

Quarterly Performance Review

U Ethical Australian Equities Trust – Wholesale

Quarterly highlights December 2019

- The fund is now fossil fuel free following the divestment of Oil Search and Woodside Petroleum.
- During 2019 the fund provided a total return of 29.1 per cent against a benchmark return of 23.8 per cent.
- The total return for the December quarter was 2.5 per cent, outperforming the ASX 300 Accumulation Index by 1.8 per cent.
- Top performing stocks for the quarter included Fortescue Metals, a2 Milk and CSL.

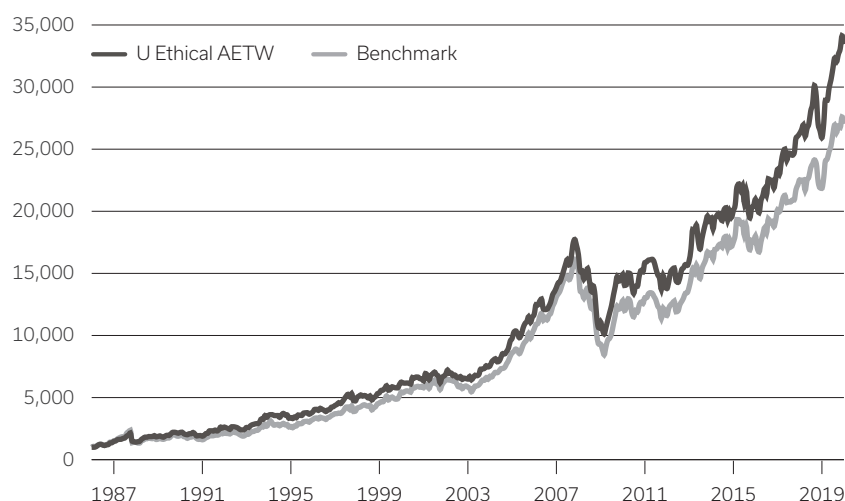
Investment objective

The U Ethical Australian Equities Trust - Wholesale has been developed for the long-term investor, and aims to produce a total return of 3 per cent above the rate of inflation (CPI +3) over a rolling five-year period. 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	\$395.30 million
Benchmark	S&P/ASX 300 Accumulation Index
Buy/sell spread²	0.25% / 0.25%
Management costs	0.80% p.a. See Information Memorandum
Portfolio manager	Jon Fernie
Number of stocks	20-40

Growth of \$1000 invested[†]



Total returns (% per annum)

	3 months %	6 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.
U Ethical Australian Equities Trust – Wholesale[†]	2.50	6.39	29.11	12.71	10.81	8.42	10.89
Benchmark	0.71	3.28	23.77	10.33	9.07	7.77	10.18
Relative performance	1.79	3.12	5.34	2.38	1.74	0.65	0.70



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

It is difficult to foresee interest rates rising over 2020 – something of a double edged sword for the Australian economy as those reliant on fixed interest returns to boost their savings income will enjoy little relief from current low levels while equity and property markets can factor in continued levels of support from the RBA. Consumer spending still remains key for the growth of the Australian economy and is currently experiencing contrasting influences from nervousness across the jobs market against renewed optimism in the property market. Emerging concern over the economic impost from the tragic and catastrophic bushfires ravaging the country are yet to be fully captured in the market's assessment but it has refocused thinking on the longer term impacts from climate change. U Ethical's ongoing consideration of environmental, social and governance factors (ESG) within our investment approach demands our attention and we remain very aware of the potential for new emerging risks.

While the RBA looks set to maintain low interest rates for some time with yet another rate cut in the pipeline, the continued high levels of returns from equity markets appear unlikely. With global and domestic corporate earnings growth running well below the recent surge in share prices, valuations and

investor sentiment appear high and warrant some caution ahead, particularly with ongoing geopolitical tensions.

Portfolio commentary

The fund gained 2.5 per cent over the quarter outperforming the benchmark return of 0.7 per cent. Sector allocation and stock selection were both positive during the period. Fortescue Metals was a significant contributor with iron ore prices remaining elevated given industry supply issues (despite dropping from mid-year highs). a2 Milk also contributed positively with updated revenue and margin guidance beating market expectations. Despite holding an underweight position in financials, the major banks detracted from absolute returns given AUSTRAC compliance issues for Westpac and capital requirement changes from the Reserve Bank of New Zealand. Following a change in the ethical investment policy, the fund exited Oil Search and Woodside Petroleum during the quarter and no longer has any direct fossil fuel exposure. Dexs was also added to the fund increasing exposure to high quality office and industrial property.

Top 10 Holdings	%
CSL	8.20
Commonwealth Bank Of Australia	7.05
Macquarie Group	4.17
Westpac Banking Corporation	4.07
Wesfarmers	3.73
Fortescue Metals Group	3.63
Australia And New Zealand Banking Group	3.46
National Australia Bank	3.38
Transurban Group	3.28
Goodman Group	3.06
Total	44.03

Sector Exposure*



Banks	18%
Health Care	17%
Industrials	13%
Consumer Discretionary	10%
Insurance & Diversified Financials	9%
Materials	8%
Communication Services	7%
Cash	7%
Real Estate	6%
Consumer Staples	4%

* Numbers are rounded to nearest whole number.

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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