

# U Ethical International Equities Trust - Wholesale

Quarterly Performance Review | December 2025

**A high-conviction and actively managed portfolio of international equities**

## Fund information

Portfolio Manager	Cam Hardie
Chief Investment Officer	Jon Fernie
Inception date	1 August 2019*
Fund size**	\$80.23m
Benchmark	MSCI World ex Australia TR Index (AUD)
Buy/sell spread	0.25% / 0.25%
Management costs	Estimated up to 0.90% p.a.***
Holdings range	20-50
APIR code	UGF1996AU
Risk level	High
Suggested minimum investment horizon	7-10 years
Distribution frequency	Half yearly (June & December)

## Investment objective

The Trust aims to achieve competitive risk adjusted returns over the long term in accordance with our ethical investment policy and ethical investment and stewardship approach.

Through a focus on high quality companies with strong fundamentals that are trading at acceptable valuations the Trust aims to outperform the benchmark over a rolling 5-year period.

\* On 1 August 2019, the Portfolio was transferred from a sub-account of the U Ethical Growth Portfolio into a unit trust, the U Ethical International Equities Trust (Trust). The Trust retains the same investment manager and investment strategy, and charges management cost of up to 0.90% p.a.

\*\* This figure contains funds invested by the U Ethical Growth Portfolio product.

\*\*\*See Information Memorandum. From inception to 30 June 2019, performance is that of the U Ethical International Equities Portfolio (the Portfolio) with management costs adjusted from 0.80% to 0.90%.

## Performance summary

	3 Months	1 year	3 years p.a.	5 years p.a.	10 years p.a.	Since Inception p.a.
Fund	5.35%	17.09%	22.16%	14.13%	13.40%	15.03%
Benchmark	2.55%	12.53%	22.08%	15.57%	13.23%	14.12%
Relative	2.80%	4.56%	0.08%	-1.44%	0.17%	0.91%

As at 31/12/2025. Benchmark: MSCI World ex Australia TR Index (AUD). Inception date: 01/08/2019. 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 Trust delivered a total return of 5.4% in the December quarter, outperforming the benchmark by 2.8%. The outperformance was primarily driven by positive stock selection in Communication Services, Health Care and Industrials sectors. Sector allocation was slightly positive over the quarter with the Trust benefitting from being overweight Health Care and not holding any Real Estate exposure.

Communication Services sector was a standout performer during the quarter, with our overweight positioning in Alphabet (Google) benefitting from the continued positive momentum in AI-related investments and resilient growth in its core search business.

Over the last 12 months, the Trust has delivered a total return of 17.1%, which was 4.6% ahead of the benchmark. The outperformance was mainly driven by good stock selection across Communication Services (Alphabet and BT), Health Care (Eli Lilly and GSK), Consumer Discretionary (TJX Companies) and Financials (Bank of New York Mellon and Nordea Bank). Taiwan Semiconductor Manufacturing Company was another

strong contributor, although offset by weaker performance from other Information Technology holdings including ServiceNow and SAP. Novo Nordisk was another detractor as the company downgraded the earnings outlook and faced increased competition for GLP-1 treatments.

Sector allocation also contributed to relative performance over the year, benefitting from being overweight Financials and Communication Services (both sectors outperformed the broader market) and underweight Consumer Discretionary (underperformed).

During the quarter, we continued to build positions in Hermes and Costco while Novo Nordisk, Apple and Taiwan Semiconductor Manufacturing Company were reduced, the latter two being trimmed after periods of share price strength. We exited the Magnum Ice Cream Company, which was spun out from Unilever, reflecting lower conviction in the sustainability of earnings growth as a standalone business.

## Engagement update

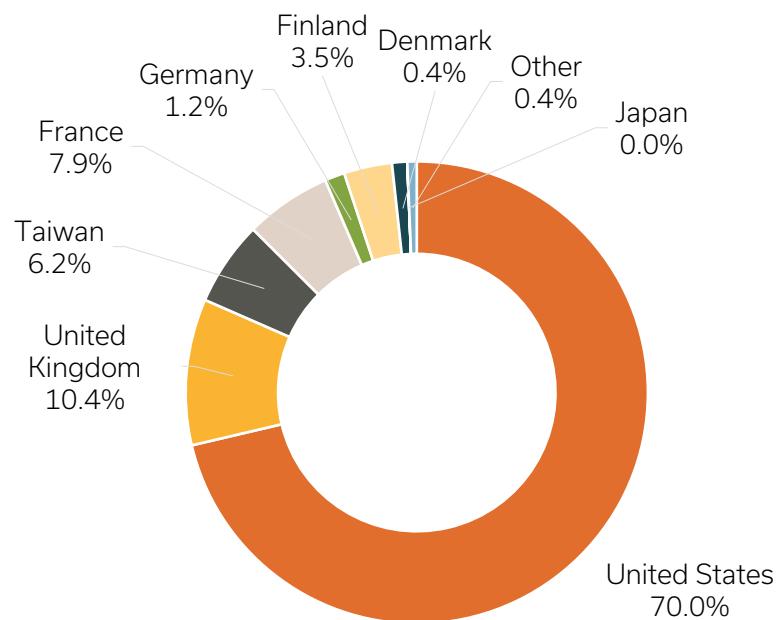
U Ethical communicates with portfolio companies for a number of reasons, including to gain greater insight on ESG-related issues, communicate our preferences for best practice management of ESG risks and opportunities, and seek commitments for enhanced performance on ESG matters. U Ethical believes that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

This quarter, U Ethical and fellow international peers participating in a Nature Action 100 collaborative engagement met with Amcor. The meeting, which included Amcor's chief sustainability officer, gained greater clarity on plastics-related recycling/reuse initiatives, new commitments, and impact of Berry merger, while seeking enhanced reporting on recycled materials and other commitments.

