

Quarterly Performance Review

Uniting Ethical Australian Equities Trust

December 2018

Fund size	\$53.97 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	6.91
Westpac Banking Corporation	5.61
Australia and New Zealand Banking Group	4.41
National Australia Bank	4.25
Macquarie Group	4.08
Goodman Group	3.56
Commonwealth Bank Of Australia	3.22
Suncorp Group	3.15
Woodside Petroleum	3.13
Resmed Inc	3.02
Total	41.34

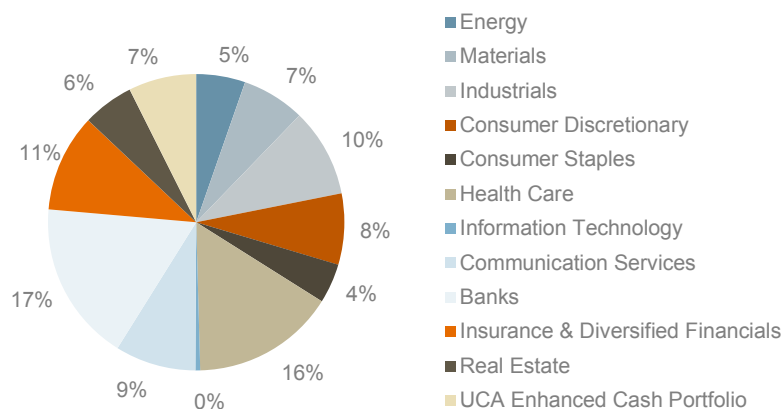
Investment style and objectives

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

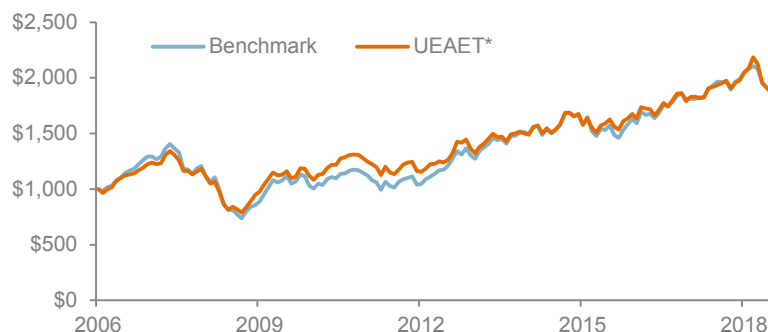
Quarterly highlights

- › Volatile equity markets and a decrease in risk appetite drove the ASX300 Index down by 8.41 per cent for the quarter.
- › Underperformance was driven by the large underweight in materials, higher growth stocks and sharp falls in Lendlease, Bingo and small cap holdings.
- › We increased cash and defensive exposures including consumer staples company Coles after its demerger from Wesfarmers.
- › The sell-off across-the-board now provides some attractive opportunities for prudent stock pickers seeking long-term secular growth exposures.

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.

Source: Bloomberg 31 December 2018

	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 †	-12.16	-8.86	-3.50	4.67	4.86	8.28	7.27
Benchmark	-8.41	-7.03	-3.06	6.65	5.60	8.91	8.67
Relative performance	-3.75	-1.83	-0.44	-1.98	-0.74	-0.63	-1.40

† 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

Global equity markets were volatile over the quarter with the S&P/ASX300 Index falling 8.41 per cent. The decrease in risk appetite was driven by a rising number of global macroeconomic and geopolitical factors. Increasing US-China trade friction and a prospective hard Brexit in the UK have softened the global trade outlook while lower US housing sales, higher inventories for US homebuilders and hawkish comments from the Federal Reserve raised fears of a US recession. Domestically, a cooling property market, a weak household sector, tightening access to credit, and concerns over the Australian Labor Party's proposed tax reform have all weighed on investor sentiment. With the derating of the S&P/ASX 300 Index, it is now trading on a forward price/earnings (PE) ratio of 14.5 times in line with historical PE levels.

Portfolio commentary

The portfolio had a tough quarter down 12.16 per cent and underperformed the benchmark by 3.75 per cent. Sector allocation and stock selection were both negative during the quarter overall, despite a transition from growth-oriented stocks to those deemed more defensive. Underweight materials from excluded mining companies hurt performance. In addition, key detractors were Lendlease due to a write-down of three problematic projects, and Bingo because of competition issues with its acquisition of Dial a Dump. Media exposure within the consumer discretionary sector, QMS Media and Southern Cross Media, both retreated on concerns of a slowing economy impacting advertising revenue. We finally exited The Reject Shop following a weaker trading update. The higher cash position and stock selection in healthcare and consumer discretionary were positive. We took profits on high PE stocks such as CSL, REA Group, and Seek and reduced exposure to Boral following a softer trading update. New additions include Coles after its demerger from Wesfarmers and Reliance Worldwide which has exposure to the more defensive renovation market. While the portfolio is trading at a slight premium in terms of PE ratio, the higher average return on equity (ROE) compared to the broader market indicates a higher quality portfolio. Sell-offs across the board in the last quarter provide attractive opportunities for prudent stock picking given some company valuations have reached unwarranted levels.

About the Manager

UCA Funds Management is an investment manager with a difference. We believe in creating a better world by investing with purpose—today and into the future. Over more than three decades, 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 only 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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