u ethical
investing with purpose

U Ethical Australian Equities Trust - Retail

Quarterly Performance Review | December 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	7 July 2003
Fund size	$75.237m
Benchmark	S&P/ASX 300 Accumulation Index
Buy/sell spread	0.25% / 0.25%*
Management costs	Estimated up to 1.315% p.a.**
Holdings range	20-40
Number of holdings	35
APIR code	UGF0001AU
Risk level	High
Suggested minimum investment horizon	7 to 10 years
Distribution frequency	Half yearly (June & December)

*The buy/sell spread is set at 0.25 per cent per unit and is rounded to the nearest cent.
**Please read the Product Disclosure Statement.

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.

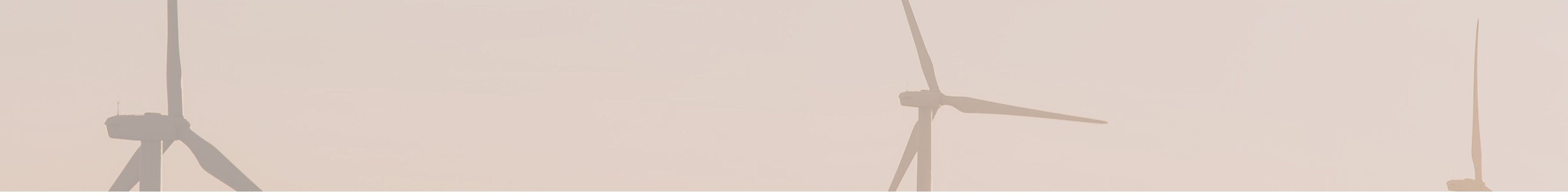
It invests primarily in Australian shares and listed property trusts, as well as up to 10 per cent in cash.

Performance summary

	3 months	1 year	3 years p.a.	5 years p.a.	10 years p.a.	Since Inception p.a.
Fund	-3.71%	5.40%	11.52%	9.04%	8.98%	8.38%
Benchmark	-0.89%	10.66%	11.39%	9.80%	9.32%	9.23%
Relative	-2.82%	-5.26%	0.13%	-0.76%	-0.34%	-0.85%

As at 31/12/2025. Benchmark: S&P/ASX 300 Accumulation Index. Inception date: 07/07/2003. Performance based on exit price with distributions reinvested and is net of 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. Australian dollars. Past performance is not indicative of future performance.

Issued by Uniting Ethical Investors Limited ABN 46 102 469 821 AFSL 294147



Market commentary

Global equity markets ended the December quarter near record levels, supported by better-than-expected economic activity, resilient corporate earnings and monetary policy easing by the Federal Reserve. US market leadership broadened over the period with investors rotating beyond mega-cap technology stocks toward more cyclical and value-oriented sectors. Trade related developments have so far been manageable, primarily resulting in order delays and front loading, they however remain an ongoing risk.

Monetary policy divergence across major central banks became more pronounced during the quarter. The Federal Reserve and Bank of England eased policy and maintained scope for further reductions in 2026. Conversely, the European Central Bank, Bank of Canada and the Reserve Bank of Australia (RBA) held rates steady. The Bank of Japan continued its gradual policy normalisation, raising rates by 25 basis points (bps) to 0.75%.

In the US, the federal funds rate target range was lowered by 25 bps in both October and December, ending the year at 3.50-3.75%. While the Federal Open Market Committee (FOMC) statement continued to highlight elevated economic uncertainty, it signalled a higher bar for further easing amid persistent inflation risks and a softening labour market. Core inflation (excluding food and energy) rose 2.6% over the 12 months to November, although data accuracy has been questioned due to disruptions associated with the US government shutdown. US GDP growth for the September quarter exceeded expectations at 4.3%, adding to uncertainty around the timing and magnitude of further easing in 2026.

