

Quarterly Performance Review

u ethical Enhanced Income Trust - Wholesale

APIR UGF1128AU

June 2025

A diversified portfolio of cash and fixed-income securities designed to provide consistent income.

Benefits and risks

- Suggested minimum investment horizon - 2 years
- Low-risk profile

Investment objective

The U Ethical Enhanced Income Trust – Wholesale aims to generate income and preserve capital, while limiting harm and creating positive impact through the implementation of U Ethical's Ethical Investment Policy. The Trust aims to outperform the benchmark after fees over rolling two-year periods.

Note: From 1 July 2025, the benchmark for the Enhanced Income Trust – Wholesale will be changing from the 3-month Bank Bill Swap Rate (3MBBSW) +1% to the Bloomberg Ausbond Bank Bill Index.

Fund information

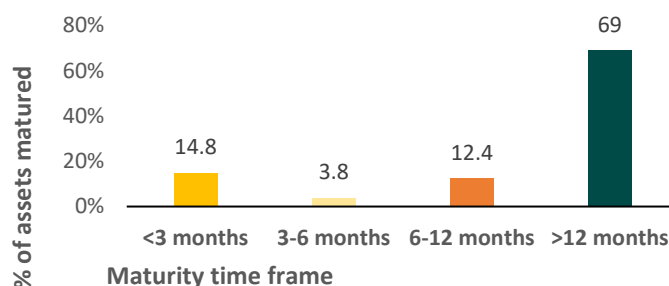
Morningstar Sustainability Rating™



Out of 106 Australia & New Zealand Equity Funds as of 30/04/2025. Based on 82.2 percent of eligible corporate AUM and 0 percent of eligible sovereign AUM. Data is based on long positions only

Portfolio managers	Dandan Huang & Joshua Nappa
Chief investment officer	Jon Fernie
Inception date	1 July 2020 ¹
Total fund size (\$M)	\$275.36
Benchmark	3 Month Bank Bill Swap Rate Rate + 1.00%
Buy/sell spread	0.05%/0.05%
Management costs	Estimated up to 0.70% p.a. (See Information Memorandum)

Maturity Profile



Performance

	3 months	6 months	1 year	3 years	5 years	10 years	Since inception
	%	%	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
U Ethical Enhanced Income Trust - Wholesale†	1.20	2.37	5.37	4.78	2.67	2.65	6.56
Benchmark	1.19	2.50	5.32	5.05	3.50	2.79	5.77
Relative performance	0.01	-0.13	0.05	-0.27	-0.83	-0.14	0.79

Past performance is not indicative of future performance.

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

¹ From March 1990 to 30 June 2020, performance is that of the U Ethical Enhanced Cash Portfolio (the Portfolio), reflecting the reinvestment of distributions quarterly and including franking credits, benchmarked against 50% Bloomberg AusBond Bank Bill Index / 50% AusBond composite 0-3year Index. On 1 July 2020, the Portfolio was transferred into a unit trust, the U Ethical Enhanced Cash Trust - Wholesale, renamed the U Ethical Enhanced Income Trust - Wholesale on 19 May 2021, benchmarked against the 3 Month Bank Bill Swap Rate +1.00% and performance excludes franking credits. Where time horizons require, performance reflects a blend of the products and their benchmarks.

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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

The Trust delivered a total return of 1.20% over the quarter, outperforming the benchmark by 0.01%. Running yield was the dominant contributor (+0.92%), while duration positioning added meaningful gains (+0.37%) as bond yields declined. However, credit spreads experienced notable volatility during the quarter due to global trade tensions, detracting from performance (-0.02%).

Yields fell across the curve as markets priced in potential RBA rate cuts following softer inflation data and global central bank dovishness. The Trust's duration of 0.77 years (up from 0.74 years) captured this yield rally effectively, particularly through key rate exposures in the front-to-medium end of the curve.

Credit markets experienced some volatility with the Trust's option-adjusted spread widening from 94.85 bps to 103.75 bps. This spread widening created a modest headwind despite the portfolio's defensive positioning and an 'A' average credit rating. The Trust maintained its income focus with running yield declining marginally from 4.89% to 4.69% as cash levels fluctuated during the quarter, ending at ~9.2%.

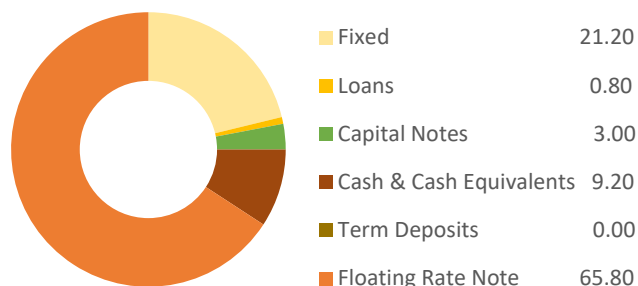
Portfolio composition remained stable with floating rate securities at 65.8% providing lower volatility and attractive credit spreads, while the slight increase in fixed rate exposure to 21.2% helped capture the benefits from falling yields.

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Top 5 issuers	%
National Australia Bank	10.20
Westpac Banking Corporation	5.70
Australia and New Zealand Bank Group	5.20
Bank Of Queensland	3.70
CNH Capital Australia	3.20
Total	28.00

*only considers fixed income securities

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.

U Ethical

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