

U Ethical Australian Equities Trust – Institutional

Quarterly Performance Review | June 2026

A diversified portfolio of ethically screened Australian shares designed to provide income and long-term capital growth

Fund information

Portfolio Managers	Cam Hardie & Jon Fernie
Chief Investment Officer	Jon Fernie
Inception date	24 January 2024
Fund size	\$15.91m
Benchmark	S&P/ASX 300 Accumulation Index
Buy/sell spread	0.25% / 0.25%*
Management costs	Estimated up to 0.80% p.a.**
Holdings range	20-40 holdings
Number of holdings	32
APIR code	UGF4955AU
Risk level	High
Suggested minimum investment horizon	7 to 10 years
Distribution frequency	Half yearly (June & December)

Investment objective

The U Ethical Australian Equities Trust – Institutional 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.

*The buy/sell spread is set at 0.25 per cent per unit and is rounded to the nearest cent.

**No fees or establishment, contributions, redemptions, or exit. Management costs apply. Please read the Product Disclosure Statement.

Performance summary

	1 month	3 months	6 months	1 year	Since inception p.a.
Fund	1.39%	3.59%	-1.48%	-4.28%	7.66%
Benchmark	2.13%	4.02%	2.43%	5.84%	10.91%
Relative	-0.74%	-0.43%	-3.91%	-10.12%	-3.25%

As at 30/06/2026. Benchmark: S&P/ASX 300 Accumulation Index. Inception date: 24/01/2024. Performance based on exit price with distributions reinvested and is net of fees. Australian dollars. **Past performance is not indicative of future performance.**

Market commentary

The MSCI World ex Australia Index returned 12.6% for the quarter ending 30 June 2026, rebounding from a 6.2% decline in the prior quarter. The recovery reflected improved risk appetite, supported by easing energy market pressure, continued strength in AI-related investment themes, and renewed investor confidence in structural growth sectors. The ASX 300 Accumulation Index rose by 4.0% over the period.

The quarter began with heightened geopolitical risk in the Middle East. The closure of the Strait of Hormuz pushed Brent crude above US\$120 per barrel in April, raising concerns that higher energy prices could add to inflationary pressure and weigh on consumer spending and corporate margins. However, as the quarter progressed, tentative de-escalation in the region and optimism around a possible US-Iran agreement contributed to a reversal in oil prices. Brent crude declined nearly 20% through May and June, helping reduce near-term concerns around a broader energy-driven inflation shock.

AI-related investment remained a major driver of equity market performance. US hyperscalers raised 2026 capital expenditure guidance for AI and data centre infrastructure to more than US\$700 billion, reinforcing expectations that investment in AI computing capacity, cloud infrastructure and related supply chains will remain significant. This was supportive for semiconductor, memory, foundry, networking, power equipment and data centre-exposed companies. Regional performance was particularly strong in Asia, with South Korea rising 68% and Taiwan rising 42%, reflecting their importance in the AI hardware and semiconductor supply chain.

Investor appetite for long-duration growth was also evident in the historic SpaceX IPO, which was associated with a valuation of around US\$2 trillion. While SpaceX is not directly representative of listed global equity indices, the transaction was notable as a broader signal of market willingness to fund large-scale innovation themes, even against a more challenging interest rate backdrop.

Inflation and monetary policy remained important constraints. Core US inflation (excluding food and energy) climbed to 2.9% in May, while trimmed mean inflation in Australia rose to 3.6% for the same period. In response, the Federal Reserve and Bank of England kept interest rates higher for longer, while the European Central Bank (ECB) has maintained a more hawkish posture than previously expected. The Reserve Bank of Australia (RBA) raised the cash rate by 0.25% during the quarter. In the US, under new Fed Chair Kevin Warsh, investors also began to reassess the policy framework, with less emphasis on explicit forward guidance, a continued focus on the 2% inflation objective, and limited scope for near-term easing.

Overall, the quarter was characterised by a recovery in global equities despite a still restrictive monetary policy backdrop. AI-related capital spending and improving geopolitical conditions supported market gains, while persistent inflation and central bank caution limited the case for broad-based valuation expansion.

Quarterly stock attribution

Top 3 contributors	Total return %	Attribution %
Sandfire Resources Ltd	19.70	0.70
Goodman Group	22.50	0.60
Macquarie Group Ltd	26.10	0.50

Bottom 3 contributors	Total return %	Attribution %
BHP Group*	17.90	-1.80
Cochlear#	-28.00	-0.70
Aristocrat Leisure Ltd*	36.50	-0.40

Source: Bloomberg. Attribution shown is for the quarter ended 30/06/2026. Attribution based on a representative Australian Equities portfolio (Wholesale). Relative to the S&P/ASX Accumulation Index. *Not held in portfolio. #Position exited during quarter.