The RBA has held the cash rate at 3.6% since August, although the December press conference revealed a more hawkish tone. Trimmed mean inflation surprised to the upside in October, rising to 3.3% year-on-year, increasing the risk of further policy tightening should inflation remain elevated. The market is now pricing in another cash rate hike in 2026, although RBA Governor Bullock reiterated this will be data dependent. Australian GDP growth accelerated to 2.1% in the September quarter, supported by stronger private investment and public demand, while the unemployment rate remains relatively low at 4.3%.

In China, the composite purchasing managers' index (PMI) rose to 50.7 in December, indicating expansion across both manufacturing and services. European Union GDP growth remained modest at 1.6% year on year in the third quarter, with subdued conditions persisting in Germany, France and Italy. Longer dated government bond yields generally rose, reflecting ongoing inflation concerns and elevated fiscal issuance. While US long-term yields were broadly stable, the moves were more pronounced in Europe, Japan and Australia (10-year yields rose from 4.3% to 4.7% over the quarter), contributing to volatility across global fixed income markets.

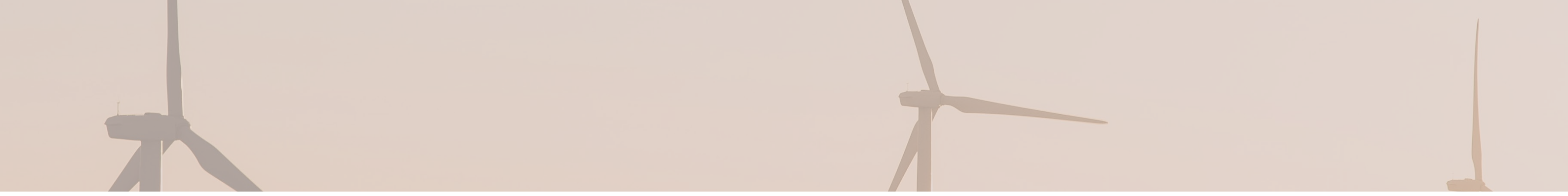
Looking ahead, the outlook for 2026 remains broadly constructive, supported by resilient global growth and the potential for further US monetary easing, contingent on inflation remaining contained. Corporate earnings revisions have been positive, although growth remains concentrated in AI-related sectors, where high expectations will need to be met. Elevated equity valuations continue to be a concern, while trade, policy and geopolitical uncertainty will likely mean ongoing market volatility.

Quarterly stock attribution

Top 3 contributors	Total return %	Attribution %
Fortescue	17.83	0.71
Sandfire Resources	25.58	0.65
Aristocrat Leisure*	-16.15	0.24

Bottom 3 contributors	Total return %	Attribution %
BHP Group*	6.96	-0.60
NextDC	-25.95	-0.51
Xero	-27.61	-0.41

Source: Bloomberg. Attribution shown is for the quarter ended 31/12/2025. Attribution based on a representative Australian Equities portfolio (Wholesale). Relative to the S&P/ASX Accumulation Index. *Not held in portfolio.



Portfolio commentary

The Trust delivered a total return of -3.7% in the December quarter, underperforming the benchmark by 2.8%. The underperformance was primarily driven by sector allocation, particularly the underweight exposures to Materials, which rallied strongly over the quarter. Stock selection within Health Care and Industrial sectors also detracted from performance, partially offset by positive contributions from the Consumer Discretionary, Financials and Consumer Staples sectors. Portfolio positioning reflects our ethical framework and conviction in companies with durable fundamentals and governance quality over full market cycles.

Over the last 12 months, the Trust provided a total return of 5.4%, trailing the benchmark by 5.3%. This was primarily driven by sector allocation due to being overweight the Health Care sector (which underperformed the broader market) and underweight the Materials sector (outperformed). Biopharma company CSL disappointed the market with downgraded earnings guidance, although despite near-term challenges the long-term outlook remains robust. Holding no exposure to gold stocks was a 3.1% headwind and not holding BHP Group was a drag on relative performance.

Stock selection has been slightly positive over the last 12 months with strong performance across holdings in the Materials sector (Lynas Rare Earths, Sandfire Resources and Fortescue). Other top contributors included Telstra, Charter Hall Group and Brambles. This has been partially offset by detractors across Financials (HMC Capital), Industrials (Computershare and Cleanaway Waste Management) and Real Estate (DigiCo and Goodman Group) sectors.

