

Quarterly Performance Review

U Ethical Cash Management Trust - Retail

Quarterly highlights June 2022

- Whilst delivering a stable return, the Trust remains tactically positioned and continues to offer high levels of liquidity.
- Over the quarter, the Trust returned 0.13 per cent p.a., outperforming the benchmark by 0.02 per cent p.a. Across the year, the Trust outperformed the benchmark by 0.03 per cent p.a.
- Deposit rates continued their rise over the quarter, allowing the Trust to rotate comfortably into newer, higher yield opportunities.
- It is expected that bank deposit rates continue to rise as the RBA reverts monetary policy to a more neutral stance as opposed to the current expansionary position.

Investment objective

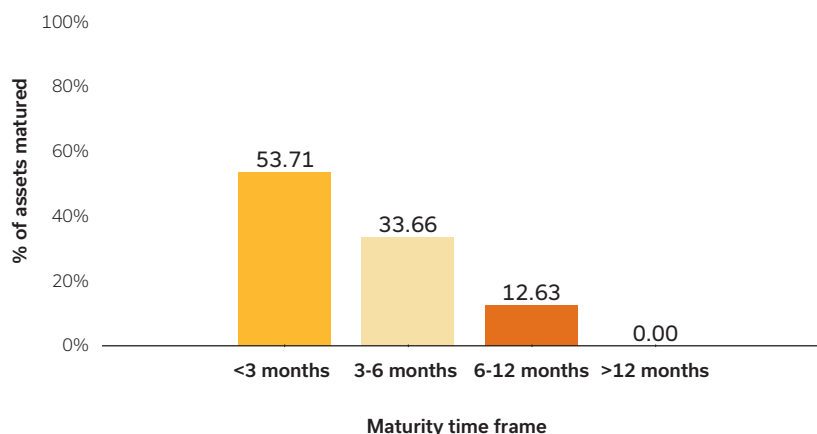
The U Ethical Cash Management Trust - Retail aims to compare favourably with comparable cash management trusts through a combination of cash and cash equivalent investments.

As the Trust is a very low risk investment option it is suitable for short term investment, while aiming to maintain a high level of capital stability. It also aims to outperform the benchmark after fees over a rolling one-year period.

Fund information

Portfolio manager	Amanda Lin
Chief investment officer	Jon Fernie
Inception date	1 July 2020
Total fund size (\$M)	\$103.90
Benchmark	The Reserve Bank of Australia (RBA) cash rate
Buy/sell spread	N/A
Management costs	Estimated up to 0.45% p.a. (See Product Disclosure Statement)

Maturity profile



Performance

	3 months %	6 months %	1 year %	Since Inception %
Cash Management Trust - Retail[†]	0.13	0.17	0.21	0.16
Benchmark	0.11	0.13	0.18	0.17
Relative performance	0.02	0.04	0.03	-0.01

Past performance is not indicative of future performance.

Performance figures stated within reporting for the 6 months ending 31 December 2020 were overstated by 0.21% due to a calculation error. These have now been corrected in the above table.

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

Market commentary

Global equities remained volatile over the quarter and the MSCI World Ex Australia Index (in AUD) has delivered a total return of -16.1 per cent year-to-date. Contributing to this has been inflation remaining elevated, central banks across the globe starting to hike interest rates, fears of a looming recession and valuations coming into sharper focus. In Australia, inflation has become more broad-based and hit 5.1 per cent in March. The Reserve Bank of Australia (RBA) surprised the market by increasing the cash rate by 50bps in June/July and signalled that it expects inflation to hit 7 per cent by the end of the year. This saw the 10 year Australian government bond yield briefly push above 4 per cent. There are signs that we may be getting closer to “peak inflation,” however, uncertainty remains high given the conflict in Ukraine, a tight US labour market and China’s covid-zero policy. Global Purchasing Manager Indices (PMIs) generally remain in expansionary territory, although Chinese lockdowns and higher European energy prices have had a negative impact. We see a stagflation scenario as unlikely given we expect inflationary pressures to ease towards the end of the year. Corporate earnings are expected to grow strongly this year, although forecasts are for a contraction in 2023-24 and we see these estimates as optimistic. While equity market valuations look more attractive, we expect continued market volatility and remain cautious on the outlook given inflation uncertainty, hawkish commentary from central banks and an expectation that corporate earnings will weaken.

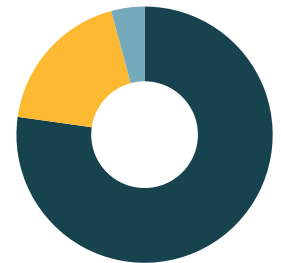
Portfolio commentary

Over the quarter, short term interest rate (STIR) markets saw further repricing activity as the rate hiking cycle by the Reserve Bank of Australia (RBA) became clearer with respect to the magnitude and pace of expected hikes. There was continued steepening of the Bank Bill Swap (BBSW) curve which showed an increase of wholesale funding costs for banks at the longer end (6-month tenor) versus the short end (1-month tenor). Following this, bank term deposit rates showed good premium going into the latest hike by the RBA. Given the rise in term deposit rates, the Trust was able to add an additional +0.57 per cent of yield over the quarter, taking the total portfolio yield to 1.02 per cent p.a. The current cash rate is at 0.85 per cent. This was achieved by maintaining both the Trust’s aggregate credit quality and liquidity. It is expected that rates will continue to rise as the RBA reverts the policy rate back to a neutral setting. This will see the yield for the Trust rise in time as new opportunities emerge.

Top 5 issuers

	%
National Australia Bank	34.84
Bendigo Bank	17.72
Bank of Queensland	16.83
Westpac	11.41
Macquarie	9.00
Total	89.80

Asset allocation by security type



	%
Term deposits	77.22
Call deposits	18.59
Cash	4.19
Total	100

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 June 2022 is provided by U Ethical (a registered business name of Uniting Ethical Investors Limited ABN 46 102 469 821 AFSL 294147) as Responsible Entity, Issuer, Administrator and Manager of the U Ethical Cash Management Trust - Retail (the U Ethical Fund). All data within this document is published as at 30 June 2022. 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 Product Disclosure Statement (PDS) 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 U Ethical Fund; see the current PDS. 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. The U Ethical Cash Management Trust is issued and managed by Uniting Ethical Investors Limited ABN 46 102 469 821 AFSL 294147 as the Responsible Entity.