

# U Ethical Australian Equities Trust - Retail

Quarterly Performance Review | March 2026

**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	\$67.12m
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	32
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	-5.88%	2.88%	7.63%	6.87%	8.43%	8.00%
Benchmark	-2.04%	11.59%	9.43%	8.46%	9.39%	9.03%
Relative	-3.84%	-8.71%	-1.80%	-1.59%	-0.95%	-1.03%

As at 31/03/2026. 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.**

## Market commentary

Volatility in global equity markets rose over the March quarter driven by conflict in the Middle East. Higher energy prices and the potential flow on effects for inflation, monetary policy and global economic growth remain key concerns for investors. The MSCI World Ex Australia TR Index (AUD) declined 6.2% over the quarter and the ASX 300 Accumulation Index retreated 2.0%.

In late February, there were joint US-Israeli strikes on Iranian nuclear and military infrastructure, which led to retaliation from Iran. Since that time there have been intense air campaigns, regional attacks by Iran (including on Saudi Arabia and Qatar) and an important energy shipping corridor, the Strait of Hormuz, has been largely closed. This has seen energy prices spike with Brent crude oil peaking close to US\$120/barrel at the end of March. A fragile ceasefire was negotiated in early April with ongoing negotiations taking place as the US has increased its military presence in the region. The impact on global economic growth will depend on the duration of the war and the time to normalise energy production and supply chains afterwards.

Monetary policy over the quarter remained stable within major economies with the Federal Reserve, European Central Bank and Bank of Japan leaving target rates unchanged. However, the Reserve Bank of Australia (RBA) increased the cash rate by 25 basis points (bps) at both the February and March meetings with inflation remaining above target levels. Inflation remaining above target levels. Trimmed mean inflation in Australia remained steady in February rising 3.3% year-on-year with housing, recreation and food continuing to be key drivers. The market is currently pricing in two further cash rate hikes this year. Australian GDP growth over 2025 lifted to 2.6% supported by solid private and public demand, while the unemployment rate remains relatively low at 4.3%.

In the US, the federal funds rate target range was maintained at 3.50-3.75% during the quarter. The Federal Open Market Committee (FOMC) statement continued to highlight elevated economic uncertainty including from the conflict in the Middle East. Kevin Warsh is expected to take over as Federal Reserve Chair in mid-May and has more recently advocated for further easing despite a "hawkish" reputation during his previous stint as a Federal Reserve Governor. Core inflation (excluding food and energy) in the US rose to 2.6% over the 12 months to March. US GDP growth for the December quarter was below expectations, leading to 2025 growth below prior years at 2.1% supporting the case for further easing if inflation can be contained.

In China, a GDP growth target range of 4.5% to 5.0% has been set for 2026 as the country continues to navigate a challenging property market and weak domestic consumption. European Union GDP growth was modest at 1.6% for 2025 with Germany, France and Italy economic activity remaining subdued. Global longer-term government bond yields were volatile over the quarter although generally finished higher. US 10-year Treasury yields ranged from 3.9% to 4.4% during the period and finished at 4.2%.

Corporate earnings growth has been solid with AI investment remaining strong from large tech companies. Earnings revisions have been positive over the quarter, despite companies perceived to be at risk of AI disruption continuing to selloff. The recent pullback in equity markets has seen valuations moderate, although a prolonged and/or escalating conflict in Iran remains a risk for earnings and will likely mean further central bank easing is pushed out. While markets have generally brushed off geopolitical events historically, given this backdrop we are slightly more cautious on the near-term outlook for equities.

## Quarterly stock attribution

Top 3 contributors	Total return %	Attribution %	Bottom 3 contributors	Total return %	Attribution %
Woolworths Group	25.48	0.56	BHP Group*	12.86	-1.26
Telstra Group	11.70	0.45	Woodside Energy*	52.69	-0.86
Northern Star Resources*	-23.19	0.29	Cochlear	-34.29	-0.76

Source: Bloomberg. Attribution shown is for the quarter ended 31/03/2026. 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 -5.9% in the March quarter, underperforming the benchmark by 3.8%. Of this underperformance, 2.8% was attributable to ethical exclusions where notably the Energy sector and BHP outperformed the broader market by 38% and 14.9% respectively. The Health Care and REIT's sectors also detracted from performance. This was partially offset by positive contributions from Consumer Staples and an underweight position in Consumer Discretionary sector.

Over the last 12 months, the Trust provided a total return of 2.9%, trailing the benchmark by 8.7%. 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). Ethical exclusions were a 3.2% headwind for performance due to strong performance from both the Energy sector and BHP. Holding no exposure to Gold stocks was also a 1.5% headwind to relative performance.

