U Ethical Growth Portfolio

Quarterly Performance Review | December 2025

A diversified portfolio of ethically screened Australian shares, international shares, listed property trusts and enhanced income designed specifically for not-for-profit and charitable organisations.

Fund information

Portfolio Manager	Jon Fernie
Chief Investment Officer	Jon Fernie
Inception date	1 July 1985*
Fund size	$127.25m
Benchmark	70% S&P/ASX 300 Accumulation Index 10% MSCI World Ex Australia Net Total Return Index AUD (unhedged) 10% S&P/ASX 300 Real Estate Accumulation Index 5% Bloomberg AusBond Bank Bill Index 5% Bloomberg AusBond Composite 0-3 Yr Index
Buy/sell spread	0.20% / 0.20%
Management costs	Estimated up to 0.80% p.a.**
APIR code	UGL0002AU
Risk level	Medium to high
Suggested minimum investment horizon	5 years
Distribution frequency	Half yearly (June & December)

*Figure represents the sum of the underlying products within which it invests and includes franking credits.
**See Offer Document.

Investment objective

The U Ethical Growth Portfolio is more suitable for medium to long-term investment, and aims to provide a total return of 3 per cent above the rate of inflation (CPI +3%) over a rolling 5-year period.

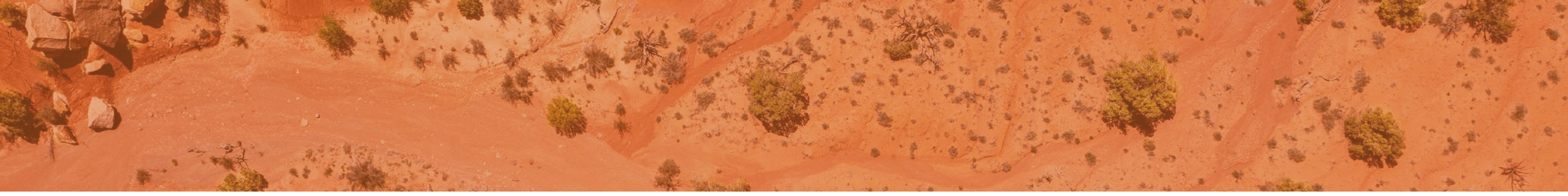
It combines a strategic mix of Australian and international shares, listed property trusts, fixed interest and cash to achieve income and capital stability.

The Portfolio is available to not-for-profit organisations that are registered for charity tax concessions.

Performance summary

	3 Months	1 Year	3 years p.a.	5 years p.a.	10 years p.a.	20 years p.a.	Since Inception p.a.
Fund	-1.81%	7.90%	13.08%	9.48%	9.63%	8.14%	10.07%
Benchmark	-0.45%	10.06%	11.98%	9.54%	8.97%	7.13%	N/A
Relative	-1.36%	-2.16%	1.10%	-0.06%	0.66%	1.01%	N/A

As at 31/12/2025. Benchmark: Composite benchmark 70% S&P/ASX 300 Accumulation Index, 10% MSCI World Ex Australia Net Total Return Index (AUD) (unhedged), 10% S&P/ASX 300 Real Estate Accumulation Index, 5% Bloomberg Ausbond Bank Bill Index, and 5% Bloomberg Ausbond Composite 0-3 Year Index. Inception date: 01/07/1985. 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.

