

Quarterly Performance Review

U Ethical Enhanced Income Trust - Wholesale

Quarterly highlights September 2023

- The Trust delivered a positive return of 1.29% over the quarter, underperforming the benchmark by 0.01%.
- Approximately 65.78% of the Trust is allocated to interest rate insensitive securities, namely floating rate notes, term deposits and cash.
- Over the quarter, the Trust's gross yield to maturity remained relatively attractive as an entry point for investors, ending the period at 5.38%.
- Furthermore, the Trust's gross income yield saw an increase to 4.92% over the quarter, as the benefit from higher floating rates materialised.

Fund information



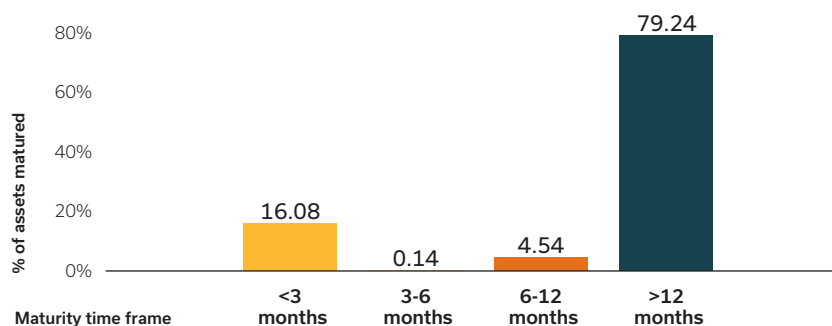
Out of 101 Australia & New Zealand Equity Funds as of 31/08/2023. Based on 96.31 percent of eligible corporate AUM and 0 percent of eligible sovereign AUM. Data is based on long positions only.

Portfolio manager	Amanda Lin
Chief investment officer	Jon Fernie
Inception date	1 July 2020 ¹
Total fund size (\$M)	\$310.20 ²
Benchmark	3 Month Bank Bill Swap Rate + 1.00%
Buy/sell spread	0.05%/0.05%
Management costs	Estimated up to 0.70% p.a. (See Information Memorandum)

Investment objective

The U Ethical Enhanced Income Trust - Wholesale aims to generate income and preserve capital. The Trust aims to outperform the benchmark after fees over rolling two-year periods.

Maturity profile



Performance

	3 months %	6 months %	1 year % p.a.	3 years %	5 years % p.a.	10 years % p.a.	Since inception % p.a.
U Ethical Enhanced Income Trust - Wholesale[†]	1.29	1.95	4.31	1.14	1.57	2.37	6.54
Benchmark	1.30	2.57	4.82	2.61	2.34	2.38	5.80
Relative performance	-0.01	-0.62	-0.51	-1.47	-0.77	-0.01	0.74

Past performance is not indicative of future performance.

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

¹From March 1990 to 30 June 2020, performance is that of the U Ethical Enhanced Cash Portfolio (the Portfolio), reflecting the reinvestment of distributions quarterly and including franking credits, benchmarked against 50% Bloomberg AusBond Bank Bill Index / 50% AusBond composite 0-3year Index. On 1 July 2020, the Portfolio was transferred into a unit trust, the U Ethical Enhanced Cash Trust - Wholesale, renamed the U Ethical Enhanced Income Trust - Wholesale on 19 May 2021, benchmarked against the 3 Month Bank Bill Swap Rate +1.00% and performance excludes franking credits. Where time horizons require, performance reflects a blend of the products and their benchmarks.

²This figure contains \$31.962 million invested by the U Ethical Growth Portfolio and the U Ethical Funeral Fund products collectively.

Market commentary

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

US (United 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 and is committed to returning 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 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.

Australian corporate earnings have remained solid despite relatively weak consumer confidence. However, specific guidance was lacking during reporting season and the outlook is more challenging. Consensus forecasts in Australia have declined substantially over the last 12 months with more moderate negative revisions overseas. We are cautious on the near-term outlook for equities given earnings uncertainty and interest rates may remain higher for longer.

Portfolio commentary

The Trust delivered a total return of 1.29% over the quarter, underperforming the benchmark by 0.01%. The period saw a considerable quantity of economic data, but with inflation continuing to ease, the RBA held the cash rate at 4.10%.

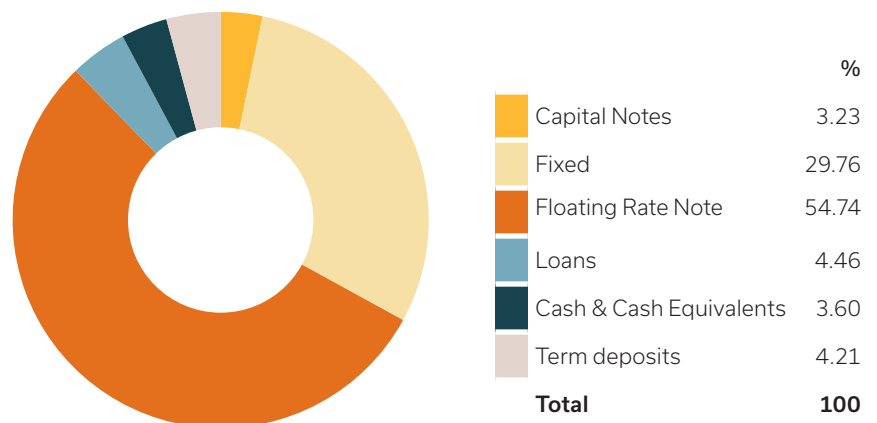
Government bond yield continue its volatility over the quarter while the market still gauges the terminal rate and rate path. 3-year government bond yield went from 4.05% June end to 3.74% at the end of August, then rose to 4.08% again at September end. 10-year government bond yield has increased by 46bps over the quarter.

Despite a large move in the government bond yields, pleasingly the Trust delivered a positive performance for the quarter. This is driven by the higher income the Trust receives from rising yields. The higher income also continues to provide a buffer for capital price movement. The performance is attributed to -0.08% from curve (benchmark yields), +0.33% from spread (credit) and + 1.04% from carry (income post fees). The Trust has also maintained a relatively conservative duration position (sensitivity to interest rates) of 0.92 years.

Top 5 issuers*	%
National Australia Bank	9.21
Westpac Banking Corporation	6.72
Bank of Queensland	6.27
Suncorp Group	5.41
Macquarie Group	4.14
Total	31.76

*only considers fixed income securities

Asset allocation by securities' type



This document dated September 2023 is provided by U Ethical (a registered business name of Uniting Ethical Investors Limited ABN 46 102 469 821 AFSL 294147) as Responsible Entity, Issuer, Administrator and Manager of the U Ethical Enhanced Income Trust - Wholesale (the U Ethical Fund). All data within this document is published as at 30 September 2023.

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Sustainability Rating as of 31/08/2023. Corporate and Sovereign Sustainability Score and Investment Style as of 31/08/2023. Morningstar's Sustainability Score incorporates Sustainability's company and country-level analysis.

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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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