

# Quarterly Performance Review

# u ethical Australian Equities Trust - Retail

APIR UGF0001AU

March 2025

A diversified portfolio of ethically screened Australian shares designed to provide income and long-term capital growth.

## Benefits and risks

- Twice-yearly distributions of fund net income
- Exposure to an actively managed portfolio
- Suggested minimum investment horizon - 7 to 10 years
- High-risk profile

## Investment objective

The U Ethical Australian Equities Trust - Retail has been developed for the long-term investor, and aims to outperform the benchmark after fees over rolling 5-year periods. It invests primarily in Australian shares as well as up to 10 per cent in fixed interest and cash.

## Fund information



Assigned as of 28/02/2025  
Analyst-Driven 0%  
Data Coverage 91%

Morningstar Sustainability Rating™



Out of 506 Australia & New Zealand Equity Funds as of 31/01/2025. Based on 99.1 percent of eligible corporate AUM and 0 percent of eligible sovereign AUM. Data is based on long positions only.

MSCI  
ESG RATINGS



CCC B BB BBB A AA AAA



Portfolio Manager	Cam Hardie
Chief investment officer	Jon Fernie
Inception date	7 July 2003
Total fund size (\$M)	\$71.705
Benchmark	S&P/ASX 300 Accumulation Index
Buy/sell spread	0.25%/0.25% <sup>1</sup>
Management costs	Estimated up to 1.315% p.a. See Product Disclosure Statement
Holdings range	Typically hold 20-40
Number of holdings	32

## Performance

	3 months	6 months	1 year	5 years	10 years	20 years	Since inception
	%	%	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
U Ethical Australian Equities Trust - Retail†	-3.57	-5.09	1.42	12.76	7.63	7.37	8.24
Benchmark	-2.85	-3.64	2.64	13.23	7.15	7.65	8.91
Relative performance	-0.72	-1.45	-1.22	-0.47	0.48	-0.28	-0.67

Past performance is not indicative of future performance.

<sup>1</sup>The buy/sell spread is set at 0.25 per cent per unit and is rounded to the nearest cent.

† Based on exit price with distributions reinvested and are net of all fees. From 1 October 2015, the Trust moved to a 100% Australian equities fund from previously having an 80% Australian equities and 20% cash allocation.

## Market Commentary

Since finalising this quarter's performance reports, markets have experienced extreme volatility largely driven by uncertainty surrounding proposed tariffs from President Donald Trump. Market reaction reflected concerns over potential trade disruptions and inflationary pressures. However, in recent days, a pause in tariffs for most trading partners contributed to a rebound across equity markets. Our portfolios have participated in this recovery, with several positions regaining ground lost earlier in the period.

Global equity markets were weaker in the March quarter as the US announced trade tariffs for China, Canada and Mexico increasing the risks of a global economic slowdown. In early April, 'Liberation Day' escalated this with a minimum 10% tariff on countries and additional measures where the US has large trade deficits such as the European Union and China. This led to the S&P 500 Index suffering its largest weekly drawdown since the pandemic. President Trump subsequently paused the additional tariffs on most trading partners for 90 days, although increased China duties to 125%. This in turn has seen China also raise tariffs significantly on US goods.

While certain companies will be more impacted, we view Australia as relatively well-placed given a 10% tariff level and the US only represents 5% of total exports. However, Australia will not be immune to a broader global slowdown and weaker Chinese activity is a concern given they are our largest trading partner.

Longer-term US bond yields have been volatile given fears of an increasing fiscal deficit and inflationary pressures. Given a significant rise in the 10-year yield to 4.4% in early April, this may have contributed to the pause in tariffs. The Federal Reserve has left interest rates in a target range of 4.25-4.50% since December, although will face a difficult balancing act if the US economy weakens and inflation rises. In Australia, the Reserve Bank of Australia (RBA) cut interest rates to 4.10% in February as domestic inflation continued to come down.

A pause in tariffs for most trading partners means the situation is not resolved and a slowdown in US and Chinese growth is a concern for the global economy. While a broad market sell-off may create longer-term opportunities for investors, earnings uncertainty means some caution is warranted. We expect markets will remain volatile near-term unless there is significant headway made in trade negotiations.

