

# Quarterly Performance Review

## Uniting Ethical Australian Equities Trust

June 2018

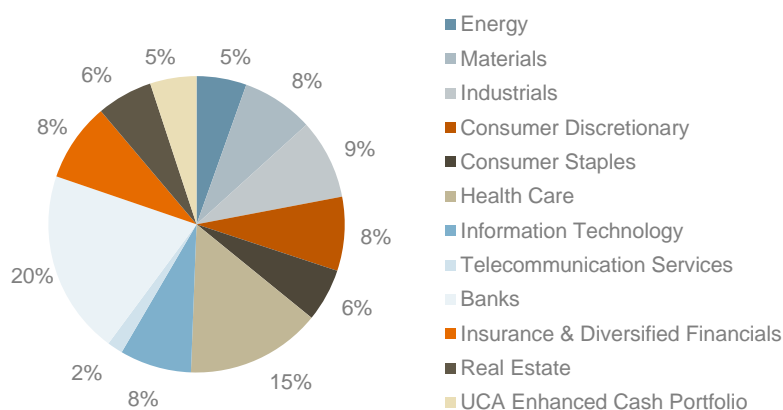
<b>Fund size</b>	\$58.54 million
<b>Benchmark</b>	S&P/ASX 300 Accumulation Index
<b>Buy/sell spread<sup>1</sup></b>	0.30% / 0.30%
<b>Management costs</b>	1.315% p.a. See Offer Document
<b>Inception date</b>	7 July 2003
<b>Portfolio manager</b>	Jon Fernie

### Quarterly highlights

- > The trust rebounded a strong 7.41 per cent in the quarter, slightly behind benchmark.
- > Overweight in positive impact sectors health and technology and underweight exposure to financials helped returns.
- > Outperformers included Afterpay Touch (on US expansion) and CSL (on strong volume growth).
- > The market appears fairly valued and we continue to expect equities to outperform cash over the medium term.

Top 10 holdings	(%)
CSL	6.42
Westpac Banking Corporation	6.39
National Australia Bank	4.95
Australia and New Zealand Banking Group	4.70
Commonwealth Bank Of Australia	4.07
Macquarie Group	3.66
Lendlease Group	3.13
Woodside Petroleum	3.12
Wesfarmers	3.05
Goodman Group	2.97
<b>Total</b>	<b>42.46</b>

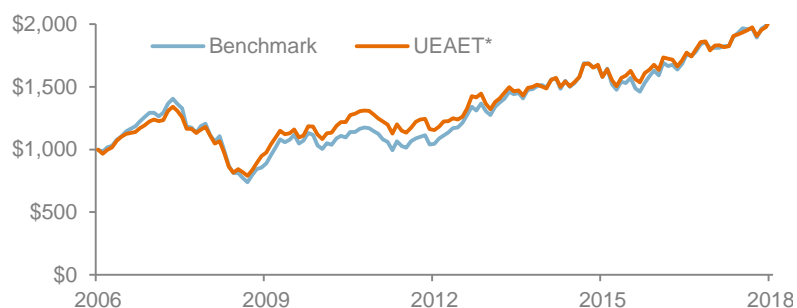
### Sector exposure



### Investment style and objectives

The Uniting Ethical Australian Equities Trust has been developed for the long-term investor, and aims to produce a total return of 3 per cent above the rate of inflation over a rolling five-year period. It invests primarily in Australian shares, as well as up to 10 per cent in fixed interest and cash

### Growth of \$1,000 invested†



\* Uniting Ethical Australian Equities Trust

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

<sup>1</sup> The buy/sell spread is set at 0.30 per cent per unit and is rounded to the nearest cent.

	Total returns (net of fees)						
	3 months %	6 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.*
<b>Uniting Ethical Australian Equities Trust †</b>	7.41	5.88	11.96	9.07	9.15	6.27	8.19
<b>Benchmark</b>	8.36	4.27	13.24	9.14	9.99	6.28	9.50
<b>Relative performance</b>	-0.95	1.61	-1.28	-0.07	-0.84	-0.01	-1.31

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

\* Inception July 2003

From 1 October 2015, the Trust moved to a 100% Australian equities fund from previously having an 80% Australian equities and 20% cash allocation.

## Market commentary

In the wake of the first quarter's high volatility, a strong rebound in equity markets led to a preference for growth assets early in the quarter. On the global stage, despite the positive peace dividend likely to come from the North Korea-USA rapprochement, the increasingly bellicose statements from Trump over tariffs with China and Europe saw profit-taking from high growth sectors in June and rotation into more defensive sectors. In Australia, economic momentum is slowing on the back of tighter lending restrictions, recent out-of-cycle mortgage rate hikes, high consumer debt levels and a cooling housing market. Despite this, robust state and federal government spending trends, pre-election cycle tax cuts, an Australian dollar below 75 cents (to the US dollar) as well as continued low short term interest rates should support GDP growth at around 3 per cent over the coming year. Strong near-term earnings growth for the ASX 300 Accumulation Index, boosted by high commodity prices, is forecast to revert to back to low single digits in 2019. The market appears fairly valued and we believe that equities are still likely to outperform cash.

## Portfolio commentary

The portfolio delivered a robust 7.41 per cent return for the quarter. Overweight positions in positive impact sectors (healthcare and Information technology) as well as being underweight in financials (which were hampered by negative news from the banking royal commission) was positive for performance. Conversely, a large underweight in materials (particularly mining) and higher levels of cash from new inflows negatively impacted returns. Outperformers for the quarter included Afterpay Touch (on optimism around its US expansion), Oil Search (helped by stronger energy prices) and CSL (on strong volume growth). In contrast, underperformers included Telstra Corporation (FY19 earnings guidance well below expectations and a restructuring announced), Ramsay Healthcare (which downgraded FY18 earnings guidance) and JB HiFi (concerns about the housing correction impact and Amazon's local expansion plans).

## About the Manager

UCA Funds Management is a social enterprise of The Uniting Church in Australia (Victoria and Tasmania). We are Australia's first dedicated ethical funds manager, beginning in 1985 to manage investments and treasury services for the Church. Throughout the last 30 years, we have grown to become one of the largest dedicated ethical fund managers in Australia. Today we have more than \$1 billion funds under management, and offer investment options for personal investors, charities and faith-based organisations.

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