

U Ethical Cash Management Trust - Wholesale

Quarterly Performance Review | December 2025

A portfolio of cash and cash equivalents aiming to provide capital stability and ready access to your funds

Fund information

Portfolio Manager	Joshua Nappa & Dandan Huang
Chief Investment Officer	Jon Fernie
Inception date	1 July 2020
Fund size	\$107.07m
Benchmark	Reserve Bank of Australia (RBA) cash rate
Buy/sell spread	N/A
Management costs	Estimated up to 0.30% p.a.*
APIR code	UGF5688AU
Risk level	Low
Suggested minimum investment horizon	6 months

*See Information Memorandum.

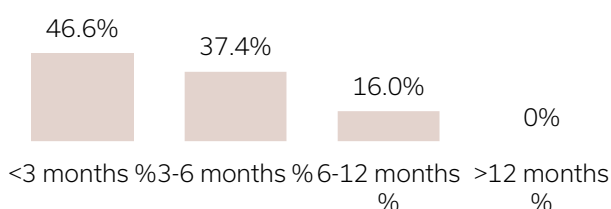
Investment objective

The U Ethical Cash Management Trust - Wholesale aims to compare favourably with comparable cash management trusts through a combination of cash and cash equivalent investments.

It is a very low risk investment option and suitable for short-term investment, while aiming to maintain a high level of capital stability. It aims to outperform the benchmark after fees over a rolling one-year period.

Maturity profile

% of assets matured



As at 31/12/2025.

Performance summary

	3 Months	6 Months	1 Year	3 Years p.a.	5 Years p.a.	Since Inception p.a.
Fund	0.97%	2.00%	4.27%	4.40%	2.92%	2.68%
Benchmark	0.91%	1.86%	3.95%	4.12%	2.73%	2.50%
Relative	0.06%	0.14%	0.32%	0.28%	0.19%	0.18%

As at 31/12/2025. Benchmark: Reserve Bank of Australia (RBA) cash rate. Note: Performance figures stated ending 31 December 2022 were overstated by 0.07% 3 months, 0.08% 6 months, 0.09% 1 year and 0.04% since inception due to a calculation error. These have now been corrected in the above table.

Inception date: 01/07/2020. Based on exit price with distributions reinvested and net of all fees. Australian dollars. **Past performance is not indicative of future performance.**

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.

Portfolio commentary

The Trust returned 0.97% for the quarter, outperforming the benchmark by 0.06% after fees.

Over the quarter, the Bank Bill Swap (BBSW) curve steepened at the long end as monetary policy expectations shifted back towards rate hike territory. This saw the 5-month and 6-month tenors increase by +30bps and +38bps respectively. This also resulted in healthier all-in deposit rates around this same part of the curve, with attractive opportunities also materialising further out on the curve. This was reflective of the +36bp increase in the gap between the 6-month and 1-month rate, whilst shorter parts of the curve such as the 3-month and 1-month saw only a +14.8bp increase over the same period.

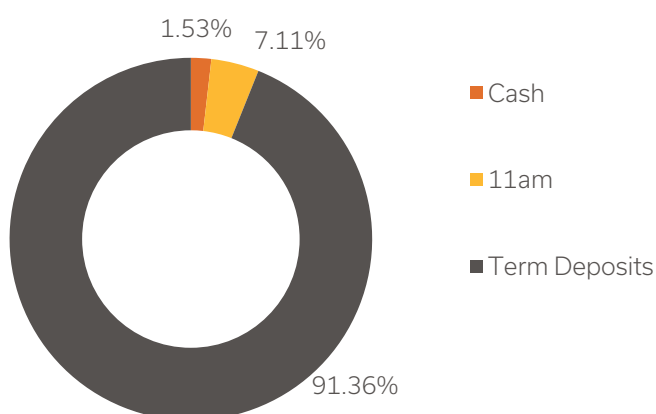
The Trust tactically responded to the healthier term structure by adding exposure to mid-curve (4-6m) deposits where the premium for extending maturity showed good marginal pickup over shorter-dated. Further allocations to the 7-8m tenor were also fruitful as margin over the benchmark curve emerged.

As a result, the combination of the Trust's responsive positioning to expanding term premia and mid-dated higher margin deposits, supported outperformance relative to the benchmark over the period.

Top 5 issuers

National Australia Bank	38.3
BankVic	18.8
Bendigo Bank	17.7
Westpac Banking Corporation	14.6
Bank of Queensland	9.0

Asset allocation by securities' type



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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



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 ratings.

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