

# Quarterly Performance Review

# u ethical Cash Management Trust - Retail

## Quarterly highlights September 2023

- Whilst delivering a stable return, the Trust remains conservatively positioned and continues to offer high levels of liquidity.
- Over the last quarter, the Trust has generated 1.06% post fees, outperforming the benchmark by 0.02%.
- Deposit rates over the quarter dropped with 3-month Bank Bill Swap rate (BBSW3M) rate decreasing by 21bps.
- Considering the change in deposit rates and new funding opportunities, the portfolio still managed to increase its gross yield over the quarter by 0.44%.

### Investment objective

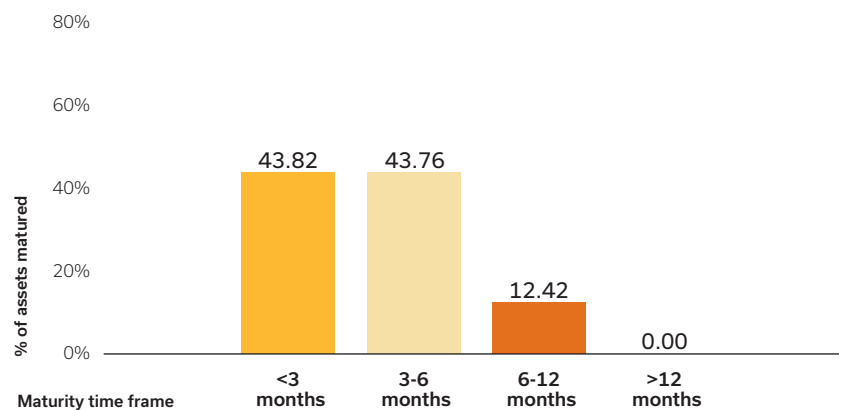
The U Ethical Cash Management Trust - Retail aims to compare favourably with comparable cash management trusts through a combination of cash and cash equivalent investments.

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.

### Fund information

Portfolio manager	Amanda Lin
Chief investment officer	Jon Fernie
Inception date	1 July 2020
Total fund size (\$M)	\$84.88
Benchmark	The Reserve Bank of Australia (RBA) cash rate
Buy/sell spread	N/A
Management costs	Estimated up to 0.45% p.a. (See Information Memorandum)

### Maturity profile



### Performance

	3 months %	6 months %	1 year % p.a.	3 year % p.a.	Since Inception % p.a.
Cash Management Trust - Retail†	1.06	2.02	3.60	1.41	1.32
Benchmark*	1.04	2.01	3.60	1.43	1.34
Relative performance	0.02	0.01	0.00	-0.02	-0.02

Past performance is not indicative of future performance.

Performance figures stated ending 31 December 2022 were overstated by 0.01% 3months, 0.02% 6months, 0.02% 1year and 0.01% Since Inception due to a calculation error. These have now been corrected in the above table.

†Based on exit price with distributions reinvested, and are net of all fees.

\* Reserve Bank of Australia cash rate.

### Market commentary

Global equities retreated over the quarter with central banks signalling interest rates may remain higher for longer as economic growth have been more resilient than expected. After a solid start, the MSCI World Ex Australia Index (AUD) finished down 0.4% with September notably weaker.

US (Unites States) inflation increased to 3.7% in August in line with expectations given energy price pressures. The Federal Reserve maintained interest rates at 5.5% in September, although remains committed to return inflation to target levels. The yield curve has shifted up in recent weeks and 10-year government bond yields are more than 1% higher than 12 months ago.

Headline inflation in Australia also rose to 5.2% in August, although core inflation continued to ease. The Reserve Bank of Australia (RBA) has kept the cash rate at 4.1% since June. Tight labour markets, sticky services inflation and Australian dollar weakness may mean interest rates need to be tightened further. While consumer confidence has picked up, it remains at relatively low levels.

Australian corporate earnings have remained solid, although there was a lack of specific guidance during reporting season and the outlook is more challenging. Consensus forecasts have declined substantially over the last 12 months, although negative revisions have been more moderate overseas. We remain cautious on the near-term outlook for equities given high earnings uncertainty and interest rates may remain higher for longer.

### Portfolio commentary

Over the September quarter, the Bank Bill Swap Curve saw material shifts downwards and flattened, as the gap between the 6-month rate and 1-year rate narrowed by 7bps.

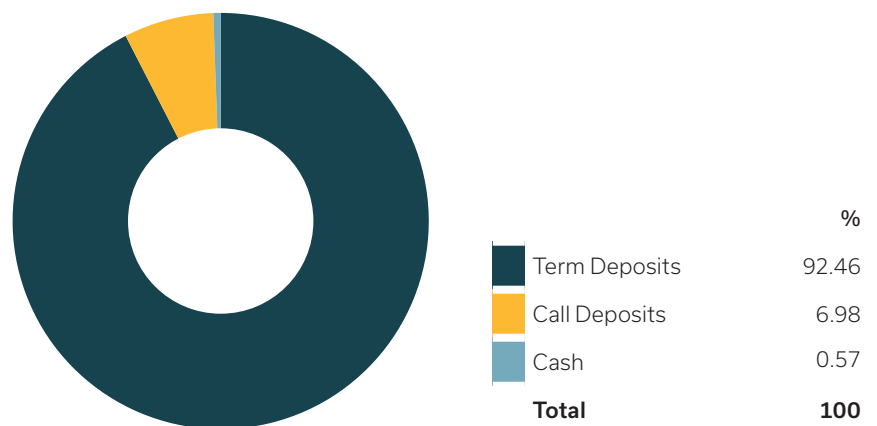
BBSW3M rate has decreased significantly by 21bps as the market repriced their expectation of terminal rate and rate path. The market now expects a lower terminal cash rate. This has a negative impact on term deposit rates.

Whilst the short-term bank swap rates have decreased, the trust still managed to increase the portfolio yield by 44bps by locking in higher yielding term deposits at the beginning of the quarter when the swap rates remained high. This is achieved while maintaining high portfolio liquidity.

Performance for the quarter saw the Trust exceed the benchmark by 0.02%. This was driven by bank term deposit premiums over wholesale market rates and allocation decisions between longer and shorter-dated deposits.

Top 5 issuers	%
National Australia Bank	36.49
Bendigo Bank	20.84
Bank of Queensland	23.65
Westpac Banking Corporation	14.29
BankVic	7.16
<b>Total</b>	<b>99.43</b>

Asset allocation by securities' type



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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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