U Ethical Cash Management Trust - Retail

Quarterly Performance Review | March 2026

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	$71.03m
Benchmark	Reserve Bank of Australia (RBA) cash rate
Buy/sell spread	N/A
Management costs	Estimated up to 0.45% p.a.*
APIR code	UGF0002AU
Risk level	Low
Suggested minimum investment horizon	6 months

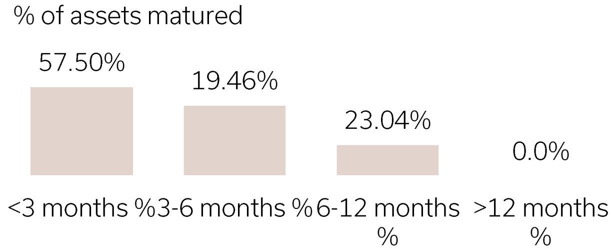
*See Product Disclosure Statement.

Investment objective

The U Ethical Cash Management Trust - Retail 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



As at 31/03/2026.

Performance summary

	3 Months	6 Months	1 Year	3 Years p.a.	5 Years p.a.	Since Inception p.a.
Fund	0.93%	1.87%	3.95%	4.28%	2.99%	2.62%
Benchmark	0.94%	1.86%	3.84%	4.16%	2.92%	2.56%
Relative	-0.01%	0.01%	0.11%	0.12%	0.07%	0.06%

As at 31/03/2026. Benchmark: Reserve Bank of Australia (RBA) cash rate. Note: Performance figures stated ending 31 December 2022 were overstated by 0.01% 3 months, 0.02% 6 months, 0.02% 1 year and 0.01% 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

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%.

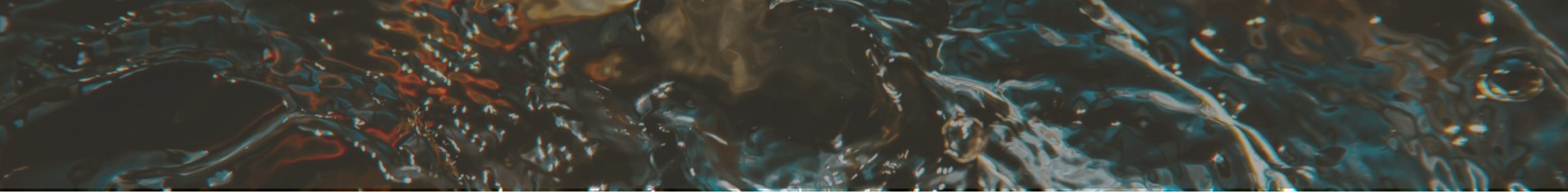
In late February, there were joint US-Israeli strikes on Iranian nuclear and military infrastructure, which led to retaliation from Iran. Since that time there have been intense air campaigns, regional attacks by Iran (including on Saudi Arabia and Qatar) and an important energy shipping corridor, the 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. 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.



Portfolio commentary

The Trust returned 0.93% for the quarter, underperforming the benchmark by 0.01 % after fees.

Over the March quarter, the RBA lifted the cash rate twice, bringing the target from 3.60% to 4.10%. Persistent domestic inflationary pressures were the primary driver, though escalating geopolitical tensions in the Middle East added to the inflation outlook and pushed terminal rate expectations higher, with markets pricing a faster and more aggressive tightening cycle than had been anticipated at the start of the quarter.

Against this backdrop, the BBSW curve steepened meaningfully. The 5-month and 6-month tenors rose by +62bps and +66bps respectively, compared to a more modest +51bps increase in the 1-month tenor reflecting the market's continued expectations of further rate hikes as well as increased bank funding demand. This translated into healthier all in deposit rates, particularly across the 6–12 month range. By quarter end, the average 360-day deposit rate had risen approximately 78.5bps from the start of the quarter, with the 180-day tenor up a similar ~83bps.

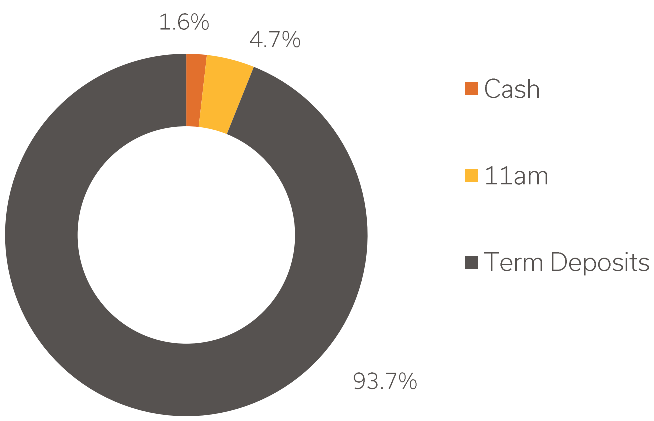
The Trust responded by extending duration into longer dated deposits, selectively locking in rates across the 6–12 month tenor range where the pickup over shorter-dated alternatives was most compelling. With all in rates rising and the curve steepening, there was a clear window to add yield without compromising portfolio quality.

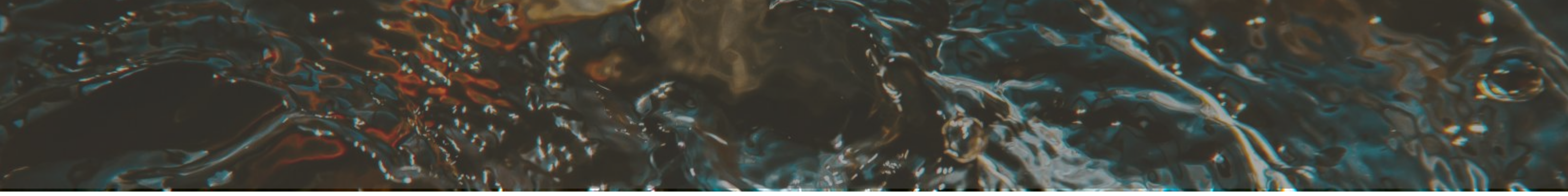
However, due to the volume and speed of RBA rate hikes, the Trust's benchmark increased at a quicker pace than the Trust's ability to lock in higher deposit rates as existing positions rolled off. This saw marginal underperformance of 1bps relative to the benchmark.

Top 5 issuers

National Australia Bank	36.6
BankVic	18.4
Westpac Banking Corporation	17.6
Bendigo Bank	14.0
Bank of Queensland	12.0

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

Responsible Investment Leader 2024
A proud RIAA member

Certified B Corporation

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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