

Quarterly highlights December 2020

- Whilst delivering a comparative return, the fund remains conservatively positioned and continues to offer high levels of liquidity.

Investment objective

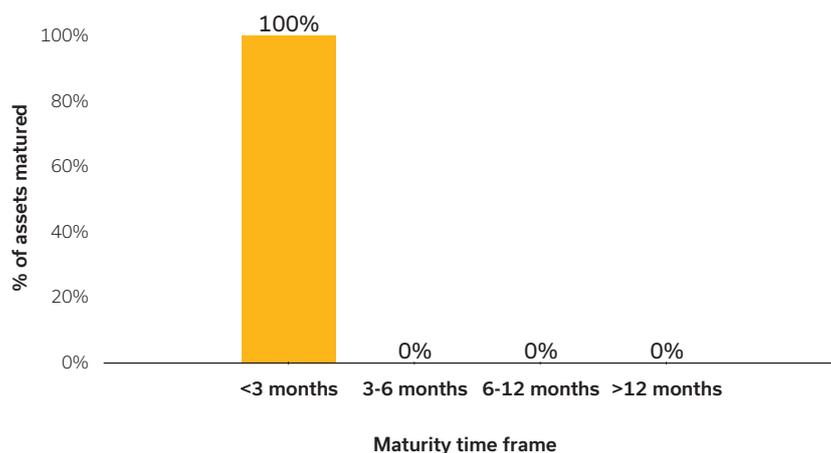
The U Ethical Cash Management Trust - Retail aims to compare favourably with comparable cash management trusts through a combination of cash and cash equivalent investments.

As the Trust is a very low risk investment option it is suitable for short term investment, while aiming to maintain a high level of capital stability. It also aims to outperform the benchmark after fees over a rolling one-year period.

Fund information

Inception date	1 July 2020
Fund size	\$117.79 million
Management costs	Estimated up to 0.45% p.a. (See Product Disclosure Statement)
Portfolio manager	Rachel O'Connor

Maturity profile[†]



Distribution yield

	3 months % p.a.	6 months % p.a.	Since inception % p.a.
U Ethical Cash Management Trust - Retail[†]	0.20	0.32	0.32
Benchmark[‡]	0.05	0.11	0.11
Relative performance	0.15	0.20	0.20

Past performance is not indicative of future performance.

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

[‡]RBA Cash Rate

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 out of COVID-19 vaccines and upward revisions to economic growth for the end of 2021.

As 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 helped generate resilient retail and consumption figures, improving unemployment figures as well as a buoyant property market. The Reserve Bank of Australia (RBA) cut interest rates further and signalled that interest rates are to stay lower for longer. With an additional boost from surprisingly strong commodity prices, Australian equities posted 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

Interest rates continued to grind lower over the quarter as the RBA provided further economic stimulus by cutting all 3 key interest rates, including the cash rate target, Term Funding facility (TFF) rate and the 3 year government bond yield target from 0.25% to 0.10%. They also embarked on a formal quantitative easing program that involves buying \$100 billion of government and semi-government bonds to lower longer dated interest rates.

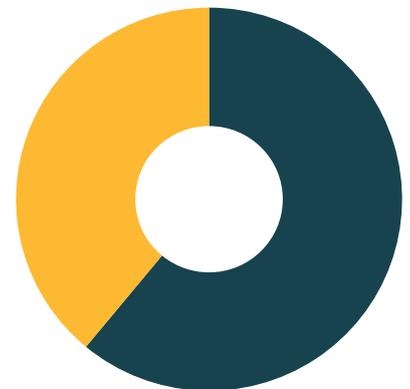
Credit spreads also continued to narrow as the RBA continued to inject liquidity into the financial system and investors competed for yield. As the economy continues to open up, sentiment towards credit should remain positive.

Interest rates on term deposits continued to fall against a backdrop of low issuance by the banks who continue to access cheap funding from the RBA's Term Funding Facility (TFF).

Top 5 Issuers

National Australia Bank	28.9%
Bank of Queensland	22.7%
Macquarie Bank	19.5%
Bendigo and Adelaide Bank	9.7%
HSBC Bank Australia	6.6%
Total	87.4%

Asset allocation



Cash	61.0%
Term deposits	38.9%

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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