Portfolio commentary

The Trust delivered a total return of 3.0% in the June quarter, underperforming the benchmark by 1.1%. Of this underperformance, 0.57% was attributable to ethical exclusions, with BHP and Aristocrat Leisure outperforming the broader market by 13.7% and 32.4% respectively. The Health Care sector continued its underperformance for the year with Cochlear down 28% in the quarter. This was partially offset by positive contributions from the REITs, Financials and Consumer Staples sectors.

The Energy sector was a tailwind for the Trust performance as it declined 16.7% in the quarter, with the crude oil price giving back almost all its gains from the commencement of the Middle East conflict the prior quarter.

Over the last 12 months, the Trust provided a total return of -2.5%, 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 by 42%) and underweight the Materials sector (outperformed by 46%).

Ethical exclusions were a 5.2% headwind for performance due to strong performance from both the Energy sector and BHP. Holding no exposure to the Gold sector for the majority of the period was also a 1.0% headwind to relative performance.

Overall stock selection was negative over the last 12 months. While we held sound companies across different sectors, the disappointing performance of several Health Care and Industrial companies dragged on overall performance. Top contributors for the 12-month period included Macquarie, Sandfire Resources, QBE Insurance and NextDC. This was more than offset by detractors including Cochlear, Resmed, CSL and Brambles.

During the quarter Evolution Mining, and James Hardie were added to the portfolio holdings while exiting positions in Seek and Cochlear. We also added to positions in REA Group, CAR Group and Scentre Group and reduced holdings in Westpac, Computershare, Sigma Healthcare and Woolworths.

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, Cleanaway, Lunas Rare Earths, QBE and MQG, among others.

We engaged with insurance companies in the Australian equities portfolio following the publication of a climate vulnerability assessment of the climate risk exposures to insurance companies with specific regard to impact on residential building insurance by the Australian Prudential Regulation Authority (APRA).

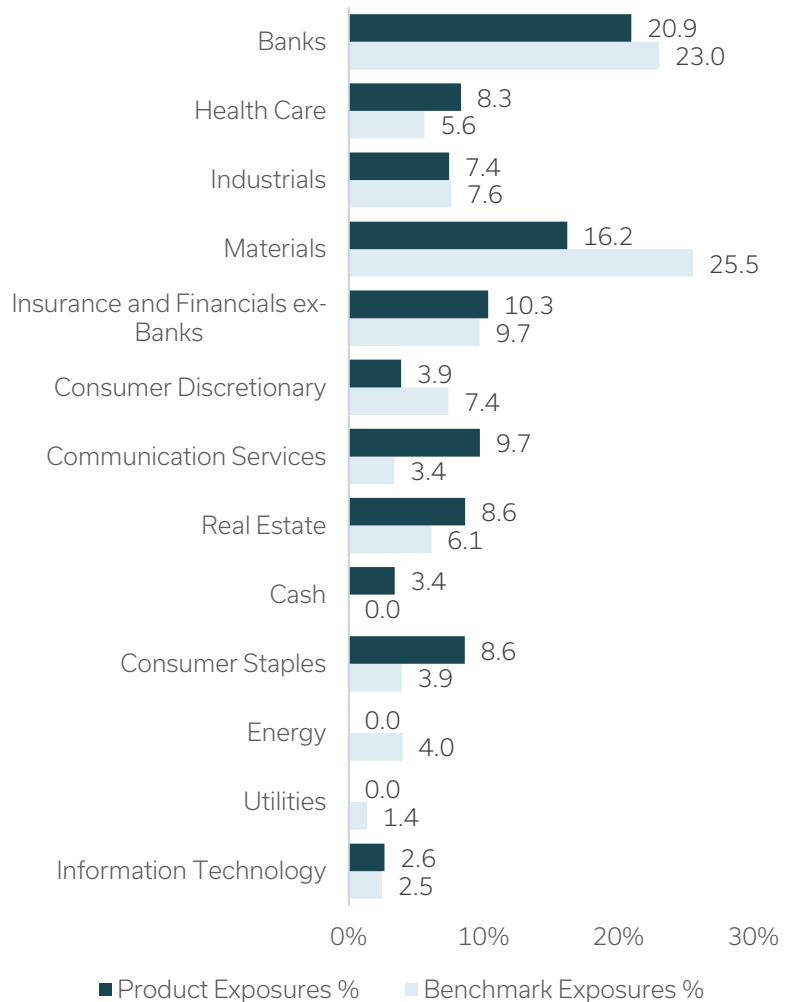
The APRA report concluded that around 25% of Australian households may be without home insurance protection by 2050. This represents not only a clear transition and physical risk to Australian households, as well as exacerbated financial inequality and potential wealth destruction of a significant number of people living in Australia, but also raises concern about amplification of prudential and financial risk for the Australian financial system. We spoke with companies in our portfolio on their actions to manage the risks to their underwriting business while maintaining affordability for Australian households.

