

U Ethical Australian Equities Trust – Institutional

Quarterly Performance Review | September 2025

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

Fund information

Portfolio Managers	Cam Hardie and Jon Fernie
Chief Investment Officer	Jon Fernie
Inception date	24 January 2024
Fund size	\$12.57m
Benchmark	S&P/ASX 300 Accumulation Index
Buy/sell spread	0.25% / 0.25%*
Management costs	Estimated up to 0.80% p.a.**
Holdings range	20-40 holdings
Number of holdings	31
APIR code	UGF4955AU
Risk level	High
Suggested minimum investment horizon	7 to 10 years
Distribution frequency	Half yearly (June & December)

Investment objective

The U Ethical Australian Equities Trust – Institutional 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 and listed property trusts, as well as up to 10 per cent in cash.

*The buy/sell spread is set at 0.25 per cent per unit and is rounded to the nearest cent.

**No fees or establishment, contributions, redemptions, or exit. Management costs apply. Please read the Product Disclosure Statement.

Performance summary

	1 Month	3 Months	6 Months	1 Year	Since Inception
Fund	-1.41%	4.11%	13.85%	8.32%	15.16%
Benchmark	-0.65%	4.99%	14.94%	10.76%	14.53%
Relative	-0.76%	-0.88%	-1.09%	-2.44%	0.63%

As at 30/09/2025. Benchmark: S&P/ASX 300 Accumulation Index. Inception date: 24/01/2024. Performance based on exit price with distributions reinvested and is net of fees. Australian dollars. **Past performance is not indicative of future performance.**

Market commentary

Global equity markets rose strongly over the quarter as further progress was made on trade negotiations and corporate earnings were ahead of expectations. While markets have largely shrugged off the impact of a higher US tariffs, this continues to be a risk for near-term US inflation and global growth.

The Reserve Bank of Australia (RBA) cut the target cash rate for a third time this year to 3.60% in August, but then left it unchanged at the September meeting. Domestic headline inflation for August came in above market forecasts at 3.0% with non-volatile items surprising to the upside; this has reduced expectations for further monetary policy easing this year. Australian GDP grew by 1.3% over the financial year ending 30 June, which was the weakest growth since the early 1990s (excluding the pandemic). However, the unemployment rate remains relatively low at 4.3%.

In the US, the federal funds rate target range was reduced by 25 basis points to 4.00-4.25% in September. While annualised inflation increased to 2.9% in August, the Federal Reserve appears to be looking through any near-term impact from tariffs and focus on the employment part of its mandate. The Federal Open Market Committee (FOMC) statement highlighted elevated economic uncertainty and downside risks to employment. Longer-term bond yields have remained volatile, although 10-year US Treasury yields finished the quarter modestly lower at 4.2%.

Post the end of the quarter, US government services have been partially suspended as Republicans and Democrats could not agree to pass a spending bill. The shutdown has led to some key September employment data not being published, which further complicates the task of the Federal Reserve. In China, the manufacturing purchasing managers' index (PMI) improved slightly in August, but had its sixth consecutive month in contractionary territory as the impact of higher US tariffs continues to bite.

US corporate earnings remained solid in aggregate with double-digit year-on-year growth in the second quarter being well ahead of expectations. However, this growth continues to be substantially driven by the Information Technology and Communication Services sectors that are benefitting from ongoing AI investment. The Australian reporting season was more mixed with some encouraging signs for domestic focussed companies, but more challenges for those with offshore operations. Overall, we saw negative earnings revisions, as well as significant share price volatility for companies that beat or missed expectations.

Looking ahead, further monetary policy easing may be supportive for equities, although any reacceleration in inflation will be a concern. We continue to believe some caution is warranted given high earnings growth expectations in a slowing economic environment and stretched equity valuations.

Portfolio commentary

The Trust delivered a total return of 4.1% in the September quarter, underperforming the benchmark by 0.9%. Stock selection was positive during the quarter with good performance from Lynas Rare Earths, Sandfire Resources, Fortescue and NextDC amongst others. This was more than offset by a sector allocation headwind predominantly due to being overweight the Health Care sector which underperformed the broader market by around 14% and underweight the Materials sector which outperformed by 16%. Gold stocks outperformed the broader market by 35% and this was a 1.3% headwind for the Trust.

