

Quarterly Performance Review

Uniting Ethical Australian Equities Trust

September 2018

Fund size	\$61.83 million
Benchmark	S&P/ASX 300 Accumulation Index
Buy/sell spread¹	0.30% / 0.30%
Management costs	1.315% p.a. See Offer Document
Inception date	7 July 2003
Portfolio manager	Jon Fernie

Top 10 holdings	(%)
CSL	6.35
Westpac Banking Corporation	5.77
National Australia Bank	4.75
Australia and New Zealand Banking Group	4.44
Macquarie Group	3.89
Commonwealth Bank Of Australia	3.78
Woodside Petroleum	3.37
Wesfarmers	3.35
Resmed Inc	3.10
Goodman Group	3.03
Total	41.83

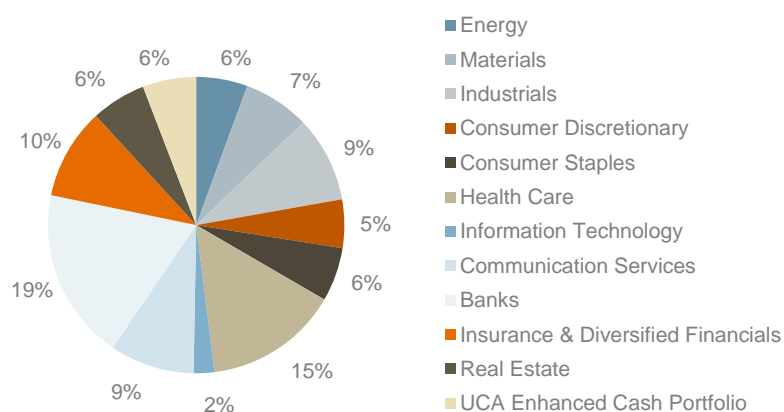
Investment style and objectives

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

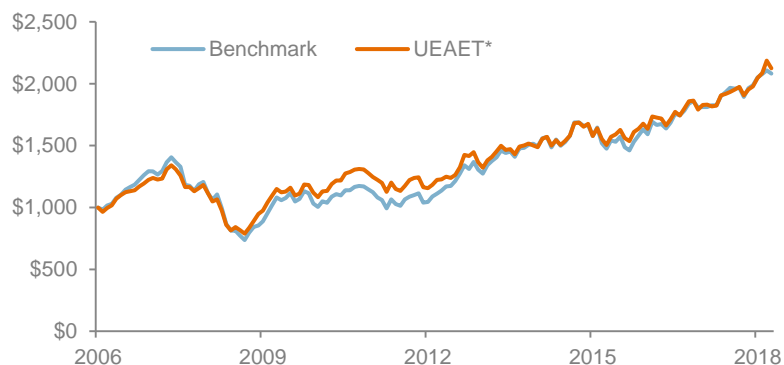
Quarterly highlights

- › The portfolio delivered a robust 3.75 per cent gain during the quarter with Afterpay and ResMed continuing to make strong contributions.
- › Being overweight in positive impact sectors technology and healthcare, as well as underweight in financial stocks again contributed to returns.
- › We are targeting more defensive exposures and stocks offering structural growth opportunities.
- › Although the market appears fairly valued against alternative asset classes we remain vigilant should the big picture outlook for growth assets deteriorate.

Sector exposure



Growth of \$1,000 invested†



* Uniting Ethical Australian Equities Trust

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

	Total returns (net of fees)						Since inception % p.a.*
	3 months %	6 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	
Uniting Ethical Australian Equities Trust †	3.75	11.44	16.47	12.17	7.89	8.09	8.31
Benchmark	1.50	9.99	14.03	12.16	8.19	7.65	9.44
Relative performance	2.25	1.45	2.44	0.01	-0.30	0.44	-1.13

† 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

The escalating trade tensions between the US and China alongside emerging market instability were the key risks to emerge during the quarter. Climate change risks have also been very much in focus due to superstorms in both the US and Asia and in the lead up to the Paris Accord COP24 meeting in the fourth quarter. Domestically markets took the change in leadership of the Coalition government in its stride, not least as it occurred in the midst of earnings reporting season. However, the abandonment of the National Energy Guarantee (NEG) under new Prime Minister Scott Morrison provides further uncertainty over domestic energy costs and investment certainty required for the transition to renewables. Earnings growth for the S&P/ASX 300 is expected to be 11.4 per cent for the next 12 months. This is substantially driven by improved earnings for resource companies on the back of higher commodity prices where we remain underweight for ethical reasons. Expectations are for earnings growth to moderate to 4.1 per cent the following year. The market remains close to fair value with the S&P/ASX 300 trading on a forward PE ratio of 15.9 times, although at a discount to the US market.

Portfolio commentary

The portfolio added a further 3.75 per cent this quarter, substantially ahead of the benchmark. An overweight position in technology and healthcare was positive for returns driven by strong performances from Afterpay and ResMed. While Mayne Pharma recovered strongly, we exited the position due to concerns from ongoing price deflation. The portfolio remains underweight in the banks given sentiment and risk from the royal banking commission recommendations. Challenger, the annuities manager, was a new addition with expectations for demographic trends and regulatory changes to be supportive. The solid outlook for infrastructure spending and the acquisition of Dial A Dump supported a further increase in Bingo. We are targeting more defensive exposures and stocks offering structural growth opportunities as a cooling housing market and high household debt levels cloud the outlook.

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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