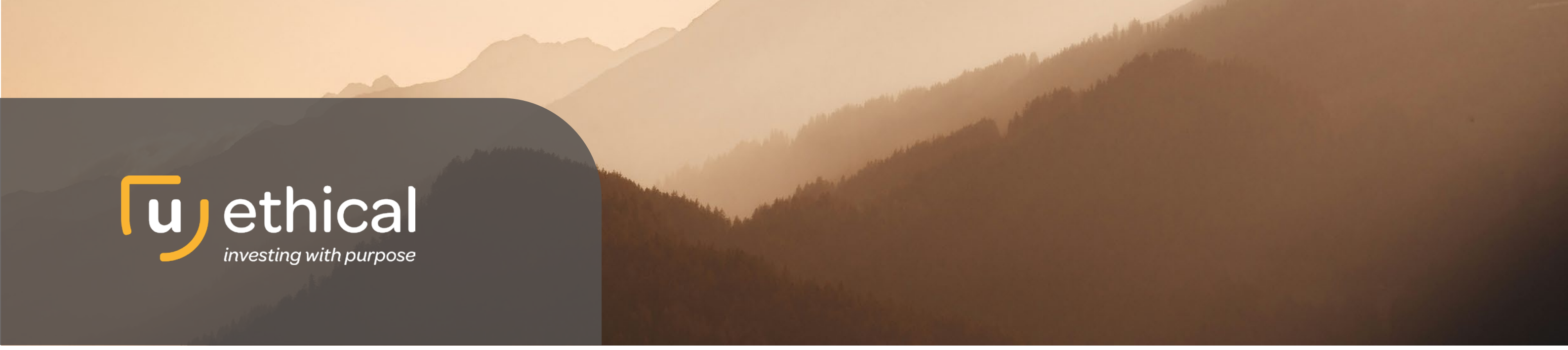


U Ethical Enhanced Income Trust - Wholesale

Quarterly Performance Review | December 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	$172.41m
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

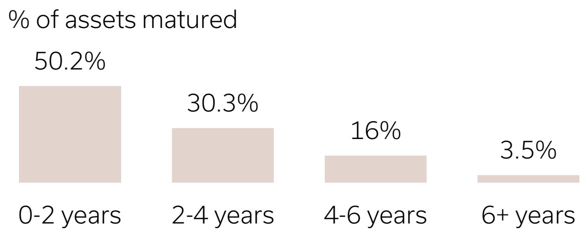
*See performance and benchmark notes below.
**See Information Memorandum.

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	3 Years p.a.	5 Years p.a.	Since Inception p.a.
Fund	0.71%	1.99%	4.41%	5.04%	2.93%	6.53%
Benchmark	0.90%	1.83%	4.38%	5.02%	3.76%	5.74%
Relative	-0.19%	0.16%	0.03%	0.02%	-0.83%	0.79%

As at 31/12/2025. 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 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.

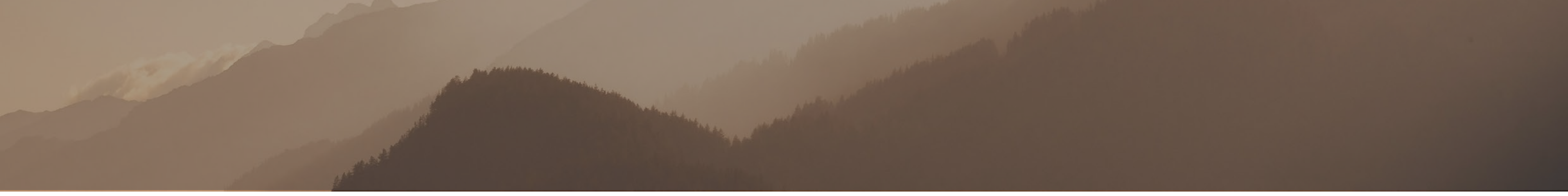
Monetary policy divergence across major central banks became more pronounced during the quarter. The Federal Reserve and Bank of England eased policy and maintained scope for further reductions in 2026. Conversely, the European Central Bank, Bank of Canada and the Reserve Bank of Australia (RBA) held 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

Over the quarter, the Trust returned 0.71% (after fees) to December, underperforming the benchmark by 0.19%. Attribution for the quarter showed a +0.90% return from carry (income), -0.32% from duration (movements in yields), +0.07% from credit (movements in credit spreads) and +0.05% from security selection.

