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investing with purpose

U Ethical Enhanced Income Trust - Wholesale

Quarterly Performance Review | September 2025

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

Fund information

Portfolio Manager	Joshua Nappa & Dandan Huang
Chief Investment Officer	Jon Fernie
Inception date	1 July 2020*
Fund size	$176.67m
Benchmark	Bloomberg Ausbond Bank Bill Index
Buy/sell spread	0.05% / 0.05%
Management costs	Estimated up to 0.70% p.a.**
APIR code	UGF1128AU
Risk level	Low
Suggested minimum investment horizon	2 years

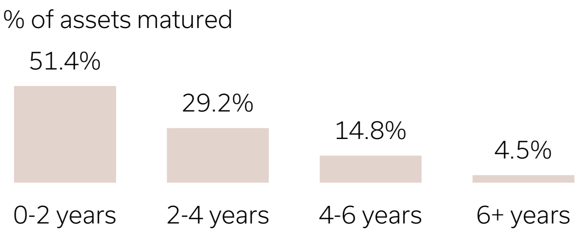
*See performance and benchmark notes below.
**See Information Memorandum.

Investment objective

The U Ethical Enhanced Income Trust – Wholesale aims to generate income and preserve capital, in accordance with our Ethical Investment Policy and Ethical Investment and Stewardship Approach.

The Trust aims to outperform the benchmark after fees over rolling two-year periods.

Maturity profile



Performance summary

	3 Months	6 Months	1 Year	5 Years	10 Years	Since Inception
Fund	1.27%	2.48%	4.98%	2.86%	2.70%	6.55%
Benchmark	0.92%	2.12%	4.85%	3.63%	2.82%	5.76%
Relative	0.35%	0.36%	0.13%	-0.77%	-0.12%	0.79%

As at 30/09/2025. Benchmark: Bloomberg Ausbond Bank Bill Index. From March 1990 to 30 June 2020, performance is that of the U Ethical Enhanced Cash Portfolio (the Portfolio) calculated upon distributions reinvested quarterly, including franking credits and 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 Income Trust (Wholesale) benchmarked against the 3 month Bank Bill Swap Rate +1.00% index, excluding franking credits.

On 1 July 2025, the benchmark was changed to the Bloomberg AusBond Bank Bill Index. Where time horizons require, performance reflected is a blend of the two products and benchmarks stated.

Inception date: 01/07/2020. Based on exit price with distributions reinvested, including franking credits and net of all 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.

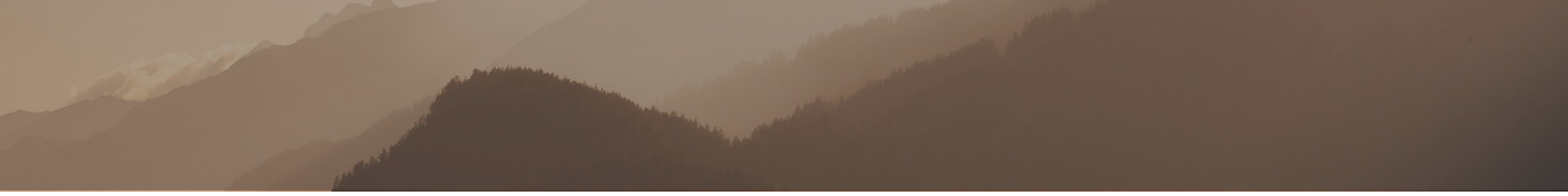
The Reserve Bank of Australia (RBA) cut the target cash rate for a third time this year to 3.60% in August, but then left it unchanged at the September meeting. Domestic headline inflation for August came in above market forecasts at 3.0% with non-volatile items surprising to the upside; this has reduced 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

Over the quarter, the Trust returned 1.27% (after fees) to September 30, outperforming the benchmark by 0.35%. Attribution for the quarter showed a +0.96% return from carry (income), -0.24% from duration (movements in yields) and +0.55% from credit (movements in credit spreads).

The Trust's outright duration positioning detracted from returns given the broad sell-off in government yields which mostly occurred across September and by greater magnitude in the shorter end and 'belly' of the curve (1-5y). In aggregate across the quarter, yield sold off by approximately 0.22% on average across each tenor albeit with the Trust reducing its duration exposure toward the end of August and through September from 0.76y to 0.62y by quarter-end. Overall, the detraction from duration was mostly attributable to positioning in the 5y part of the curve.

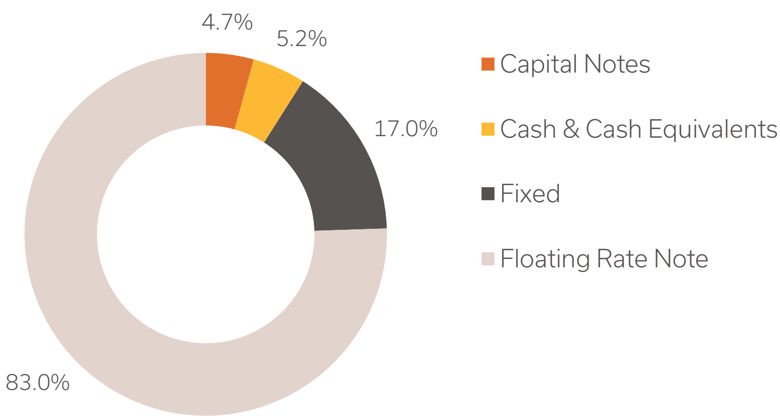
The average credit spread over the quarter rallied by 0.11% (proxied by the AusBond Credit 0+Yr Index) to 0.73%, representing compensation of 0.22% per-unit-of-duration, this being the tightest level since September 2024 where spreads offered 0.30% on the same measure. Measuring the spread between lower-rated and higher-rated credit also showed a similar level of compression, with BBB's offering a 0.54% premium over AA-rated bonds, down from 0.63% the year prior. As such, the Trust gradually reduced its spread exposure toward the end of the quarter as the rally continued and rotated in aggregate, to higher quality lines.

The combination of the broad rally in spreads and healthy running yield saw an overall positive outcome for the quarter, especially given volatility in government bond yields and a re-calibration of monetary policy expectations. Going forward, the Trust continues to search for appropriate risk-adjusted opportunities given the relatively 'tight' environment in credit.

Top 5 issuers

National Australia Bank Ltd	14.7
ANZ Group Holdings Ltd	9.2
Westpac Banking Corp	8.6
CKI Spark Holdings NO One Ltd	3.6
CNH Industrial NV	3.6

Asset allocation by securities' type



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

Morningstar rating assigned 31/08/2025 (Analyst-driven 0%, Data coverage 90%). 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.

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