## Portfolio Commentary

The Trust delivered a total return of -3.6% in the March quarter, underperforming the market by 0.7%. Underperformance was driven by stock selection, predominantly in the Materials and REIT sectors. This was partially offset by no allocation to the underperforming Information Technology and Energy sectors which contributed to relative performance.

The March quarter saw the most volatile results season in 20 years. Of note was the Financials sector which performed approximately in line with the broader market, but with significant moves within the sector (QBE up 17.5%, HMC down 36%). Tech stocks sold off over 18% during the quarter following concerns around DeepSeek's potential disruption of AI development impacting rich valuations in the sector.

During the quarter positions in Pilbara Minerals, Reliance Worldwide and Suncorp were reduced, while exposure was added to Computershare, Cleanaway, Dexu and Seek.

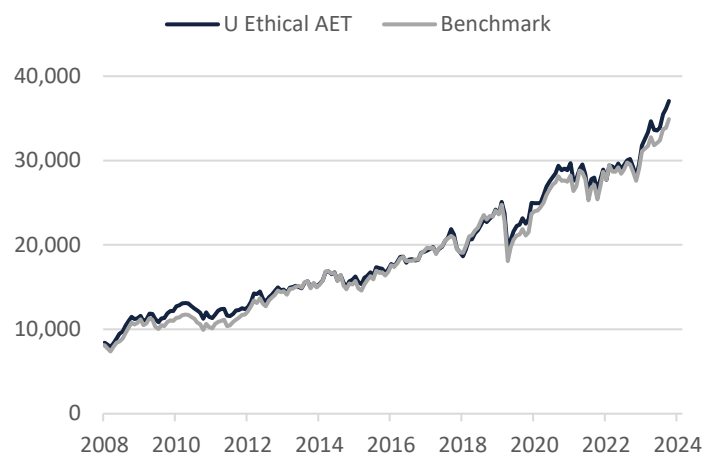
# u ethical Australian Equities Trust - Retail

## Top 10 holdings

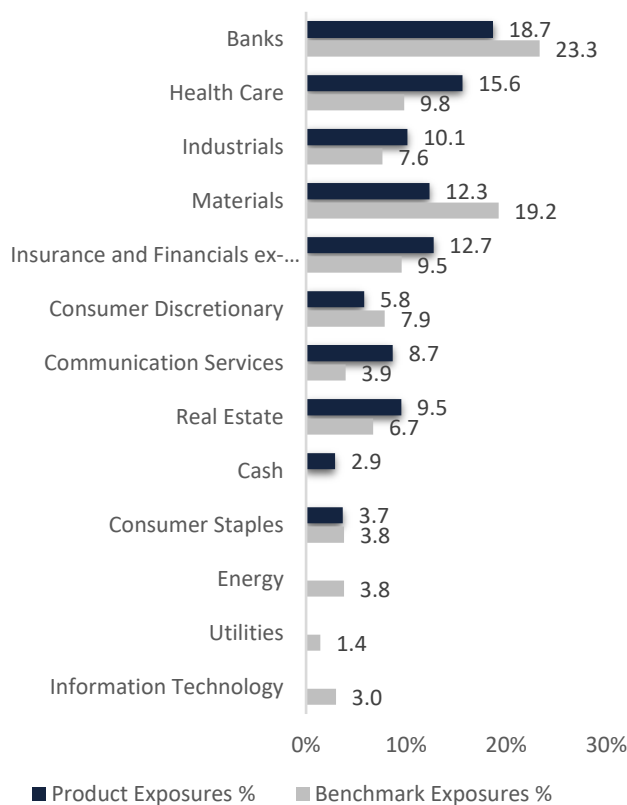
	Weight %
CSL Limited	8.2
Telstra Corporation	6.8
Commonwealth Bank Of Australia	6.5
Goodman Group	5.2
Fortescue Metals Group	4.7
QBE Insurance Group	4.7
Brambles	4.6
Macquarie Group	4.6
Westpac Banking Corporation	4.4
Resmed	4.2
<b>Total</b>	<b>54.1</b>

