

Quarterly Performance Review

u ethical Cash Management Trust - Wholesale

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 0.16 per cent, outperforming the benchmark by 0.05 per cent. Across the year, the Trust outperformed the benchmark by 0.08 per cent.
- 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

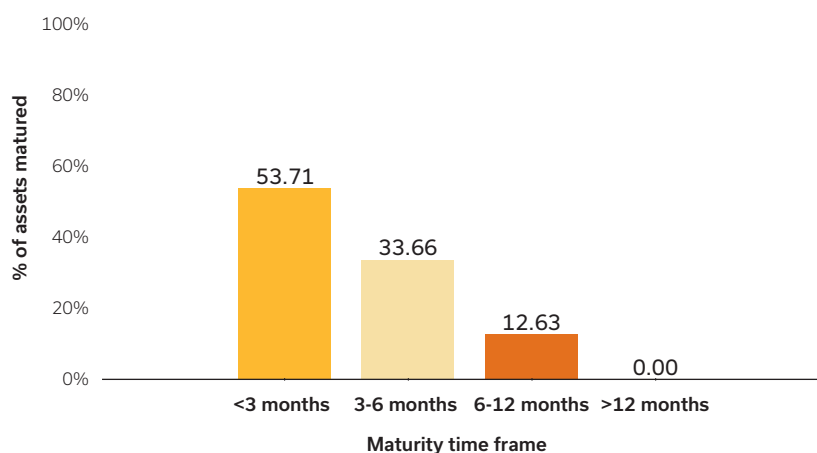
The U Ethical Cash Management Trust - Wholesale aims to compare favourably with comparable cash management trusts through a combination of cash and cash equivalent investments.

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)	\$166.95 ¹
Benchmark	The Reserve Bank of Australia (RBA) cash rate
Buy/sell spread	N/A
Management costs	Estimated up to 0.30% p.a. (See Information Memorandum)

Maturity profile[†]



Performance

	3 months %	6 months %	1 year % p.a.	Since Inception % p.a.
Cash Management Trust - Wholesale[†]	0.16	0.21	0.26	0.25
Benchmark	0.11	0.13	0.18	0.17
Relative performance	0.05	0.08	0.08	0.08

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.

¹ This figure contains \$103,859,576.00 invested by the Cash Management Trust - Retail

[†] 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.

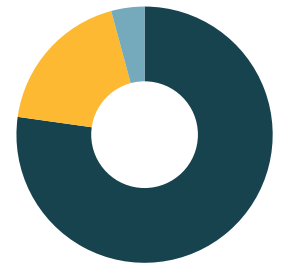
Portfolio commentary

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.

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