

Quarterly Performance Review

u ethical Australian Equities Trust - Wholesale

Quarterly highlights September 2022

- The ASX 300 Accumulation Index ended the quarter up 0.45%, but the period was quite volatile with investors grappling with elevated inflation and the implications of global central banks' rapid pace of interest rate increases.
- The total return for the Trust over the quarter was 1.77%, outperforming the ASX 300 Accumulation Index by 1.32%.
- An overweight position in lithium producer Pilbara Minerals and APM Human Services plus our cash holding were the key drivers of the Trust's quarterly outperformance.
- During the quarter we entered a new position in James Hardie Industries, added to positions in Pilbara Minerals Cochlear and CSL, while reducing positions in Ramsay Health Care, Reliance Worldwide, ANZ Bank and JB Hi-Fi.

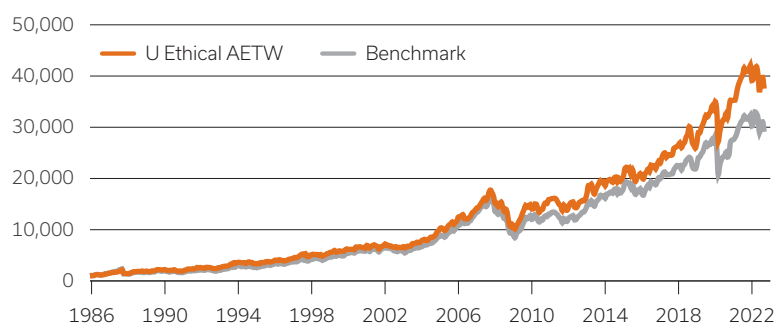
Investment objective

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)	\$572.13 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	34

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[†]	1.77	-8.59	-8.11	4.67	8.70	9.24	9.19	10.37
Benchmark	0.45	-11.82	-8.00	2.73	6.83	8.38	8.48	9.61
Relative performance	1.32	3.23	-0.11	1.94	1.87	0.86	0.71	0.76

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.

Issued by Uniting Ethical Investors Limited ABN 46 102 469 821 AFSL 294147

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 \$150,960,511.54 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 to start the second half of the year, but this gave way to concerns over elevated inflation, central bank tightening and recession risks. Optimism of a pivot from central banks has proven short-lived, although recent corporate earnings have been better than expected. Headline inflation in the US eased slightly in August to an annualised rate of 8.3%, although core inflation remains a concern with more pressure from services. Contributing to this the US unemployment rate remains low at 3.5%. We also have not had any resolution of the Ukraine conflict or a change in China's covid-zero policy.

The Federal Reserve reiterated a hawkish stance and increased interest rates by a further 75 basis points (bps) in September. The Reserve Bank of Australia (RBA) also increased the cash rate by 50bps in September for the fourth consecutive month. Leading global economic indicators have been mixed with an ongoing impact from higher European energy prices and Chinese lockdowns. We expect a weaker economic environment and the risks of a global recession have grown with central banks focussed on taming inflation.

Corporate earnings have been better than expected, but we believe that current estimates for 2023 are optimistic. While excess savings from the pandemic have cushioned consumers, higher interest rates and inflation will start to have an impact moving forward. Equity market valuations have improved, but we remain cautious on the outlook given inflation uncertainty, hawkish central banks and concerns that corporate earnings expectations are too high.

Portfolio commentary

The Trust delivered a total return of 1.77%, 1.32% above the benchmark due to good stock selection in the Materials and Industrials sectors as well as exposure to cash.

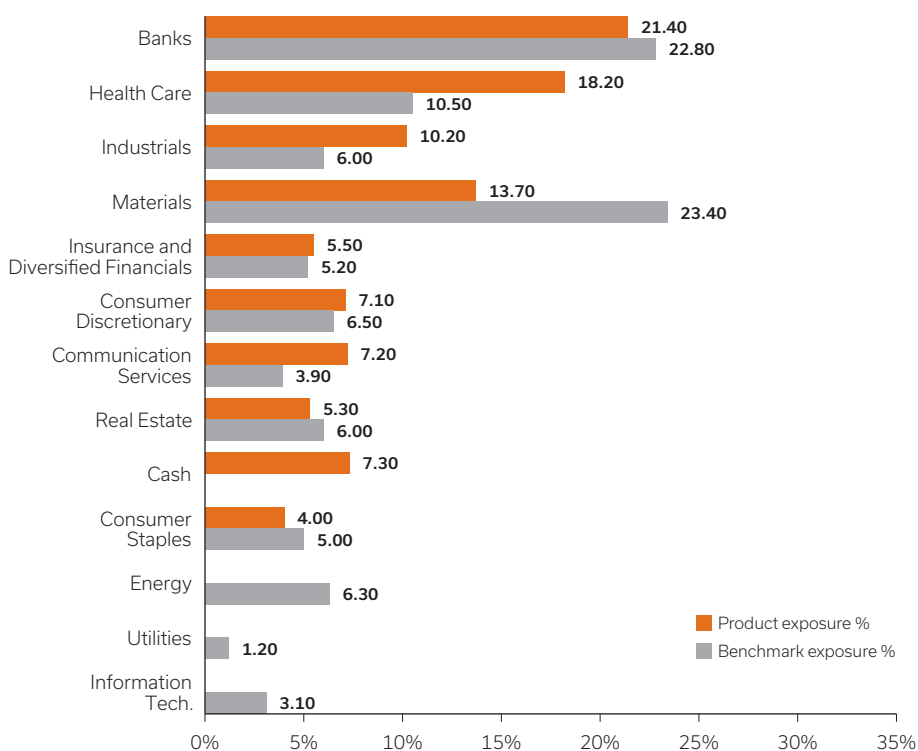
Stock selection was the key driver of performance in the quarter, with sector allocation keeping pace with the market. The Materials and Energy sectors continue to be volatile due to uncertainty around supply (e.g. Russian oil) and demand (e.g. China's growth outlook), and the global economic slowdown more broadly. On the one hand these sectors should provide a good inflation hedge, but if the world slips into a global recession they will likely follow the broader market down.

