

Quarterly Performance Review

u ethical Australian Equities Trust - Wholesale

Quarterly highlights December 2020

- Australian equity markets rallied over the December quarter lifted by positive vaccine developments, improved economic data and rising commodity prices.
- The total return for the Trust over the quarter was 10.8 per cent, underperforming the ASX 300 Accumulation Index by 3.0 per cent.
- Over a volatile year, the Trust delivered a total return of 5.0 per cent, outperforming the benchmark by 3.3 per cent.
- Top performing stocks over the quarter included Fortescue Metals Group, the major banks and REA Group. During the quarter we added Super Retail Group to the Trust.

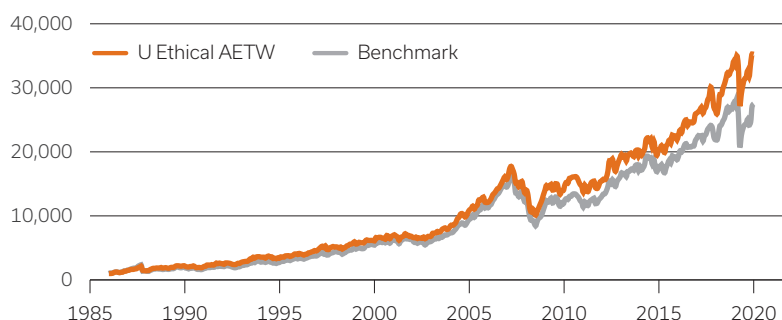
Fund information

Inception date	1 January 1986 ¹
Fund size	\$469.23 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

Investment objective

The U Ethical Australian Equities Trust - Wholesale has been developed for the long-term investor, and aims to outperform the 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.

Growth of \$1,000 invested³



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 - Wholesale¹	10.80	12.10	5.03	10.16	10.88	8.28	10.71
Benchmark²	13.79	13.73	1.73	6.87	8.84	7.75	9.93
Relative performance	-2.99	-1.63	3.30	3.29	2.04	0.53	0.78

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

¹The 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.

²The 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.

³Benchmark = ASX300 Accumulation Index (XKQAI)

⁴Based on exit price with distributions and franking credits reinvested and are net of all fees.

Market Commentary

Despite uncertainty over the US Presidential election and a continued surge in global COVID-19 infections, markets focused on a brighter outlook. This was premised on the rollout of COVID-19 vaccines and upward revisions to economic growth for the end of 2021.

While central banks and government agencies the world over pledged ongoing financial market support, equity markets took their cue to surge across the quarter.

This resumed the equity push through record highs, with global equities up (5.7%). Australia posted an enviable scorecard; our effective pandemic measures showed signs of resilient retail and consumption figures, improving unemployment figures as well as a buoyant property market. The Reserve Bank of Australia (RBA) signalled that interest rates are to stay lower for longer. These are all boosted by surprisingly strong commodity prices with Australian equities posting double digit gains (10.8%).

By the end of the quarter, it appears most of the probable positive news flow has now been fully appreciated by the markets. Signs that the ever lower interest rate cycle may have reached its end in the USA has seen enthusiasm for equities tempered as we enter the new year demanding ongoing prudence and careful investment decisions.

Portfolio commentary

Global equity markets recorded strong returns over the quarter, lifted by hopes of US fiscal stimulus, improved economic data, positive vaccine developments and expectations that interest rates will remain low over the medium-term. This optimism drove a recovery for sectors that had been heavily impacted by the pandemic such as financials, energy, and tourism exposed stocks. The Trust gained 10.8 per cent for the period, underperforming the ASX 300 Accumulation Index by 3.0 per cent. Over benchmark by 3.3 per cent. Sector allocation and holding higher levels of cash, (given ongoing uncertainty) detracted from performance during the quarter, although this was partly offset by security selection. Fortescue Metals was again a top performer for the Trust, supported by high iron ore prices due to tight global supply and solid Chinese demand. The major banks also contributed strongly to overall performance, supported by a continued reduction in loan deferrals, a rebound in domestic economic activity and the removal of the banking regulator's cap on dividends. During the quarter we added Super Retail Group to the Trust, a company we believe is well positioned to capitalise on increased retail spending and domestic tourism.

Top 10 holdings

CSL	7.5%
Commonwealth Bank of Australia	6.7%
Fortescue Metals Group	5.0%
National Australia Bank	4.2%
Wesfarmers	4.2%
Macquarie Group	4.0%
Westpac Banking Corporation	4.0%
Australia & New Zealand Banking Group	3.7%
Goodman	3.6%
Transurban	3.2%
Total	46.1%

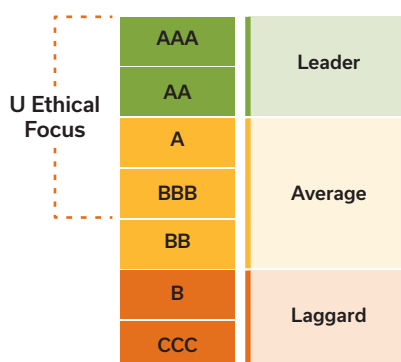
Sector Exposure



Banks	18.6%
Health Care	14.6%
Industrials	11.4%
Materials	10.5%
Consumer Discretionary	9.7%
Communication Services	8.6%
Insurance & Diversified Financials	7.6%
Real Estate	7.4%
Cash	6.0%
Consumer Staples	3.8%
Utilities	1.8%

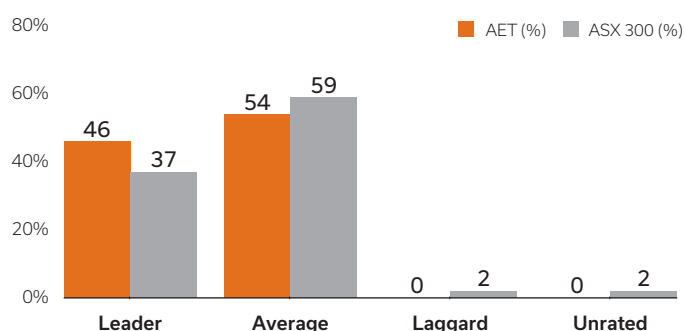
Ethical Outcomes

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



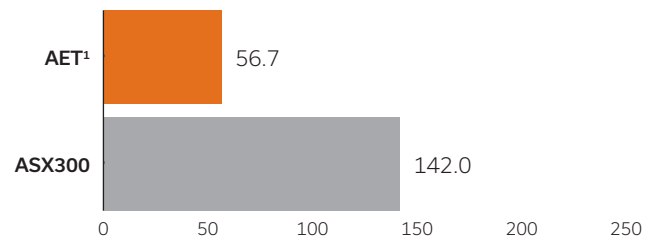
SDG Champions

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: **ResMed Inc**
 Industry classification:
Healthcare
 Weight: **2.1%**
 ESG Profile: **Leader**

RESMED derives an estimated 26.32 % of its revenues (FY20) from products for the treatment or diagnosis of major diseases, including sleep disordered breathing (SDB), chronic obstructive pulmonary disease (COPD) and neuromuscular disease. Aligned with UN-SDG 3 – Good health and well-being. An ESG leader with excellence across product safety & quality and human capital development.



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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¹90.1% of AETW holdings reported carbon data, remaining estimated by MSCI. 75.0% of the benchmark reported carbon data, remaining estimated by MSCI.