Top 10 holdings

COMMONWEALTH BANK OF AUSTRALIA	8.7
TELSTRA GROUP LIMITED	6.0
MACQUARIE GROUP LIMITED	5.5
GOODMAN GROUP	4.9
ANZ GROUP HOLDINGS LIMITED	4.6
WOOLWORTHS GROUP LIMITED	4.6
NATIONAL AUSTRALIA BANK	4.6
FORTESCUE LTD	4.4
WESTPAC BANKING CORPORATION	4.1
SANDFIRE RESOURCES LTD	4.1
Total	51.5

As at 30/06/2026.

Sector exposure



As at 30/06/2026.

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.

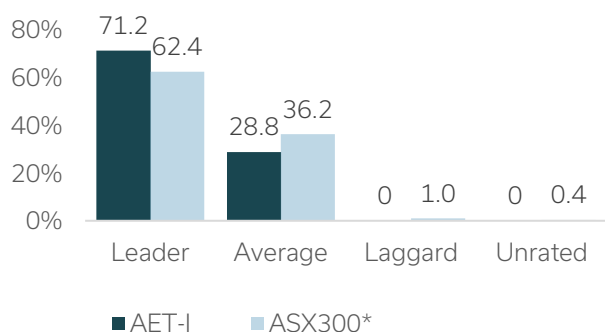
U Ethical's investment process integrates ESG considerations with the aim of minimising investment risk and identifying investment opportunities. Informed by our ethical investment philosophy, we seek out companies producing goods or providing services that appropriately manage their impact on society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

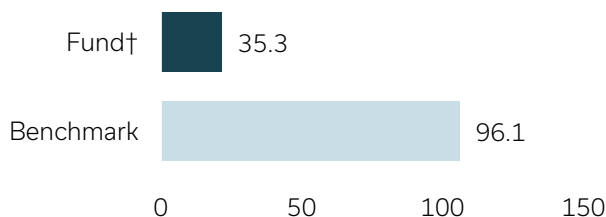
Leader		Average			Laggard	
AAA	AA	A	BBB	BB	B	CCC



As at 30/06/2026. *Constituent-level scores might be affected by MSCI ESG Research's ESG Rating model enhancements introduced on 31/03/2026.

Carbon footprint

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



Source: MSCI ESG Research. As at 30/06/2026.

†This is based on a combination of company reported and MSCI estimated carbon data. Certain information ©2026 MSCI ESG Research LLC. Reproduced by permission.



Source: Morningstar. Carbon Metrics as of 30/11/2025. Based on 98.1% 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



Zenith rating assigned 25/06/2026. U Ethical is recognised as a Responsible Investment Leader 2026 by the Responsible Investment Association Australasia (RIAA). This acknowledges our leadership in responsible investment commitment, ESG integration, stewardship and Transparency. Refer to the disclaimers page on our website www.uethical.com/disclaimers for further information and disclaimers on these ratings.

Platform availability



Contact us

Email info@uethical.com
Freecall 1800 996 888
Website www.uethical.com
Level 6, 130 Lonsdale Street
Melbourne VIC 3000

This document is provided by Uniting Ethical Investors Limited (ABN 46 102 469 821 AFSL 294147), trading as U Ethical the responsible entity of the U Ethical Australian Equities Trust (the "Fund").

The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in the Fund. It does not take into account your personal objectives, financial situation or needs.

Before acting on the information or deciding whether to acquire or hold units in the Fund, you should consider whether the Fund is appropriate for you given your own objectives, financial situation and needs. You should also consider the relevant Product Disclosure Statement (PDS), Additional Information Booklet (AIB) and Target Market Determination (TMD) for the Fund. These documents are available on our website www.uethical.com or can be provided by calling us on 1800 996 888.

U Ethical may receive fees in respect of investments in U Ethical products. U Ethical directors and employees do not receive commissions from investments in the products and are remunerated on a salaried basis.

U Ethical believes that the information contained in this document is accurate at the time of compilation. That information may subsequently change. You should make your own enquiries before acting on the information.

U Ethical accepts no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information.

All investments carry risks. There can be no assurance that the Fund will achieve its targeted rate of return. There is no guarantee against loss resulting from an investment in the Fund. Past performance is not indicative of future performance.

Cover image credits: Unsplash.