In light of the market uncertainty, the Trust continues to be defensively positioned. We added James Hardie Industries to the Trust towards the end of the quarter, as we believe its share price is now pricing in an overly bearish outlook for the company. We also added to the Pilbara Minerals position, and the health care names CSL and Cochlear which we believe have potential to outperform in a bear market environment.

Top 10 holdings

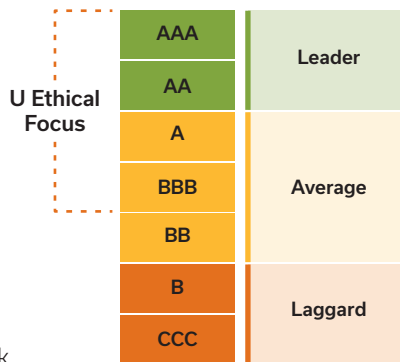
	%
CSL	8.63
National Australia Bank	5.44
Commonwealth Bank of Australia	4.99
Telstra	4.67
Pilbara Minerals	4.65
Macquarie Group	4.62
Westpac Banking	4.29
Coles Group	3.96
Fortescue Metals Group	3.51
QBE Insurance Group	3.42
Total	48.18

Sector exposure



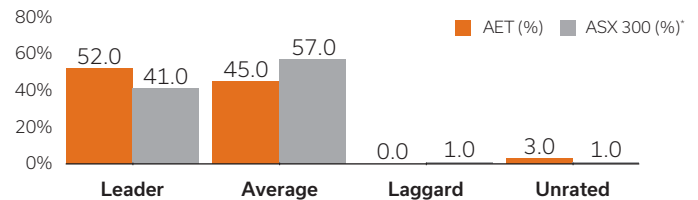
Ethical Outcomes

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.



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

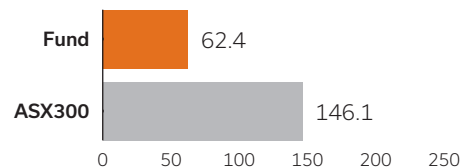


The United Nations Sustainable Development Goals (UN SDGs) were adopted by the United Nations in 2015 as a universal action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The goals identified the significant role that the private sector has to play 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: CSL Limited
Weight: 8.66%
Industry classification: Biotechnology
ESG Rating: A
Company SDG alignment:

CSL Limited is a biotechnology company that develops biotherapies, medicines and vaccines to treat people with chronic illness or diseases. In FY 2021, it derived approximately 58% of its revenues from products for the treatment or diagnosis of major diseases of the world. With the release of its recent Sustainability Strategy, CSL's improvement in its climate ambition is evident. This will better position the company to manage and respond to future headwinds.



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

Level 6
 130 Lonsdale Street
 Melbourne VIC 3000

Email info@uethical.com
Freecall 1800 996 888

This document dated September 2022 is issued by Uniting Ethical Investors Limited for the U Ethical Australian Equities Trust - Wholesale. All data within this document is published as at 30 September 2022. U Ethical (a registered business name of Uniting Ethical Investors Limited ABN 46 102 469 821 AFSL 294147) is the Manager and Administrator of the Trust. The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe to units in any fund of which U Ethical is the Manager, Administrator, Issuer, Trustee or Responsible Entity. This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, you should consider the appropriateness of the information based on your own objectives, financial situation or needs or consult a professional adviser. You should also consider the Information Memorandum (IM) which can be found on our website www.uethical.com or by calling us on 1800 996 888. U Ethical may receive management costs from the Trust, see the IM. U Ethical, its affiliates, and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. All investments carry risks. There can be no assurance that any U Ethical fund will achieve its targeted rate of return and no guarantee against loss resulting from an investment in any U Ethical fund. Past U Ethical Fund performance is not indicative of future performance.
¹ Based on Portfolio investment of \$354,887,028 and Benchmark investment of \$1,369,659,243,183. 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.