## Top 10 holdings

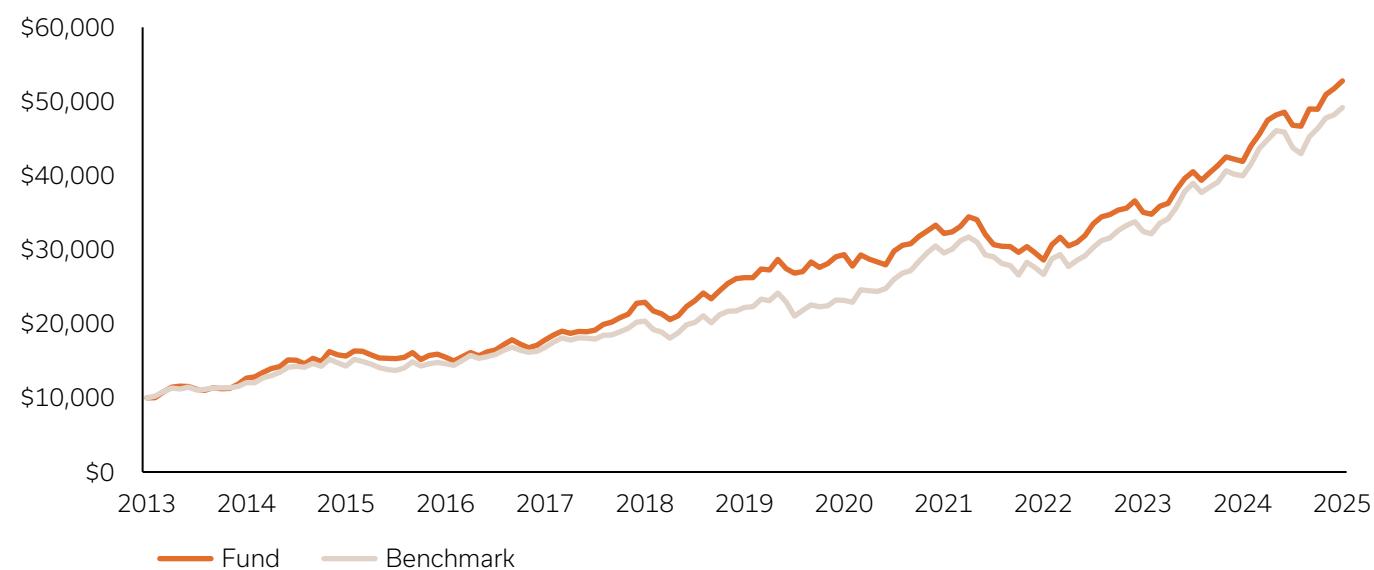
Holdings	%
ALPHABET INC	8.3
MICROSOFT CORP	7.8
APPLE INC	6.0
TAIWAN SEMICONDUCTOR MANUFACTURING	6.0
NVIDIA CORP	5.7
TJX COS INC NEW	5.4
VISA INC	4.9
MASTERCARD INCORPORATED	4.5
BANK NEW YORK MELLON CORP	4.4
GSK PLC	3.8
<b>Total</b>	<b>56.8</b>

## Geographic exposure



## Long-term performance

Growth of \$10,000 invested



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.

## 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

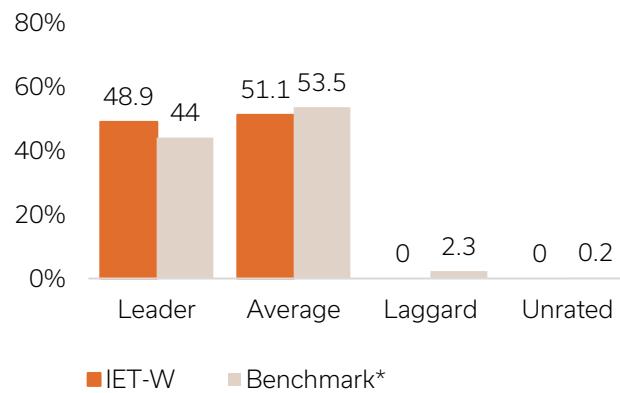
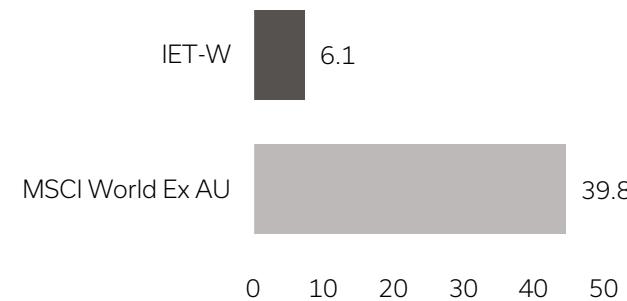
ESG ratings are designed to measure a company's resilience to long-term industry material environmental, social and governance (ESG) risks.

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

## Carbon footprint

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



Source: MSCI ESG Research.  
Portfolio data based on a combination of company reported and MSCI estimated carbon data. Certain information ©2025 MSCI ESG Research LLC. Reproduced by permission.  
\*Constituent-level scores might be affected by MSCI ESG Research's ESG Rating model enhancements introduced on the 10th of November 2020.



Source: Morningstar. Carbon Metrics as of 30/11/2025. Based on 95.0% percent of eligible portfolio covered. Data is based on long positions only.

## 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**  
TM



SUSTAINABLE PLUS  
CERTIFIED BY RIAA



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](http://www.uethical.com/disclaimers) for further information and disclaimers on these ratings.

## Contact us

info@uethical.com

1800 996 888

[www.uethical.com](http://www.uethical.com)

Level 6, 130 Lonsdale Street  
Melbourne VIC 3000

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