

# Quarterly Performance Review

# U Ethical Australian Equities Trust - Retail

## Quarterly highlights June 2024

- Inflation and interest rate expectations continued to be the focus of investors during the quarter, but the optimism of the March quarter gave way to concerns that rates will likely be higher for longer. As a result, the ASX-300 Accumulation Index declined 1.2% in the June quarter.
- The total return for the Trust over the quarter was -2.25%, underperforming the ASX 300 Accumulation Index by 1.05%.
- Good stock selection was the key driver of performance for the first nine months of the financial year, but this reversed in the June quarter and was the key driver of the June quarter underperformance.
- Towards the end of the quarter, we added Seek Limited and Cleanaway. We also reduced holdings in a number of stocks, including Ramsay Healthcare, Charter Hall and Sandfire Resources.

### 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 as well as up to 10 per cent in fixed interest and cash.

### Fund information



Assigned as of 31/05/2024  
Analyst-Driven 0%  
Data Coverage 91%

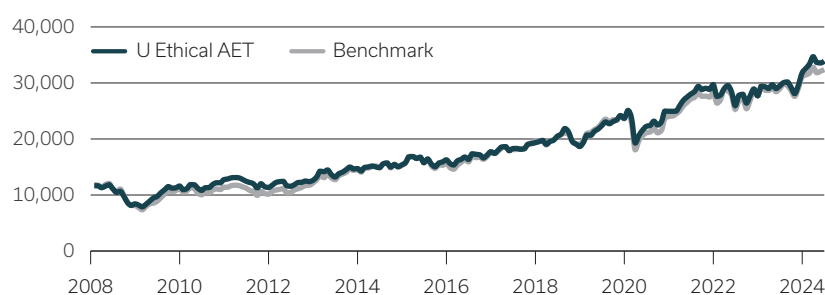


Out of 481 Australia & New Zealand Equity Funds as of 30/04/2024. Based on 100 percent of eligible corporate AUM and 0 percent of eligible sovereign AUM. Data is based on long positions only.



<b>Portfolio manager</b>	Cam Hardie
<b>Chief investment officer</b>	Jon Fernie
<b>Inception date</b>	7 July 2003
<b>Total fund size (\$M)</b>	\$72.432
<b>Benchmark</b>	S&P/ASX 300 Accumulation Index
<b>Buy/sell spread</b>	0.25%/0.25% <sup>1</sup>
<b>Management costs</b>	Estimated up to 1.315% p.a. See Product Disclosure Statement
<b>Holdings range</b>	Typically hold 20-40
<b>Number of holdings</b>	30

### Growth of \$10,000 invested<sup>†</sup>



### Performance

	3 months %	6 months %	1 year % p.a.	3 years %	5 years % p.a.	10 years % p.a.	Since inception % p.a.
<b>U Ethical Australian Equities Trust<sup>†</sup></b>	-2.25	6.70	15.06	6.55	8.65	8.59	8.35
<b>Benchmark</b>	-1.20	4.16	11.92	6.08	7.22	8.04	9.04
<b>Relative performance</b>	-1.05	2.54	3.14	0.47	1.43	0.55	-0.69

Past performance is not indicative of future performance.

<sup>†</sup>Based on exit price with distributions reinvested and are net of all 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.

<sup>1</sup>The buy/sell spread is set at 0.25 per cent unit and is rounded to the nearest cent.

### Market commentary

Global equity markets finished the June quarter slightly higher after pulling back in April. Contributing to this was global inflation trending lower and some central banks starting easing cycles.

We saw a divergence in monetary policy with the European Central Bank (ECB) cutting interest rates, while the Federal Reserve maintained its target at 5.25-5.50% for almost 12 months. However, US economic indicators weakened with Q1 GDP growth, retail sales, and recent employment figures below expectations, providing optimism that interest rates would be cut later this year. Geopolitical tensions and elections in developed economies added to uncertainty over the global outlook.

