

Quarterly Performance Review

u ethical Australian Equities Trust - Wholesale

Quarterly highlights March 2023

- A choppy market saw the ASX 300 Accumulation Index finish the March quarter up 3.3%. The market rallied 6.6% in January, but this optimism gave way to concerns over the RBA's more hawkish tone in February and a deteriorating outlook from companies in the most recent reporting season.
- The total return for the Trust over the quarter was 4.8%, outperforming the ASX 300 Accumulation Index by 1.5%.
- The outperformance was driven by good stock selection, partially offset by an underweight position in the Materials sector driven by our ethical investment policy.
- During the quarter we increased our underweight position in the big four banks and added Computershare to the Trust. We also exited our positions in real estate investment trusts Dexus and Lendlease.

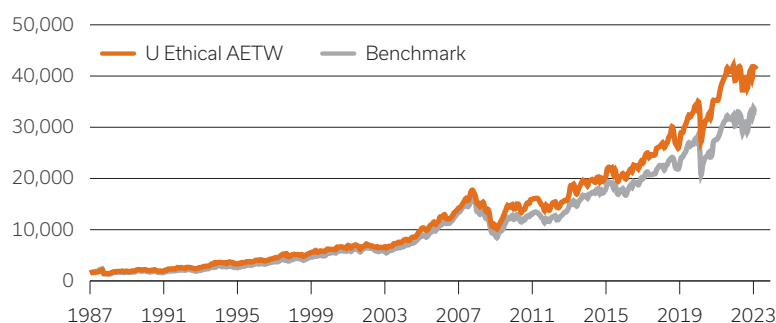
Investment objective

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

Portfolio manager	Cam Hardie
Chief investment officer	Jon Fernie
Inception date	1 January 1986 ¹
Total fund size (\$M)	\$674.11 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
Holdings range	Typically hold 20-40
Number of holdings	31

Growth of \$1,000 invested[†]



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 - Wholesale[†]	4.82	10.02	0.56	14.84	9.61	8.37	9.59	10.51
Benchmark	3.33	12.76	-0.57	16.59	8.64	8.13	9.17	9.83
Relative performance	1.49	-2.74	1.13	-1.75	0.97	0.24	0.42	0.68

Past performance is not indicative of future performance. [†]Based 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.

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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 \$167,316,780 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 rallied over the March quarter with inflation continuing to ease and central banks slowing the pace of interest rate hikes. The MSCI World Ex Australia Index (AUD) delivered a total return of 9.40% over the period. The global banking sector came into focus with the failure of the Silicon Valley Bank in the US and the forced merger of Credit Suisse with rival UBS. Actions from regulators and central banks have avoided any broader contagion within the financial system.

Headline US inflation eased to an annualised rate of 6.0% in February, although core inflation remains well above target levels at 5.5%. The US unemployment rate increased slightly to 3.6%, with the labour market remaining strong. In Australia, inflation dropped to an annualised rate of 6.8% in February as there are positive signs on the services component.

Easing inflation and expectations for tighter financial conditions following banking sector issues led to a more cautious approach from central banks. The Federal Reserve raised interest rates by 25 basis points (bps) in both February and March, down from 50bps in December. The Reserve Bank of Australia (RBA) also increased the cash rate by 25bps in these months to 3.6%, but paused at the recent April meeting. This has seen 10-year Australian government bond yields dropping by around 80bps from the start of the year.

Leading global economic indicators remain mixed, although composite purchasing manager indices (PMI) data in the US and China continued to improve. While corporate earnings

were solid during the quarter, subdued guidance and outlook statements indicate more challenging times ahead. Easing inflation means we are likely close to the interest rate peak, although further central bank tightening may be necessary to bring core inflation back to target levels.

Portfolio commentary

The Trust delivered a total return of 4.8%, outperforming the benchmark by 1.5% due to good stock selection, particularly in the Materials and Financials sectors.