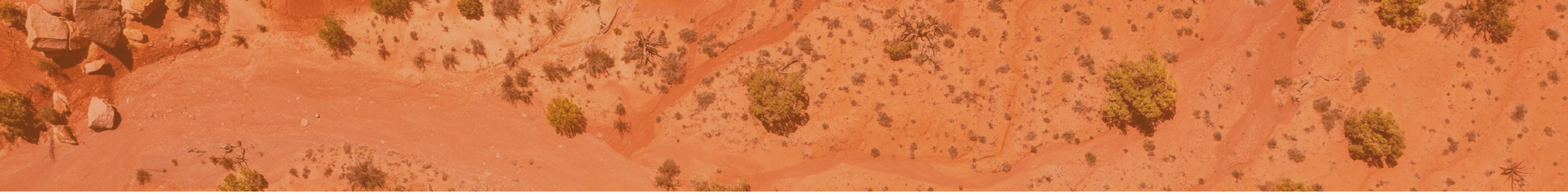
Portfolio commentary

The Growth Portfolio delivered a total return of -1.8% for the December quarter, which was 1.4% below the composite benchmark. Over the last 12 months, the Portfolio has provided a total return of 7.9%, underperforming the composite benchmark by 2.2%. Asset allocation slightly detracted from relative performance over the last year given more defensive positioning and being overweight fixed income. From an underlying asset class performance, international equities and fixed income outperformed their respective benchmarks while Australian equities and listed property underperformed.

Outperformance within international equities over the last 12 months was mainly due to stock selection with strong contributions from Alphabet, Bank of New York Mellon, Taiwan Semiconductor Manufacturing and TJX Companies. Novo Nordisk was a key detractor due to lower earnings guidance and increased GLP-1 competition. Other detractors included ServiceNow, Mastercard and Visa. Sector allocation was also positive with the Trusts benefitting from being overweight Financials and Communication Services, while underweight Consumer Discretionary.

Underperformance within Australian equities over the year was primarily driven by sector allocation being overweight Health Care with the earnings outlook for CSL underwhelming the market. An underweight position in Materials also detracted from performance and not holding any gold exposure was a significant drag. Stock selection was slightly positive with good performance in the Materials sector (Lynas Rare Earths, Sandfire Resources and Fortescue) offsetting detractors in the Financials (HMC Capital), Industrials (Computershare and Cleanaway Waste Management) and Real Estate (DigiCo and Goodman Group) sectors.

Global corporate earnings have been better than expected and monetary policy easing has supported equities over the last year. While we may see further easing in the US in 2026, this seems less likely in other regions and elevated inflation remains a risk. Earnings revisions have been positive in recent months and the outlook broadly looks more constructive despite ongoing trade and policy uncertainty. Given stretched equity market valuations, we remain marginally overweight fixed income and underweight Australian equities, international equities and listed property.

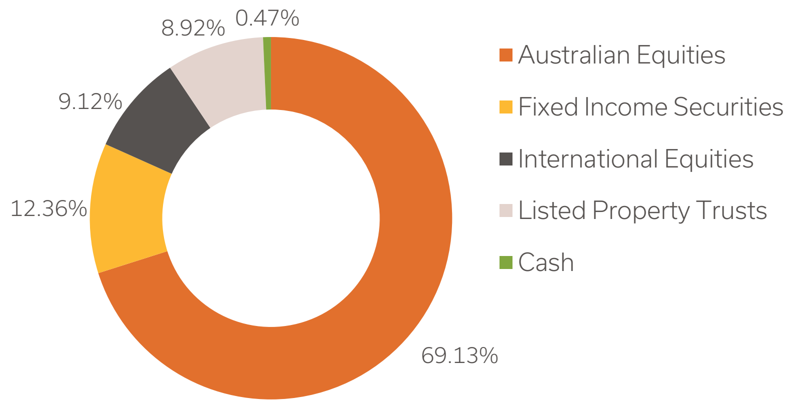


Top 10 holdings

Holdings	%
GOODMAN GROUP	6.9
COMMONWEALTH BANK OF AUSTRALIA	4.4
CSL LIMITED	3.7
FORTESCUE METALS GROUP LTD	3.7
TELSTRA CORPORATION LIMITED	3.5
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	3.4
WESTPAC BANKING CORPORATION	3.4
NATIONAL AUSTRALIA BANK LIMITED	3.3
MACQUARIE GROUP LIMITED	3.2
RESMED INC.	2.6
Total	38.0

As at 31/12/2025.

