

Quarterly Performance Review

U Ethical Cash Management Trust - Retail

Quarterly highlights September 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 an annualised return of 0.34%, marginally underperforming the benchmark by 0.02%.
- Deposit rates have continued to rise over the quarter in tandem with revisions upward in the RBA Cash rate.
- Over the quarter, the portfolio continued to rotate into better funding opportunities, ultimately increasing the Trust's yield by 1.67% from the end of the prior quarter.

Investment objective

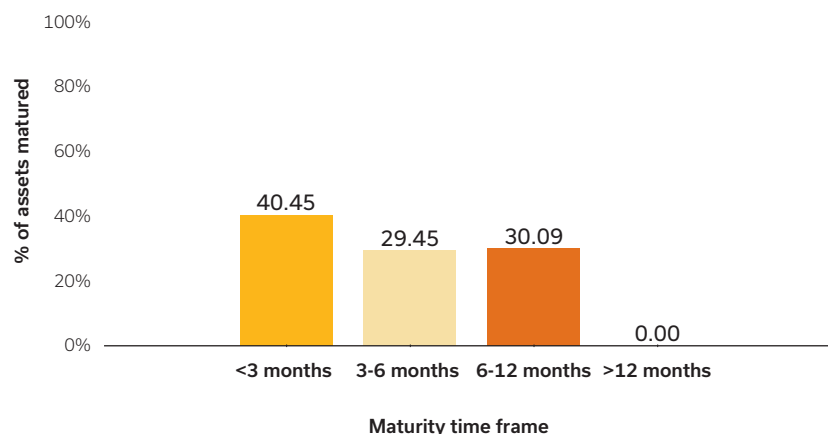
The U Ethical Cash Management Trust - Retail aims to compare favourably with comparable cash management trusts through a combination of cash and cash equivalent investments.

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)	\$99.99
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 % p.a.	Since Inception % p.a.
Cash Management Trust - Retail[†]	0.44%	0.57%	0.62%	0.34%
Benchmark[‡]	0.47%	0.57%	0.62%	0.36%
Relative performance	-0.03%	0.00%	0.00%	-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.

[‡] Reserve Bank of Australia cash rate.

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. While the economic outlook remains uncertain, investors are benefitting from improved cash and fixed income yields as central banks increase interest rates to tame inflation.

Portfolio commentary

Over the September quarter, rates markets gyrated, namely due to changes in expectations of the magnitude of rate hikes to be delivered by the RBA as well as Consumer Price Index (CPI) (Inflation) and GDP data releases. This saw some market volatility and further funding premiums emerge as markets attempted to plot out revised paths to the RBA's terminal (ending) cash rate in the current hiking cycle.

The Bank Bill Swap Curve (BBSW) continued to shift upwards as the 3-month rate reached its highest level in 10 years. This saw the Trust being able to take advantage of higher, revised deposit rates as Authorised Deposit Taking Institutions (ADIs) continued to show their appetite for funding. This was also driven by forecast continued growth in bank mortgage books.

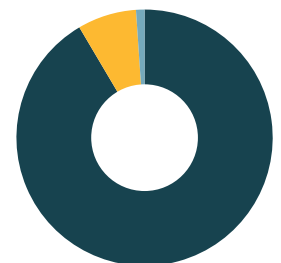
The gross yield of the portfolio saw its largest increase quarter-on-quarter (+1.67%) as previously deposits matured enabling the fund to rotate a larger amount of capital into newer, higher interest terms. Notably, the major banks provided competitive rates during the period, enabling the Trust to maintain a relatively high credit quality when considering issuer credit ratings.

Performance for the quarter saw the Trust marginally underperform the benchmark by 0.03%, this was due to the magnitude of rate hikes by the RBA and the time lag of deposits maturing to roll into newer, higher interest deals. We expect the Trust to outperform as the RBA slows down the rate hike path.

Top 5 issuers

	%
National Australia Bank	37.76
Bank of Queensland	22.77
Westpac	21.80
Bendigo Bank	14.71
Macquarie Bank	1.88
Total	98.93

Asset allocation by security type



	%
Term deposits	91.50
Call deposits	7.43
Cash	1.07
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 September 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 September 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.