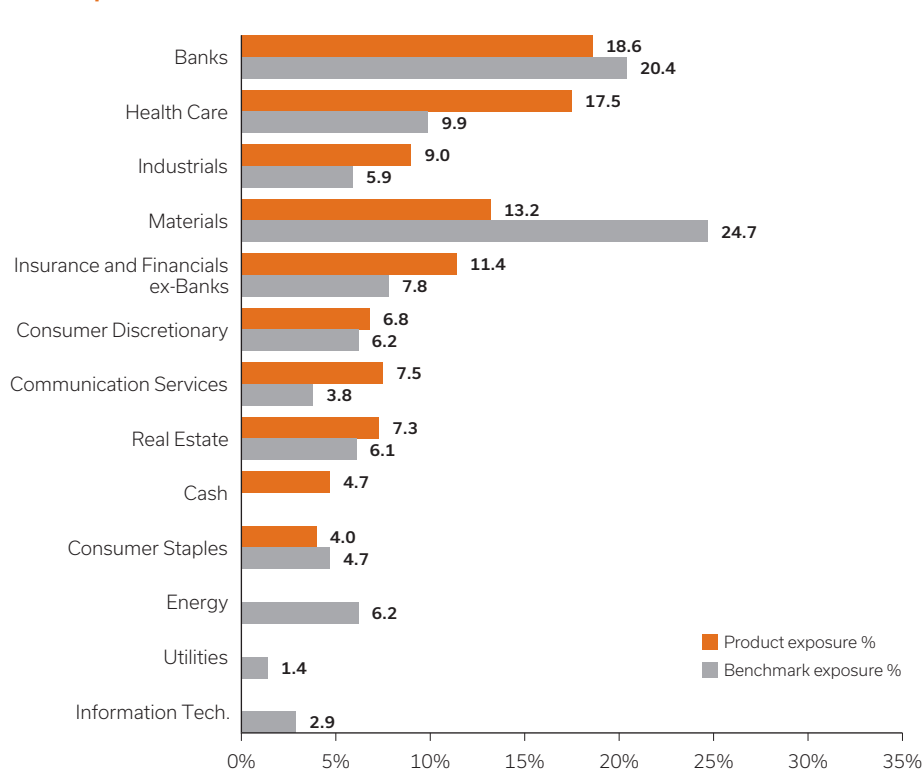
While the RBA paused its rate hikes following the end of the quarter, we maintain our defensive portfolio positioning. We see signs the economy is slowing, but also potential for inflation to persist at elevated levels which may lead to further interest rate rises. We have started to witness a downward revision of earnings, but believe they still have further to fall which will ultimately weigh on the equities market.

During the quarter we exited our position in real estate names Dexus and Lendlease as we considered there to be increasing risks in office space and ability to achieve company targets. We went further underweight the banking sector and are now underweight three of the four major banks. We also added Computershare to the Trust on a view that interest rates may stay elevated for longer than the market is expecting which should translate into improved revenues for the company.

Top 10 holdings

	%
CSL	8.2
Telstra	5.4
Fortescue Metals	5.1
Macquarie Group	4.9
National Australia Bank	4.7
Commonwealth Bank of Australia	4.7
Coles Group	4.5
QBE Insurance Group	4.1
Brambles Limited	3.8
Goodman Group	3.7
Total	49.1

Sector exposure



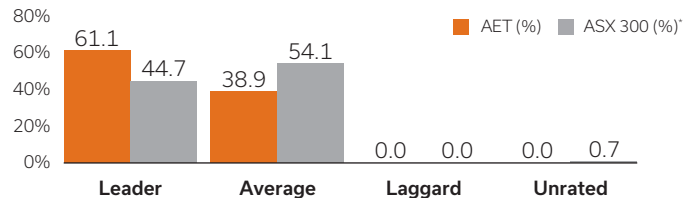
Ethical Outcomes

Environmental, Social, and Governance (ESG) refers to the central factors in measuring and tracking the sustainable and societal impact of an investment. These factors include climate risk management and preparedness, human rights considerations and modern slavery risk.

U Ethical Focus	AAA	Leader
	AA	
	A	Average
	BBB	
	BB	
	B	Laggard
	CCC	

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

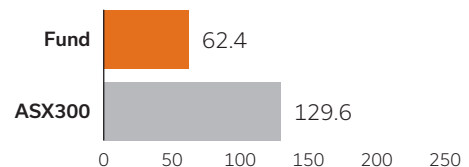


The United Nations Sustainable Development Goals (UN SDGs) were adopted by the United Nations in 2015 as a universal action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The goals identified the significant role that the private sector has to play 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 footprint⁴

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



Top pick for sustainable impact this quarter

Company: Cochlear Limited
Weight: 2.26%
Industry classification: Health Care Equipment
ESG Rating: AAA
Company SDG alignment:

Cochlear is an implantable hearing solutions company that is transforming the way people treat hearing loss. Their work empowers those with hearing difficulties, resulting in alignment with SDGs 5 Gender Equality, 10 Reduced Inequalities and 13 Climate Action. In particular, the company leads most global peers on corporate governance, human capital management and has robust quality management systems in place.



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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⁴This is based on reported company carbon data and estimations from MSCI. Certain information ©2021 MSCI ESG Research LLC. Reproduced by permission.