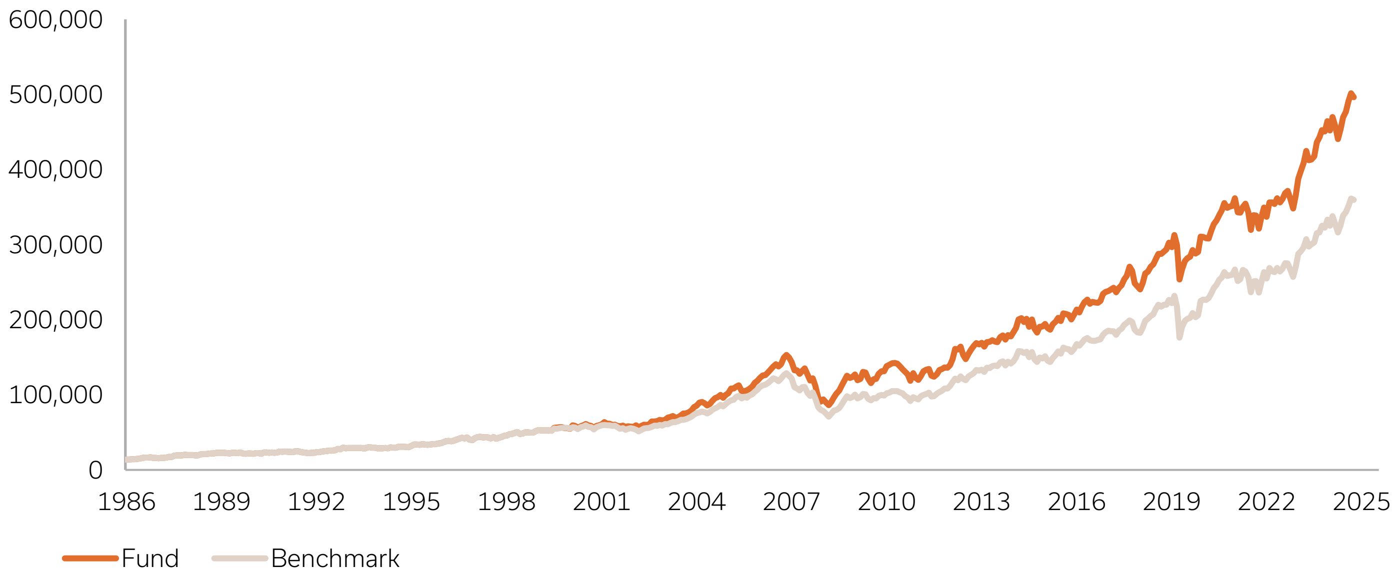
Asset allocation



As at 31/12/2025. The asset allocation breakdown relates to investment in underlying trusts and is not on a look-through basis. Cash represents cash held at bank.

Long-term performance

Growth of $10,000 invested



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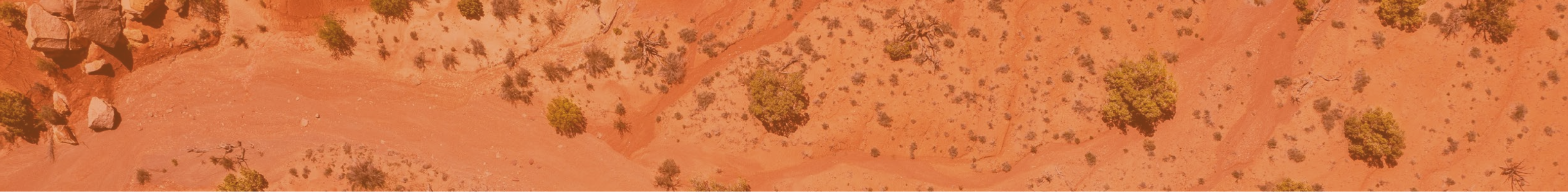


Ethical view

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.

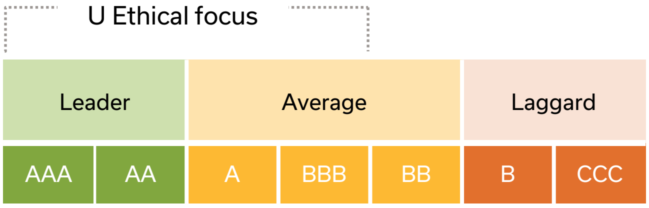
U Ethical pursues a values-based, risk-adjusted and, where possible for equities, SDG-aligned approach to investing. Our investment process seeks to ensure that our portfolio holdings are aligned with our clients' financial and ethical expectations.