During the quarter, BlueScope Steel was added back to the portfolio due to an attractive valuation and high-quality assets. We also topped up a number of existing holdings including Sigma, Amcor and REA Group given solid outlooks and a pullback in share prices. Holdings in Lynas Rare Earths, Fortescue and Brambles were selectively trimmed on valuation grounds.

Looking ahead, while the S&P/ASX 300 Index forward price-to-earnings ratio declined slightly over the quarter, it remains above longer-term averages and the market is likely to react strongly to any earnings surprises in the upcoming February reporting season. We continue to monitor structural trends including AI and related investments, ongoing data centre demand, and opportunities across sectors, in balancing near-term volatility with long-term growth potential.

Engagement update

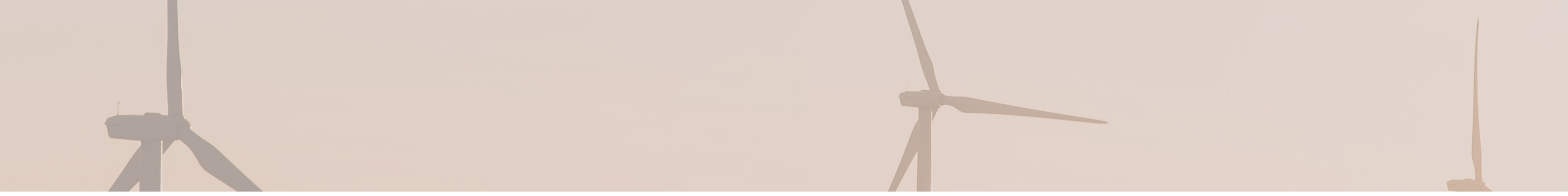
U Ethical communicates with portfolio companies for a number of reasons, including to gain greater insight on ESG-related issues, communicate our preferences for best practice management of ESG risks and opportunities, and seek commitments for enhanced performance on ESG matters. U Ethical believes that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

The 2025 AGM season has presented U Ethical with a number of opportunities to engage with portfolio companies on a variety of environmental, social and corporate governance issues. Significant issues of concern include consumer discretionary/staples companies and impact of increased crime in store (shoplifting, violence against retail staff) , the impact of the new climate-related financial reporting, gender diversity on boards, OHS issues and executive remuneration at underperforming companies.

U Ethical also supported shareholder resolutions at banks calling for increased reporting and rigour around climate transition aligned lending decisions, and financed deforestation, or how banks lend money for business activities that lead to deforestation.

In the wake of strong votes against remuneration reports at Cleanaway Waste Management related to management of fatalities during FY25 and early FY26, U Ethical met with Cleanaway to discuss how the company will update practices and fleet equipment to prevent further tragedies.

At the end of the December quarter, U Ethical became the lead investor in the Climate Action 100 engagement with BlueScope Steel.

