# Quarterly Performance Review

# u ethical Cash Management Trust - Retail

## Quarterly highlights March 2022

- Whilst delivering a stable return, the Trust remains conservatively positioned and continues to offer high levels of liquidity.
- Since inception on 1 July 2020, the Trust has generated a return of 0.11%, marginally underperforming the benchmark by 0.02%.
- Deposit rates have increased sharply over the quarter, allowing the Trust's yield to recover toward pre-pandemic levels.
- Over the quarter, new funding opportunities emerged which allowed the Trust to take advantage of higher deposit rates, ultimately increasing overall portfolio yield by 14 basis points.

### Investment objective

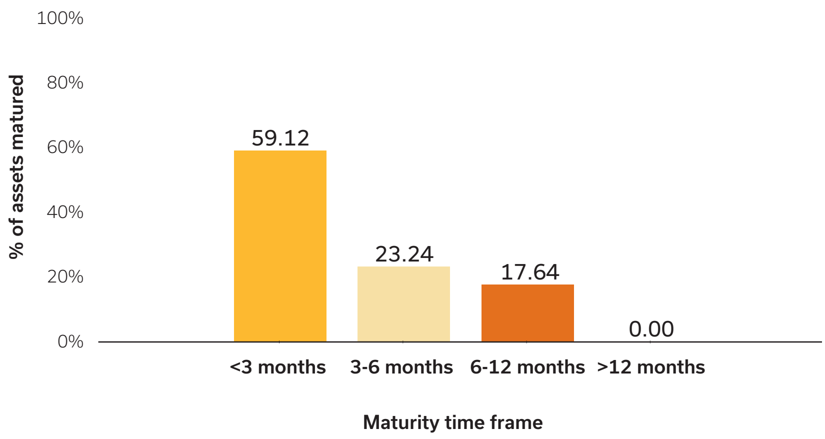
The U Ethical Cash Management Trust - Retail aims to compare favourably with comparable cash management trusts through a combination of cash and cash equivalent investments.

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

| | |
|---|---|
| **Inception date** | 1 July 2020 |
| **Fund size ($M)** | $106.78 |
| **Management costs** | Estimated up to 0.45% p.a.<br>(See Product Disclosure Statement) |
| **Benchmark** | The Reserve Bank of Australia (RBA) cash rate |
| **Portfolio manager** | Amanda Lin |

### Maturity profile




| **Performance** | **3 months %** | **6 months %** | **1 year %** | **Since Inception %** |
|---|---|---|---|---|
| **Cash Management Trust - Retail**† | 0.04 | 0.05 | 0.08 | 0.11 |
| **Benchmark** | 0.02 | 0.05 | 0.10 | 0.13 |
| **Relative performance** | 0.02 | 0.00 | -0.02 | -0.02 |

**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.

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## Market commentary

The escalating conflict in Ukraine has raised concerns that inflation will remain elevated for longer and economic growth weaker than expected (particularly in Europe).

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% in 2022 may be challenging to achieve given a covid-zero policy.

Headline inflation in the US increased to an annualised rate of 7.9% in February and core inflation (stripping out food and energy) remains substantially above the US Federal Reserve's 2% long-term target. With the unemployment rate dropping to 3.6%, a tight labour market is likely to contribute to inflationary pressures.

In March, the US 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% 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% at the end of the quarter.

## Portfolio commentary

Over the March quarter, the domestic market repriced substantially when considering the extent to which interest rate rises from the Reserve Bank of Australia (RBA) were incorporated into observable yields. This saw notable steepening in the Bank Bill Swap (BBSW) curve, a measure of short-term funding costs for banks. Following this, deposit rates with major Authorised Deposit Taking institutions (ADIs) increased to reflect greater demand for funding after an extremely low-yielding period.

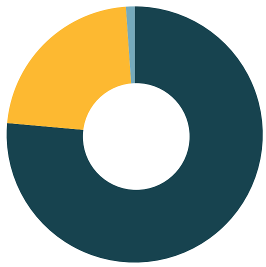
Over the quarter, the Cash Management Trust (CMT-W) took advantage of higher deposit rates on offer as major banks revised their term deposit curves upwards considering rises in the broader BBSW curve.

This enabled the Trust to deploy funds into new opportunities with major banks which were, otherwise, unattractive prior to the latest revision upwards in rates. This had the added benefit of maintaining high credit quality within the Trust as well as increasing the gross yield of the portfolio.

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. However, liquidity continues to remain paramount in a relatively uncertain environment considering geopolitical tensions and market volatility.

| Top 5 issuers | % |
|---|---|
| **National Australia Bank** | 29.99 |
| **Macquarie Bank** | 21.88 |
| **Bank of Queensland** | 17.64 |
| **Bendigo Bank** | 13.35 |
| **ME Bank** | 6.95 |
| **Total** | **89.81** |

## Asset allocation by security type



| | % |
|---|---|
| Term deposits | 76.42 |
| Call deposits | 22.48 |
| Cash | 1.10 |
| **Total** | **100%** |

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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.

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