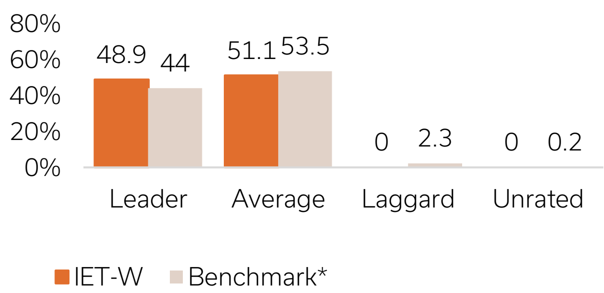
U Ethical's investment process integrates ESG considerations with the aim of minimising investment risk and identifying investment opportunities. Informed by our ethical investment philosophy, we seek out companies producing goods or providing services that appropriately manage their impact on society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

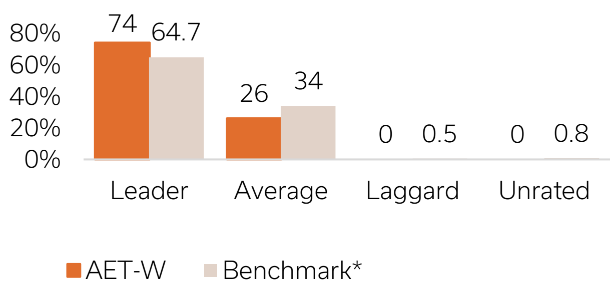
ESG ratings

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.



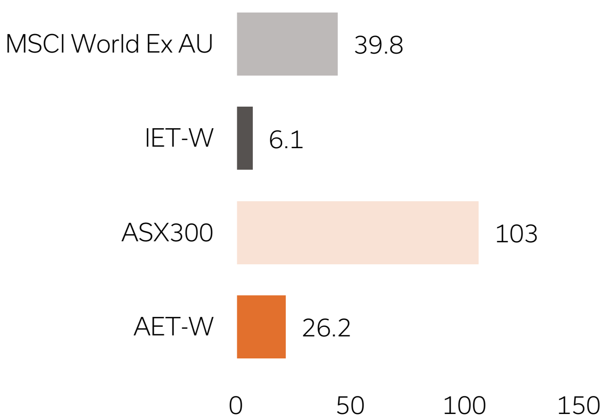




As at 31/12/2025. *Constituent-level scores might be affected by MSCI ESG Research's ESG Rating model enhancements introduced on 10/11/2020.

Carbon footprint

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



Source: MSCI ESG Research. As at 31/12/2025. Portfolio data 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 coverage of the AET-W portfolio and 95% coverage of the IET-W portfolio. Data is based on long positions only.

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investing with purpose

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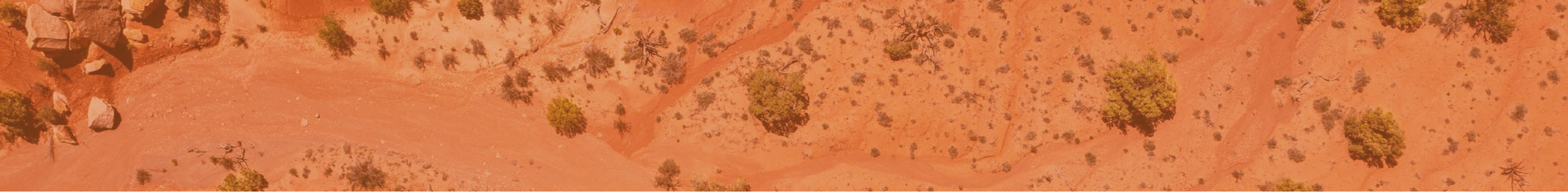

About U Ethical

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

MORNINGSTAR Bronze™

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.

Contact us

info@uethical.com

1800 996 888

www.uethical.com

Level 6, 130 Lonsdale Street
Melbourne VIC 3000

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