

## Quarterly Performance Review

## U Ethical Diversified Income Trust - Wholesale

APIR UGF8935AU

June 2025

A diversified portfolio of income generating investments including cash, short-dated deposits, bonds, hybrid securities, mortgages and impact loans.

### Benefits and risks

- Exposure to income generating investments
- Suggested minimum investment horizon - 3 to 5 years
- Medium-risk profile

### Investment objective

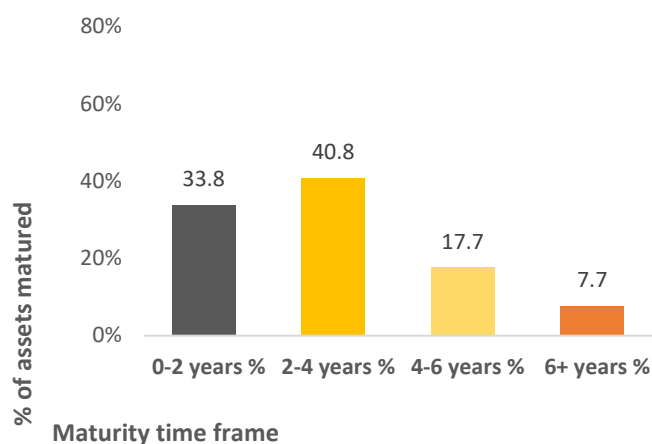
The U Ethical Diversified Income Trust - Wholesale aims to generate income in excess of short-term interest rates, while limiting harm and creating positive impact through the implementation of U Ethical's Ethical Investment Policy.

The Trust is a medium-risk investment option with a suggested minimum investment horizon of 3 to 5 years. It aims to outperform the benchmark after fees over a rolling three year period.

### Fund information

Portfolio Managers	Joshua Nappa & Dandan Huang
Chief investment officer	Jon Fernie
Inception date	1 July 2020
Total fund size (\$M)	\$37.57
Benchmark	3 Month Bank Bill Swap Rate + 2.50%
Buy/sell spread	0.20%/0.20%
Management costs	Estimated up to 0.70% p.a. (See Information Memorandum)

### Maturity Profile



### Performance

	3 months %	6 months %	1 year % p.a.	3 year % p.a.	Since Inception % p.a.
U Ethical Diversified Income Trust - Wholesale†	0.53	1.27	4.27	5.32	4.36
Benchmark*	1.57	3.27	6.90	6.63	5.06
Relative performance	-1.04	-2.00	-2.63	-1.31	-0.70

Past performance is not indicative of future performance.

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

\* 3 month Bank Bill Swap Rate +2.5%

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## Market Commentary

Global equity markets rallied over the quarter as the US government paused the implementation of tariffs and trade negotiations continued with a number of countries including China and the UK. While providing more reason for optimism, effective tariffs remain substantially higher than at the start of 2025 and the 90-day pause period finishes in early July. During the quarter, conflict in the middle east also intensified and the US became directly involved by targeting Iranian nuclear facilities. This led to a spike in energy prices, although a recent ceasefire has seen a pullback from highs.

The Reserve Bank of Australia (RBA) cut interest rates for a second time this year to 3.85% in May as annual trimmed mean inflation hit 2.4%. Q1 GDP growth was subdued at annualised growth of 1.3% and recent retail sales highlight consumer weakness. In the US, the Federal Reserve left interest rates in a target range of 4.25-4.50% given uncertainty over the impact of tariffs. Market expectations are for further easing over the next 12 months, although inflationary risks will need to be balanced with the prospect of weaker economic growth.

Post the quarter end, US congress passed Trump's One Big Beautiful Bill Act which includes extending previous tax cuts, reducing healthcare spending and clean energy incentives, as well as increased defence and border spending. Longer-term bond yields have been volatile given concerns over rising US federal debt and fiscal deficits (as well as trade war concerns), although have eased back to 4.2%.

Corporate earnings have remained solid in aggregate and easing monetary policy may be supportive for equities. However, we continue to believe some caution is warranted given ongoing trade uncertainty, a challenging geopolitical backdrop and relatively full equity valuations.

## Portfolio Commentary

Over the quarter, major bank credit spreads saw divergent outcomes, with Senior Unsecured remaining steadfast and short-end Tier-2 widening by ~10-15bps, in light of broader market volatility.

5-year T2 spreads tightened by ~1.65bps whilst 5-year Senior Unsecured tightened by ~3bps. This saw the T2/Snr multiple widen to 1.97x from 1.92x at the end of March. Comparing the AT1/T2 multiple over the same period widened from 1.21x to 1.31x, with the average major bank 5-year AT1 spread widening by 8bps to ~15bps.

Despite the divergent spread movements in AT1 given T2 and Snr spread tightening/widening (at various parts on the curve), hybrid spreads moved out considerably as equity markets went risk-off at the advent of Trump's global trade war, this was also coupled with a rotation out of AT1s by retail / advised clients into other asset classes on the back of APRA's phase out decision thus, cheapening spreads.

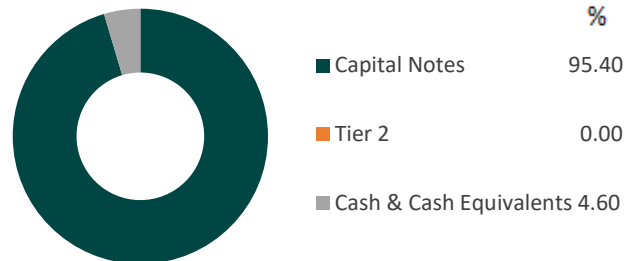
Considering the above, the Diversified Income Trust (DIT-W) returned 0.53% (after fees) over the quarter, underperforming the benchmark by -1.04%. With 1.046% of the return attributed to coupon income and -0.51% as a result of movements in capital value.

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## Top 5 issuers

	%
National Australia Bank	21.78
Commonwealth Bank Of Australia	20.74
Westpac Banking Corporation	16.80
Macquaire Group	14.90
Australia & New Zealand Banking Group	14.70

## Asset allocation by securities' type



## 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.

This document dated 30 June 2025 is provided by U Ethical (a registered business name of Uniting Ethical Investors Limited ABN 46 102 469 821 AFSL 294147) as the manager, administrator, issuer and trustee of the U Ethical Diversified Income Trust – Wholesale (the "Fund").

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Before acting on the information or deciding whether to acquire or hold units in the Fund, you should consider whether the Fund is appropriate for you given your own objectives, financial situation and needs. You should also consider the Information Memorandum (IM) for the Fund. The IM is available on our website [www.uethical.com](http://www.uethical.com) or can be provided by calling us on 1800 996 888.

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