

Quarterly Performance Review

u ethical Australian Equities Trust - Wholesale

Quarterly highlights March 2022

- The ASX 300 Accumulation Index had a volatile quarter due to lingering pandemic concerns in January followed by the Russia-Ukraine conflict in February. Despite concerns, the market closed the period higher than at the start of the quarter.
- The total return for the Trust over the quarter was -2.43 per cent, underperforming the ASX 300 Accumulation Index by 4.5 per cent.
- Underweight positions in Resources and Energy due to exclusions under our Ethical Investment Policy was the key driver of the underperformance.
- Top performing stocks over the quarter included: National Australia Bank, Westpac Banking Corporation, The Commonwealth Bank of Australia, Fortescue Metals and JB Hi-Fi.
- During the quarter we exited positions in Webjet and Super Retail Group as we considered them fully valued. Sydney Airport was removed following the successful completion of its takeover.

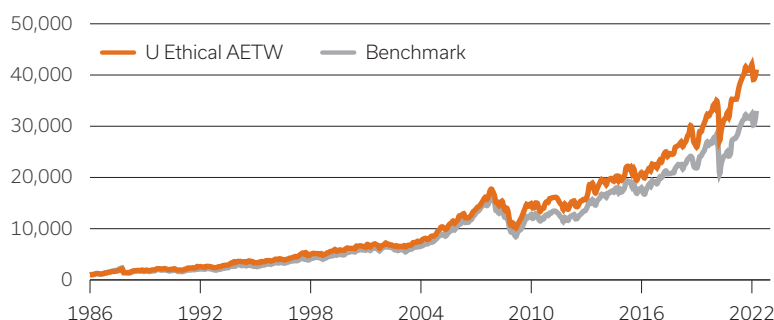
Investment objective

The U Ethical Australian Equities Trust - Wholesale has been developed for the long-term investor, and aims to outperform benchmark after fees over rolling 5-year periods. 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
Total fund size (\$M)	596.98 ²
Benchmark	S&P/ASX 300 Accumulation Index
Buy/sell spread³	0.25%/0.25%
Management costs	Estimated up to 0.80% p.a. See Information Memorandum
Portfolio manager	Cam Hardie
Stock range	Typically hold 20-40
Number of stocks	34

Growth of \$1,000 invested¹



Performance	3 months %	6 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	20 years % p.a.	Since inception % p.a.
U Ethical Australian Equities Trust - Wholesale¹	-2.43	0.53	11.90	12.27	10.63	10.32	9.27	10.79
Benchmark	2.08	4.34	15.21	10.85	9.38	10.10	8.51	10.13
Relative performance	-4.51	-3.81	-3.31	1.42	1.25	0.22	0.76	0.66

Past performance is not indicative of future performance. ¹Based on exit price with distributions reinvested and are net of all fees.



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.

¹ From inception to 31 October 2019, performance is that of the U Ethical Australian Equities Portfolio (the Portfolio) which includes franking credits. On 1 November 2019, the Portfolio was transferred into a unit trust, the U Ethical Australian Equities Trust, and performance excludes franking credits. The benchmark throughout is the S&P/ASX 300 Accumulation Index.

² This figure contains \$169,659,271.60 invested by the U Ethical Growth Portfolio product.

³ The buy/sell spread is set at 0.25 per cent per unit and is rounded to the nearest cent.

Market commentary

Global equities were volatile over the March quarter with the MSCI World Ex Australia Index (in AUD) delivering a total return of -8.4 per cent. This was partly driven by appreciation of the Australian dollar with the index returning -5.4 per cent in US dollars. The escalating conflict in Ukraine has raised concerns that inflation will remain elevated for longer and economic growth weaker than expected (particularly in Europe). Australian equities outperformed in comparison with the ASX 300 Accumulation Index returning 2.1 per cent for the quarter with the energy and materials sectors leading the charge. Corporate earnings growth has remained robust and global Purchasing Manager Indices (PMIs) in expansionary territory. However, we have seen GDP forecasts reduced as higher inflation, rising interest rates and weaker economic activity are factored in. While Chinese GDP growth for the December quarter was above expectations, concerns have grown that the country's target 5.5 per cent in 2022 may be challenging to achieve given a covid-zero policy. Global shipping data indicates that supply chain disruptions are easing, although the conflict in Ukraine and Russian sanctions have led to a sharp rise in commodity prices including for energy, base metals and grains. Headline inflation in the US increased to an annualised rate of 7.9 per cent in February and core inflation (stripping out food and energy) remains substantially above the US Federal Reserve's 2 per cent long-term target. With the unemployment rate dropping to 3.6 per cent, a tight labour market is likely to contribute to inflationary pressures. In March, the Federal Reserve raised interest rates for the first time since 2018 as it looks to tame inflation and also signalled that it will start reducing its balance sheet. The central bank's "dot plot" shows that officials expect the Federal Funds Rate to reach 2.8 per cent by the end of

2023. While inflation has been more subdued domestically, the Reserve Bank of Australia has changed its tune and indicated that interest rate rises may now start in mid-2022. Fixed income returns have been impacted by rising government bond yields with the Australian 10 year yield reaching 2.8 per cent at the end of the quarter. We expect that markets will remain volatile over 2022 and are cautious on the outlook given elevated inflation and the risk that central banks may be forced to increase interest rates faster than anticipated during a period when corporate earnings are weakening.

