Profile: **Leader**



A pioneer in the circular economy, Brambles produces the world's largest pool of reusable pallets, crates and containers providing a strong sustainable investment case.

For the last four years, Brambles has continued to be an undisputed 'AAA' ESG-rated company, leading in its industry of commercial services and supply through comprehensive programs addressing quantitative sustainability target setting and measurement coupled with robust governance practices.

As of 2019, Brambles acquires 99.7% (2018: 99.4%) of its timber through sources with stringent Chain of Custody (or similar) certification and appears to be on track to achieve 100% by 2020.

This has brought Brambles in alignment with UNSDG 12 (Sustainable Consumption and Production). The company's supply network optimisation work has also resulted in substantial savings in transportation flows. Brambles is also in alignment with carbon emissions management (UNSDG 13 - Climate Action).

Brambles maintains robust human capital and workforce management efforts, which include talent pipeline development, employee engagement and training requirements for employees, through its Management Academy. MyShare is available to all employees and represents the company's 12% largest shareholder group. Around 42% of employees purchased shares through the program in 2019. The company has set firm-wide diversity targets to foster equality in the workforce and demonstrates good progress towards its targets.

U Ethical will continue to engage with Brambles to ensure its Board independence and corporate remuneration targets enable the company to maintain its leadership and adapt to evolving market challenges.

U Ethical is an investment manager with a difference. We believe in creating a better world by investing with purpose—today and into the future.

With the creation of our first funds in 1985, we have become one of the largest ethical investment managers in Australia with over \$1 billion in funds under management.

We are also one of the few investment businesses in Australia to have been certified as a B Corporation. As a not-for-profit social enterprise, we grant the majority of our operating surplus to community programs.

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¹ 90.1% of AETW holdings reported carbon data, remaining estimated by MSCI. 75.0% of the benchmark reported carbon data, remaining estimated by MSCI.