Stock selection was positive over the last 12 months with good relative performance in the Materials sector (Lynas Rare Earths). Other top contributors included Resmed and NextDC. This was partially offset by detractors including Amcor, Suncorp and Computershare which were all impacted by different macro factors rather than company specific issues.

During the quarter we exited the position in HMC Capital, Amotiv, Xero and Dexus. We also reduced positions in Seek, Brambles, Amcor and Suncorp. We added Scentre Group to the Trust, preferring Retail REIT exposure over office exposure. We also added to positions in Telstra, Coles, Woolworths, Commonwealth Bank and Bluescope.

The Energy sector rallied strongly during the period which saw the Brent crude price rally 88% due to the Middle East conflict which has restricted global oil supply and impacted the flow of liquefied natural gas (LNG) from Qatar, the second largest LNG producer globally.

## 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.

During the quarter, we held meetings or discussions with NEXTDC, Seek, Ramsay Health Care, ANZ, CBA, CSL and Westpac, among others.

U Ethical has launched a multi-year engagement with portfolio companies on board refreshment, seeking to gather greater insights into how selected companies are assessing board skills through new appointments and supportive education for boards with an eye to airing our views on key governance concerns and improving board composition.

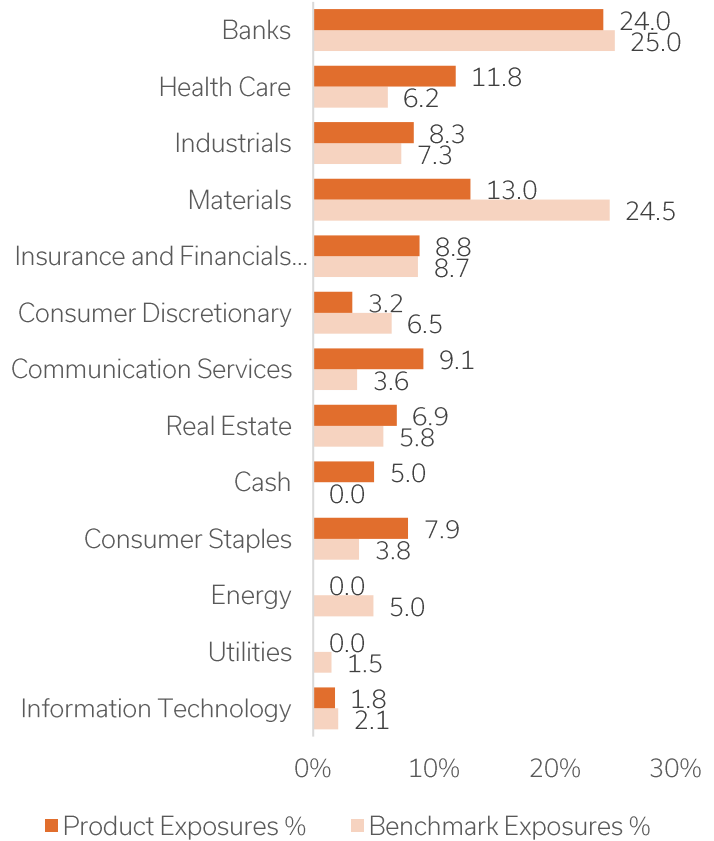
U Ethical also started the annual cycle of Climate Action 100+ collaborative engagements with planning meetings with investors on the Woolworths and BlueScope Steel collaborations. U Ethical is lead investor on both company engagements, meaning we coordinate meetings between investors and the company, shape the questions presented at those meetings and consolidate and report on the results. These meetings help shape U Ethical's views on companies' action on climate change, a key input into actions such as voting at AGM and the actions we ask companies to take to mitigate risk or seek opportunity.