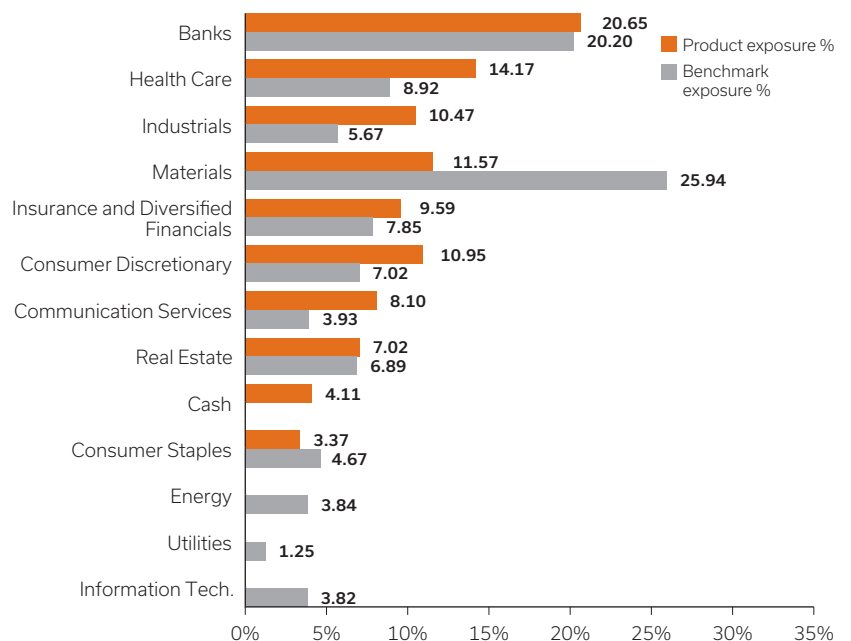
Portfolio commentary

The Trust delivered a total return of -2.4 per cent, 4.5 per cent below the benchmark, due to the strong rally in commodity and energy prices coupled with our ESG and ethical screening process precluding investment in fossil fuels. Not holding BHP Mining Company detracted 1.8% from our relative performance as it now makes up around 12% of the benchmark. Stock selection within the Financials, Consumer Discretionary and Consumer Staples sectors partially offset some of the underperformance resulting from our underweight position in the Energy and Resources sectors. Continued strengthening of iron ore prices resulted in Fortescue Metals continuing its rally of the prior quarter. JB Hi-Fi performed well during the quarter following a solid first half year result and incrementally positive sales update in March. During the quarter we exited our positions in Webjet and Super Retail Group, reducing our exposure to the Consumer Discretionary sector. We also exited Sydney Airport following the successful completion of its acquisition and subsequent delisting. We continued to build our position in APM Human Services and added to Fortescue Metals due to the outlook for iron ore remaining solid.

Top 10 holdings

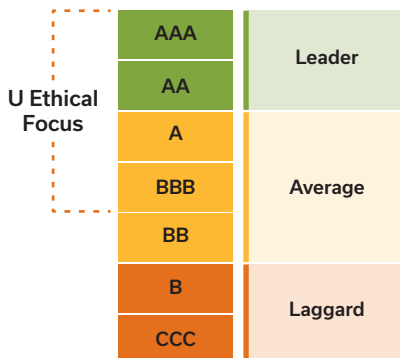
	%
CSL	6.80
Commonwealth Bank of Australia	6.12
National Australia Bank	5.86
Macquarie Group	5.44
Westpac Banking Corporation	4.97
Fortescue Metals Group	4.16
Telstra Corporation	3.77
Australia and New Zealand Bank Group	3.70
Goodman Group	3.59
Wesfarmers	3.49
Total	47.90

Sector exposure



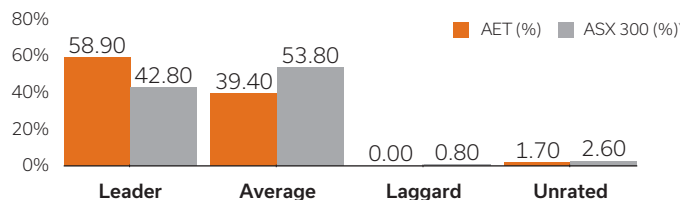
Ethical Outcomes

Environmental, Social, and Governance (ESG) refers to the three central factors in measuring the sustainable and societal impact of an investment.



ESG ratings

ESG Ratings are designed to measure a company's resilience to long-term, industry material environmental, social and governance (ESG) risks. This helps identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.



*Constituent-level scores might be affected by MSCI ESG Research's ESG Rating model enhancements introduced on the 10th of November 2020.

SDG Champions

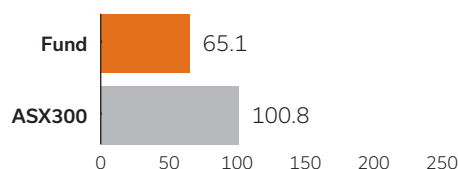


The United Nations Sustainable Development Goals (UN SDGs) were adopted by the United Nations in 2015 as a universal action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The goals identified the significant role that the private sector has to play in their achievement.

By assessing how aligned a company is to achieving specific goals, our investment team can tailor our portfolio according to U Ethical's values. Using the goals as a guideline for ethical investing helps maintain our vision of doing well while doing good.

Carbon footprint¹

Absolute emissions Scope 1&2. Tonnes CO₂ equivalents per \$ million invested.



Top pick for sustainable impact this quarter

Company: Goodman Group

Weight: 3.59

Industry classification: Real Estate Management & Services

ESG Rating: AA

Company SDG alignment:

Goodman Group's robust corporate governance, anti-corruption controls and continued progress on ESG initiatives have resulted in an improvement in their ESG rating from A to AA. Moreover, they stand out for their commitments to carbon neutrality in FY2022, increased solar installations across their properties and improved sustainability strategy including implementation of Science Based Targets for climate action.



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.

U Ethical

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¹ 90.1% of AETW holdings reported carbon data, remaining estimated by MSCI. 75.0% of the benchmark reported carbon data, remaining estimated by MSCI. Certain information ©2021 MSCI ESG Research LLC. Reproduced by permission.