In Australia, inflation remained above target levels with the annual trimmed mean rising to 4.4% in May and the services component remaining elevated. While we saw a drop in job vacancies, the unemployment rate remained low at 4.0%. The Reserve Bank of Australia (RBA) has maintained the cash rate at 4.35% since November, although there is an increased likelihood the next move will be a hike depending on upcoming unemployment and inflation data.

While corporate earnings growth was robust, outlook statements were more cautious. The US equities rally this year has been driven by technology stocks, with other sectors facing more headwinds. We continue to see global equity valuations as stretched, given high earnings growth expectations and slowing economic growth.

### Portfolio commentary

The Trust delivered a total return of -2.25% in the June quarter, underperforming the market by 1.05% due to stock selection, partially offset by good sector allocation.

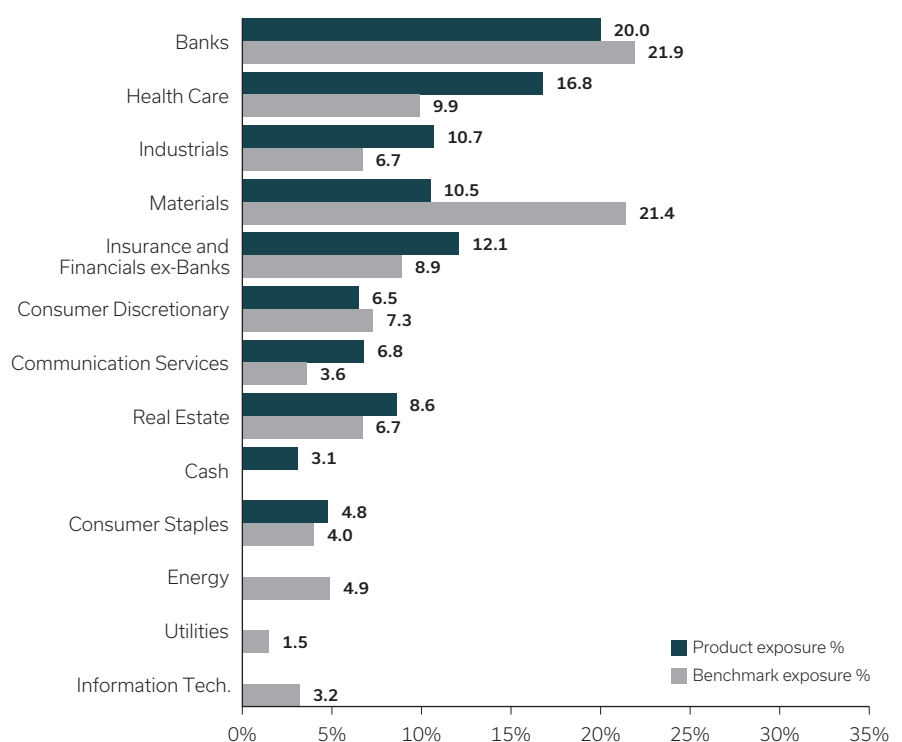
The Australian equities market continues to look expensive with optimistic earnings growth factored into expectations. With upcoming company financial year results and increasing US election news flow impacting global markets, we expect share price volatility to increase in the September quarter. As a result, the portfolio is overweight insurers, healthcare, supermarkets and telcos, while being underweight banks, and the consumer discretionary sector.

Towards the end of the quarter, we added Seek Limited, as we expect job ad volumes to stabilize over time. We also added Cleanaway following its solid outlook and acquisition of bolt-on infrastructure which should deliver network benefits in the medium term.

We reduced holdings in a number of stocks, including Ramsay Healthcare where new French private hospital tariffs were disappointing, Charter Hall and Sandfire Resources positions were also reduced following good share price performance.