## Top 10 holdings

Holdings	%
COMMONWEALTH BANK OF AUSTRALIA	8.3
TELSTRA GROUP LIMITED	6.8
FORTESCUE LTD	5.6
WESTPAC BANKING CORPORATION	5.3
ANZ GROUP HOLDINGS LIMITED	5.2
NATIONAL AUSTRALIA BANK	5.2
GOODMAN GROUP	4.6
MACQUARIE GROUP LIMITED	4.6
WOOLWORTHS GROUP LIMITED	4.6
CSL LTD	4.4
Total	54.6

As at 31/03/2026

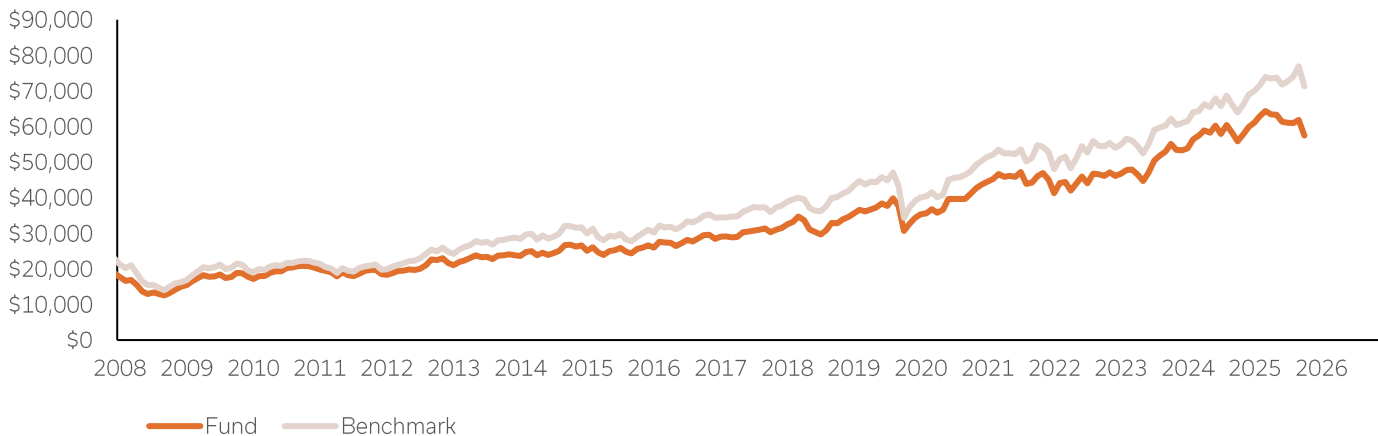
## Sector exposure



As at 31/03/2026

## Long-term performance

Growth of \$10,000 invested



As at 31/03/2026. 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.**

## 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.

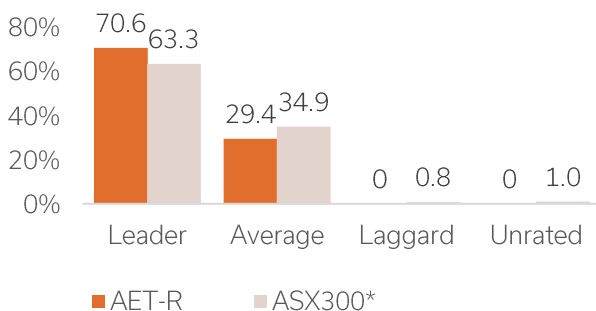
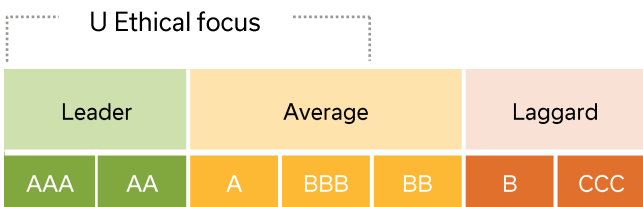
U Ethical pursues a values-based, risk-adjusted and, where possible for equities, SDG-aligned approach to investing. Our investment process seeks to ensure that our portfolio holdings are aligned with our clients' financial and ethical expectations.

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.

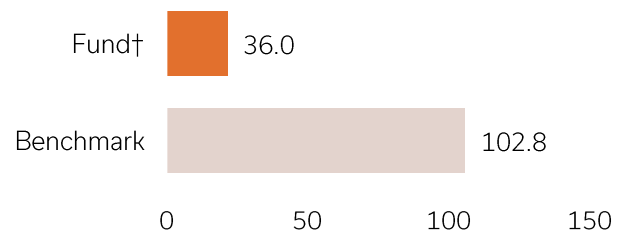
This helps identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.



As at 31/03/2026. \*Constituent-level ratings may be affected due to MSCI ESG Rating model updates introduced in March 2026.

## Carbon footprint

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



Source: MSCI ESG Research. As at 31/03/2026.

†Based on a combination of company-reported and MSCI-estimated carbon data. Certain information ©2026 MSCI Inc. All rights reserved.



Source: Morningstar. Carbon Metrics as of 30/11/2025. Based on 100% 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 grant 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](http://www.uethical.com/disclaimers) for further information and disclaimers on these ratings.

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