## Weight %

## Growth of \$10,000 invested†



## Sector exposure



### Ethical view

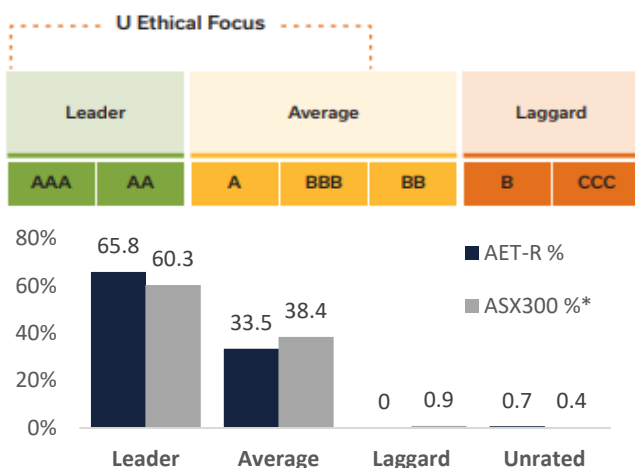
Environmental, Social, and Governance (ESG) refers to the central factors in measuring and tracking the sustainable and societal impact of an investment. These factors include climate risk management and preparedness, human rights considerations, and modern slavery risk.

U Ethical pursues a values-based, risk-adjusted and, where possible for equities, SDG-aligned approach to investing. Our investment process seeks to ensure that our portfolio holdings are aligned with our clients' financial and ethical expectations.

U Ethical's investment process integrates ESG considerations with the aim of minimising investment risk and identifying investment opportunities. Informed by our ethical investment philosophy, we seek out companies producing goods or providing services that appropriately manage their impact on society and the environment according to industry best practice, industry standards and/or voluntary frameworks.

### 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.

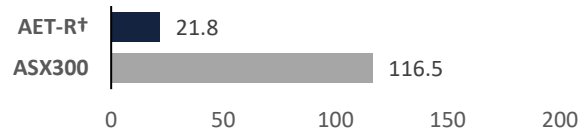


† This is based on a combination of company reported and MSCI estimated carbon data. Certain information ©2021 MSCI ESG Research LLC. Reproduced by permission.\* Constituent-level scores might be affected by MSCI ESG Research's ESG Rating model enhancements introduced on the 10th of November 2020.

### Carbon footprint

Absolute emissions Scope 1&2.

Tonnes CO2 equivalents per \$ million invested.



Carbon Metrics as of 31/01/2025. Based on 99.1% percent of eligible portfolio covered. Data is based on long positions only.

### Engagement Update

U Ethical communicates with portfolio companies for a number of reasons, including to gain greater insight on ESG-related issues, communicate our preferences for best practice management of ESG risks and opportunities, and seek commitments for enhanced performance on ESG matters. U Ethical believes that stewardship and engagement is part of our responsibility as ethical investors.

This quarter, U Ethical contributed analysis to several policy submissions. Contributing to policy submissions allows us to communicate our preferences regarding systemic ESG issues where regulation and/or legislation can contribute to lifting progress. We provided analysis to a joint submission to NSW Parliament on modern slavery risks faced by temporary migrant workers in rural and regional New South Wales. The submission was coordinated by Uniting Church Synod of Victoria and Tasmania's Justice International Mission, led by Senior Social Justice Advocate Mark Zirnsak.

U Ethical, along with other investors and the Responsible Investment Association Australasia (RIAA) met with Treasury to discuss a labelling regime for sustainable investment products, as proposed by government's Sustainable Finance Roadmap.

U Ethical also communicated with portfolio companies regarding governance issues and corporate conduct.

# u ethical Australian Equities Trust - Retail

## About U Ethical and your team

**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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U Ethical is recognised as a Responsible Investment Leader 2024 by the Responsible Investment Association Australasia (RIAA). We are placed in the top 20% of organisations assessed, demonstrating leading practice in our commitment to responsible investing; our explicit consideration of environmental, social and governance factors in investment decision making; our strong and collaborative stewardship; and our transparency in reporting activity, including the societal and environmental outcomes being achieved

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The Morningstar Medalist Rating™ for Fund U Ethical Australian Equities Trust - Retail Strategy is Bronze as of 28/02/2025. Sustainability Rating as of 31/01/2025. Corporate and Sovereign Sustainability Score and Investment Style as of 31/01/2025. Morningstar's Sustainability Score incorporates Sustainalytics' company and country-level analysis.

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