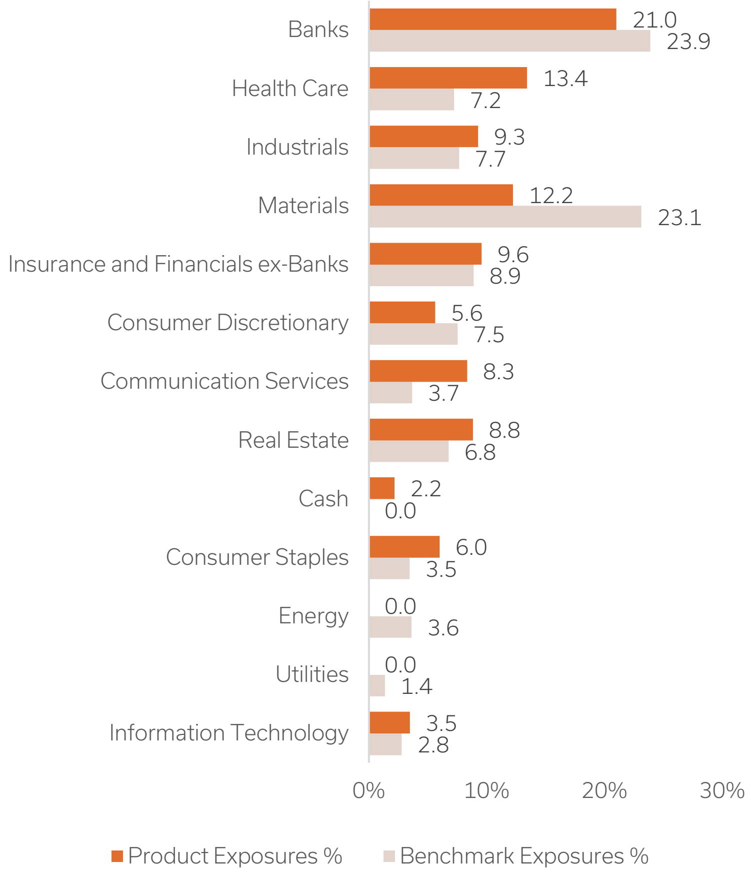


Top 10 holdings

Holdings	%
COMMONWEALTH BANK OF AUSTRALI	6.3
CSL LTD	5.4
FORTESCUE LTD	5.3
GOODMAN GROUP	5.3
TELSTRA GROUP LIMITED	5.0
ANZ GROUP HOLDINGS LIMITED	5.0
WESTPAC BANKING CORPORATION	4.9
NATIONAL AUSTRALIA BANK	4.8
MACQUARIE GROUP LIMITED	4.6
RESMED INC	3.8
Total	50.3