The Trust's outright duration exposure detracted from returns as yields over the quarter sold off on the back of hotter-than-expected inflation, prompting a significant shift in expectations of any further rate cuts by the Reserve Bank of Australia (RBA). This saw expectations of rate cuts priced out by the market and a steepening of the ultra short-end of the curve (1-3 years), with the 1 year yield ending the quarter at 3.96%, reflecting the market's expectation of a weighted average cash rate over the next year of the same level. Given the RBA cash rate sitting at 3.60%, this represented an expectation of rate hikes over the coming year. On average, yields rose by 0.47% across all tenors, with the Trust primarily having exposure towards the shorter-end and belly of the curve albeit, still being caught up in the 'no where to hide' selloff that occurred over the quarter.

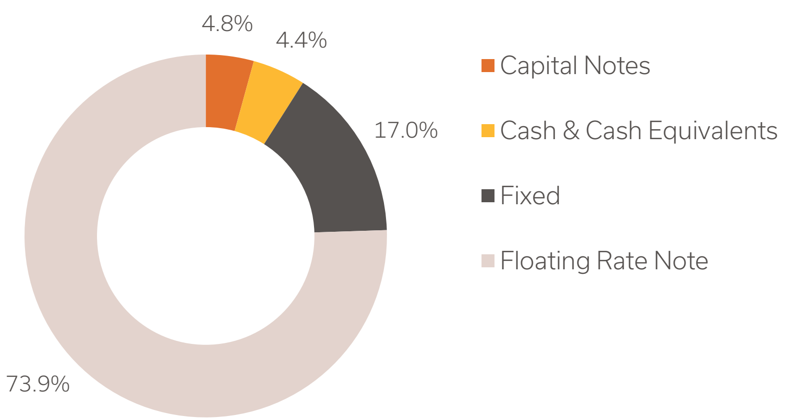
Credit spreads saw a broad rally across all rating bands as higher all-in-yields prompted investors to maintain their bid for risk assets despite potential looming rate hikes in the coming year. However, credit fundamentals remained supportive thus, characterising the rally as a technical bid. Spreads ended the quarter sitting at historically tight multiples to their 5 year average; on average across rating bands ended the quarter at a historical tight level of 0.70x. Relativities between high-grade and lower-grade credit remained somewhat stable, with the premium afforded for BBB vs AA- staying at 58 basis points (bps) despite a larger rally in BBB spreads.

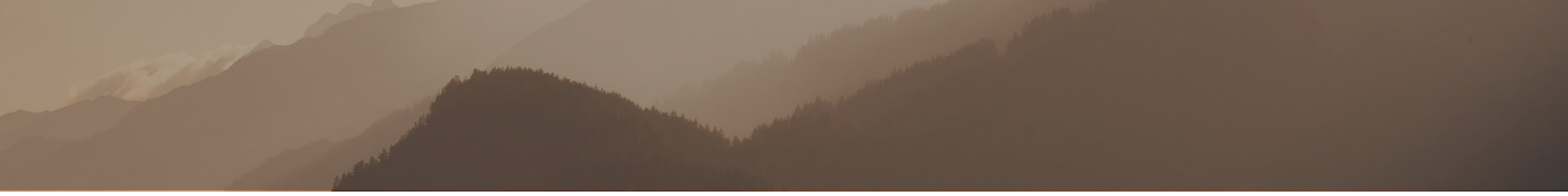
The combination of the broad rally in spreads and healthy running yield resulted in some insulation from the yield selloff however, the recalibration of monetary policy expectations resulted in the negative return from duration exposure dragging the Trust's performance below benchmark.

Top 5 issuers

National Australia Bank Ltd	10.8
Westpac Banking Corp	9.6
ANZ Group Holdings Ltd	9.4
Commonwealth Bank of Australia	4.5
CKI Spark Holdings	4.3

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

Neutral™

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 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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