Over the last 12 months, the Trust provided a total return of 8.3%, trailing the benchmark by 2.4%. This was primarily driven by sector allocation due to being overweight the Health Care sector which underperformed the broader market. The earnings outlook for CSL in particular underwhelmed the market. Holding no exposure to gold stocks was also a 2.1% headwind to relative performance. Stock selection detracted from performance within the Financials (holding HMC Capital and being underweight Commonwealth Bank), Industrials (Computershare and Cleanaway Waste Management) and Real Estate (DigiCo and Goodman Group) sectors. This more than offset strong performance across holdings in the Materials sector (Lynas Rare Earths and Sandfire Resources).

During the quarter we exited the position in DigiCo and reassigned this to NextDC to maintain data centre exposure within the Trust, but in a company with clearer catalysts. We continued to build positions in NextDC, as well as accounting software business Xero. At the end of the September quarter, our Information Technology sector exposure was 3.6% broadly in line with the benchmark. We also added to positions in Amcor, Cleanaway Waste Management, Computershare and CSL where valuations have become more attractive even factoring in lower earnings growth expectations post results.

Lynas Rare Earths rallied strongly during the period following news the US Department of Defense signed an agreement with a US rare earths company that included a rare earth price materially above the market price. We subsequently reduced our holding by 50% but still held a 3% active position at the end of September. We also trimmed holdings in a number of other stocks including Telstra and Cochlear due to better opportunities elsewhere.

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.

U Ethical has continued to lead in its activities within collaborative engagement groups covering portfolio companies in the Australian Equities Trust. This quarter, U Ethical began its role as the lead investor in the collaborative engagement with Woolworths via Climate Action 100+ by organising participating investors for a meeting ahead of the Woolworths AGM. In addition to posing questions regarding Woolworths' progress on

climate action and its next 5-year sustainability strategy, the group has also organised to include participation from the Nature Action 100 Woolworths engagement, given a strong overlap in common investor participants (including U Ethical) and the strong intersection between nature related risks and climate risk.

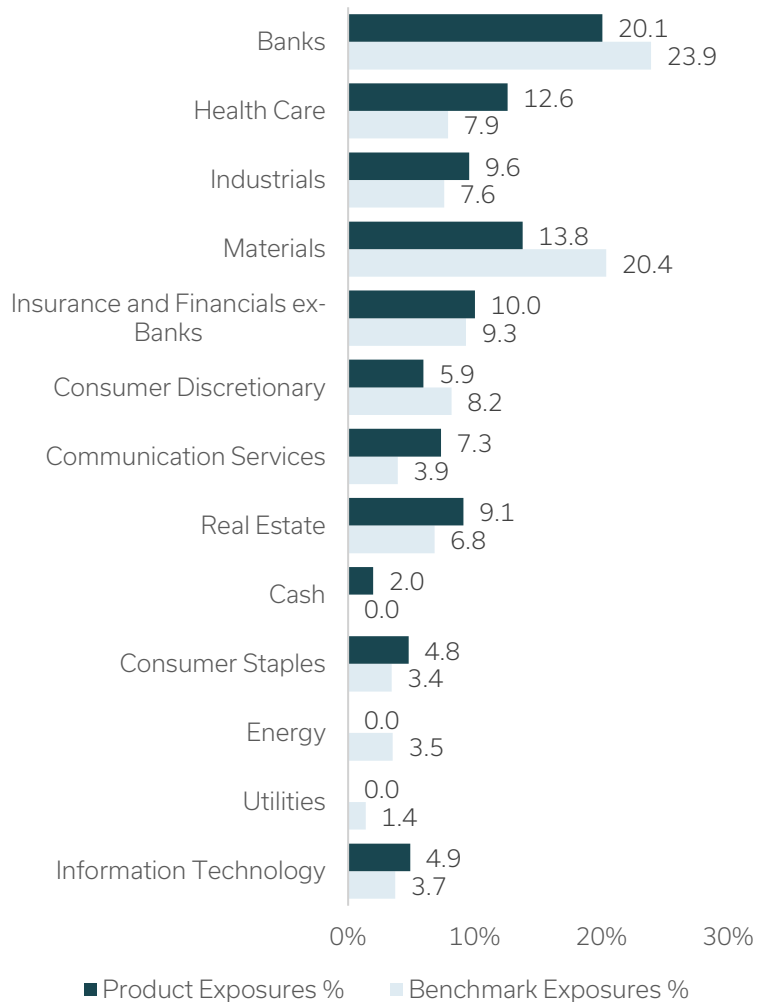
U Ethical also participated in a site visit to NextDC's M2 Melbourne data centre facility, an opportunity to assess on the ground how the company thinks about engineering and design within the context of energy and water consumption for cooling and electrification purposes. The site visit included a panel discussion with NextDC's senior leadership and sustainability heads. Participating in these discussions allow us to better manage portfolio risks and opportunities across financial ESG-related issues.