Top 10 holdings	Weight %
CSL Limited	9.8
Commonwealth Bank Of Australia	6.4
Goodman Group	6.4
Telstra Corporation	5.9
National Australia Bank	5.6
Macquarie Group	5.2
Fortescue Metals Group	4.8
Resmed Inc.	4.5
Brambles	4.4
Westpac Banking Corporation	4.0
<b>Total</b>	<b>57.1</b>

### Sector exposure



### Ethical view

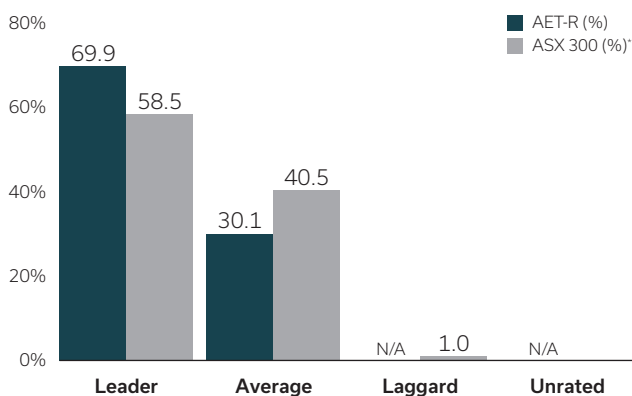
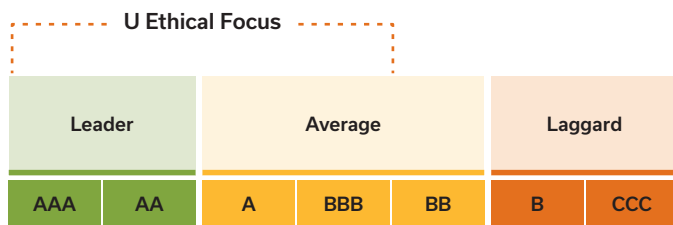
Environmental, Social, and Governance (ESG) refers to the central factors in measuring and tracking the sustainable and societal impact of an investment. These factors include climate risk management and preparedness, human rights considerations, and modern slavery risk.

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.

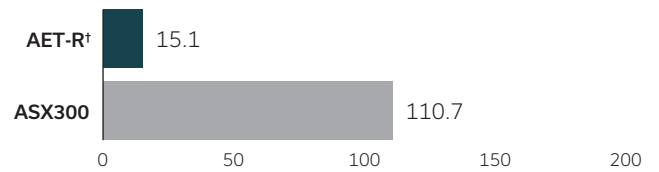
### ESG ratings

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.



### Carbon footprint

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



Carbon Metrics as of 31/03/2024. Based on 96.14% percent of eligible portfolio covered. Data is based on long positions only.

### Top pick for sustainable impact this quarter

**Company:**

Cleanaway Waste Management

**Weight:** 0.26%

**Industry classification:**

Environmental & Facilities Services

**ESG Rating:** A

**Company SDG alignment:**



Cleanaway is a waste management provider and demonstrates strong governance and is acknowledged as leading peers in workplace safety practices. Whilst CWY is an emissions-intensive company, it has set a net zero target of 2050 for carbon emissions, with a 43% cut in CO2 by 2030 and a commitment to reducing methane by 43% by 2030 and 57% by 2050.

†This is based on a combination of company reported and MSCI estimated carbon data. Certain information ©2021 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.

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The Morningstar Medalist Rating™ for Fund U Ethical Australian Equities Trust - Retail Strategy is 'Bronze' as of 31/05/2024. Sustainability Rating as of 31/05/2024. Corporate and Sovereign Sustainability Score and Investment Style as of 31/03/2024 Morningstar's Sustainability Score incorporates Sustainalytics' company and country-level analysis.

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U Ethical is recognised as a Responsible Investment Leader 2023 by the Responsible Investment Association Australasia (RIAA). We are placed in the top 20% of organisations assessed, demonstrating leading practice in our commitment to responsible investing; our explicit consideration of environmental, social and governance factors in investment decision making; our strong and collaborative stewardship; and our transparency in reporting activity, including the societal and environmental outcomes being achieved.

**U Ethical is an investment manager with a difference. We believe in creating a better world by investing with purpose—today and into the future.**

With the creation of our first funds in 1985, we have become one of the largest ethical investment managers in Australia with over \$1 billion in funds under management.

We are also one of the few investment businesses in Australia to have been certified as a B Corporation. As a not-for-profit social enterprise, we grant the majority of our operating surplus to community programs.

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