As at 31/12/2025

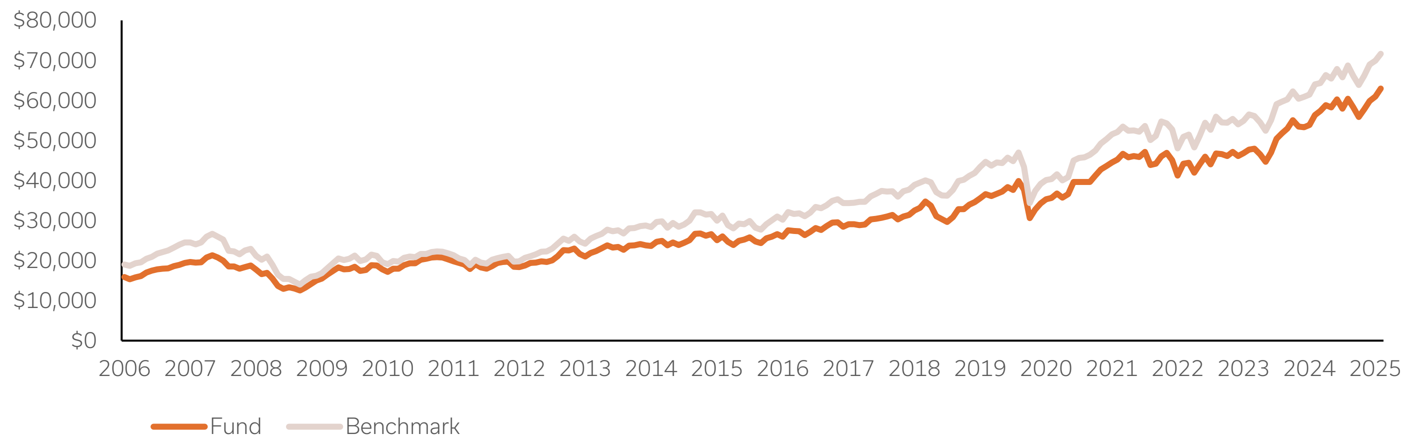
Sector exposure



As at 31/12/2025

Long-term performance

Growth of $10,000 invested



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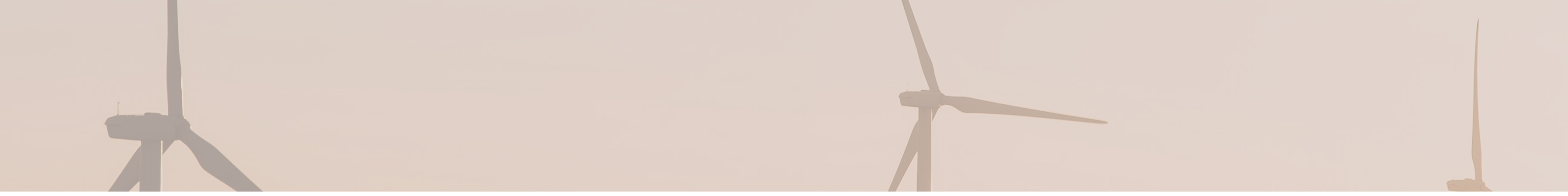


Ethical view

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.

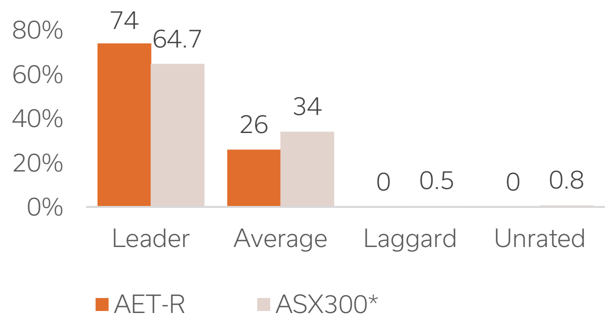
ESG ratings

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

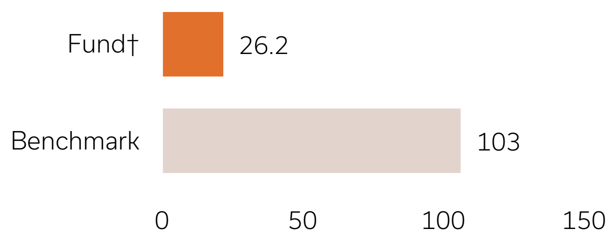
Leader		Average			Laggard	
AAA	AA	A	BBB	BB	B	CCC



As at 31/12/2025. *Constituent-level scores might be affected by MSCI ESG Research's ESG Rating model enhancements introduced on 10/11/2020.

Carbon footprint

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



Source: MSCI ESG Research. As at 31/12/2025.
†This is based on a combination of company reported and MSCI estimated carbon data. Certain information ©2025 MSCI ESG Research LLC. Reproduced by permission.

Low Carbon

Source: Morningstar. Carbon Metrics as of 30/11/2025. Based on 100% percent of eligible portfolio covered. Data is based on long positions only.

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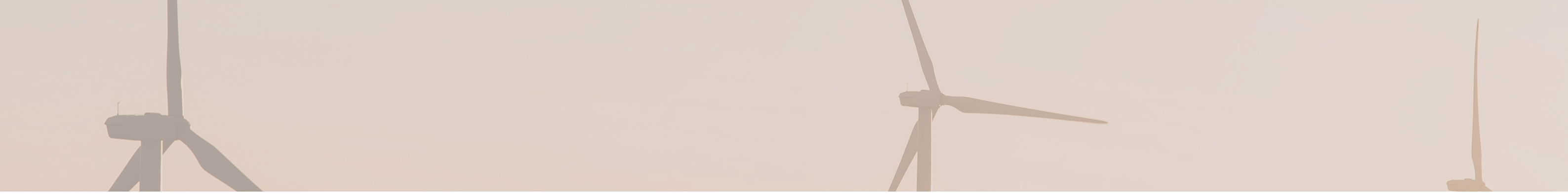

About U Ethical

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

Neutral™

CERTIFIED RESPONSIBLE INVESTMENT™ SUSTAINABLE PLUS CERTIFIED BY RIAA

Responsible Investment Leader 2024 A proud RIAA member riaa Responsible Investment Association Australasia

Certified B Corporation

Morningstar rating assigned 30/11/2025 (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.

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