Top 10 holdings

COMMONWEALTH BANK OF AUSTRALIA	6.2
CSL LTD	5.6
GOODMAN GROUP	5.5
FORTESCUE LTD	5.1
WESTPAC BANKING CORPORATION	4.8
NATIONAL AUSTRALIA BANK	4.6
TELSTRA GROUP LIMITED	4.6
MACQUARIE GROUP LIMITED	4.6
ANZ GROUP HOLDINGS LIMITED	4.4
RESMED INC	4.2
Total	49.6

As at 30/09/2025.

Sector exposure



As at 30/09/2025.

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.

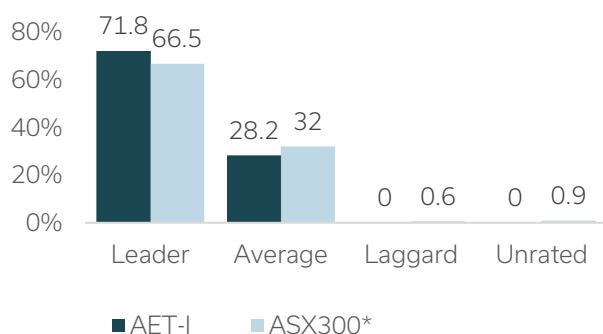
U Ethical's investment process integrates ESG considerations with the aim of minimising investment risk and identifying investment opportunities. Informed by our ethical investment philosophy, we seek out companies producing goods or providing services that appropriately manage their impact on society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

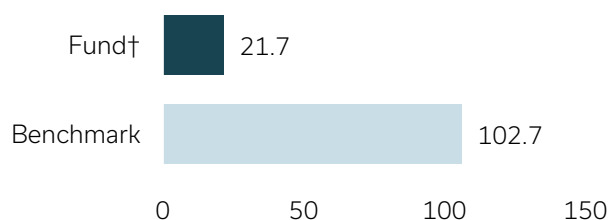
U Ethical focus

Leader		Average			Laggard	
AAA	AA	A	BBB	BB	B	CCC



Carbon footprint

Absolute emissions Scope 1&2.
Tonnes CO2 equivalents per \$ million invested.



Source: MSCI ESG Research. As at 30/09/2025.

†This is based on a combination of company reported and MSCI estimated carbon data. Certain information ©2025 MSCI ESG Research LLC. Reproduced by permission.



Source: Morningstar. Carbon Metrics as of 31/08/2025. Based on 99.7% percent of eligible portfolio covered. Data is based on long positions only.

As at 30/09/2025. *Constituent-level scores might be affected by MSCI ESG Research's ESG Rating model enhancements introduced on 10/11/2020.

About U Ethical

Founded in 1985, U Ethical is one of Australia's first not-for-profit ethical fund managers. For over 40 years, our mission has remained the same: to invest with purpose. Today we manage over \$1.5 billion in funds under management, and our flagship Australian Equities strategy is a multi award-winner.

As a not-for-profit, we contribute our operating surplus to the Uniting Church to indirectly fund community and outreach programs. It is a powerful formula we call 'compounding good' – the better we do, the more we give.

Ratings and affiliations



Zenith rating assigned 26/06/2025. Morningstar rating assigned 31/08/2025 (Analyst-driven 0%, Data coverage 91%). U Ethical was named a Responsible Investment Leader by Responsible Investment Association Australasia (RIAA) as of end 2024. Refer to the disclaimers page on our website www.uethical.com/disclaimers for further information and disclaimers on these ratings.

Platform availability



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