

# Quarterly Performance Review

# u ethical Cash Management Trust - Wholesale

## Quarterly highlights December 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 generated 1.15% post fees, outperforming the benchmark by 0.08%.
- Deposit rates over the quarter dropped marginally with the 3-month Bank Bill Swap rate (BBSW3M) rate increasing by 22bps.
- Considering the change in deposit rates and new funding opportunities, the portfolio still managed to increase its gross yield over the quarter by 0.16%.

### Investment objective

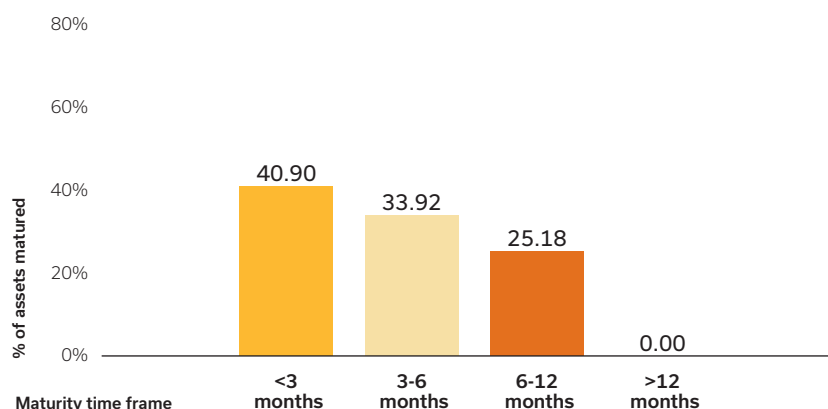
The U Ethical Cash Management Trust - Wholesale aims to compare favourably with comparable cash management trusts through a combination of cash and cash equivalent investments.

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

<b>Portfolio manager</b>	Amanda Lin
<b>Chief investment officer</b>	Jon Fernie
<b>Inception date</b>	1 July 2020
<b>Total fund size (\$M)</b>	\$98.9
<b>Benchmark</b>	The Reserve Bank of Australia (RBA) cash rate
<b>Buy/sell spread</b>	N/A
<b>Management costs</b>	Estimated up to 0.30% p.a. (See Information Memorandum)

### Maturity profile



### Performance

	3 months %	6 months %	1 year % p.a.	3 year % p.a.	Since Inception % p.a.
<b>Cash Management Trust - Wholesale<sup>†</sup></b>	1.15	2.26	4.17	1.87	1.64
<b>Benchmark<sup>*</sup></b>	1.07	2.12	3.96	1.78	1.56
<b>Relative performance</b>	0.08	0.14	0.21	0.09	0.08

Past performance is not indicative of future performance.

Performance figures stated ending 31 December 2022 were overstated by 0.07% 3months, 0.08% 6months, 0.09% 1year and 0.04% Since Inception due to a calculation error. These have now been corrected in the above table.

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

<sup>\*</sup> Reserve Bank of Australia cash rate.

### Market commentary

Global equity markets rallied over the December quarter with the S&P 500 Index rising more than 11%. Contributing to the momentum has been inflation trending lower and optimism central banks will cut interest rates in the first half of 2024. Economic growth has remained more resilient than expected with a 'soft landing' now expected for the global economy.

US core inflation remained steady in November at 4.0% and the federal funds target range has been maintained at 5.25-5.50% since July. On the back of more dovish commentary and forecasts, the US yield curve shifted down over the quarter with 10-year treasury yields dropping below 4%.

In Australia, inflation eased to 4.9% in October and remains above target levels driven by stickier services components. The Reserve Bank of Australia (RBA) increased the cash rate to 4.35% in November and next meets again in February. A tight labour market will remain a concern with the unemployment rate at 3.8%, but we are close to the interest rate peak domestically.

Corporate earnings have remained solid, although we expect more pressures to emerge as economic growth slows. While domestic consensus forecasts have declined over the last 12 months (excluding resources), globally we still see expectations as too high. Equity market valuations also look more stretched given the rally at the end of 2023.

### Portfolio commentary

Over the December quarter, the Bank Bill Swap Curve saw material shifts upward and flattened, as the gap between the 6-month rate and 1-month rate narrowed by 17 basis points (bps).

The BBSW3M rate increased significantly by 22bps as the market repriced rate expectations, when a forecast dovish pivot by the RBA failed to materialize and instead, a 25bps hike was implemented. However, this saw deposit rates remain relatively steady and some wholesale rates rise.

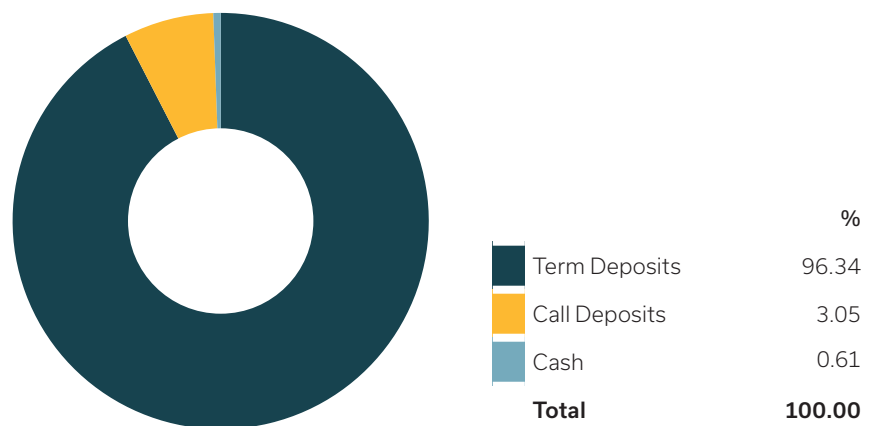
Deposit rates relative to BBSW rates rose albeit not to the same extent, with deposit spreads narrowing by ~9bps at the 3-month mark over the quarter. This was indicative of broader funding demand as credit growth continued to slow over the quarter.

Whilst deposit rates did not move entirely in lockstep with market rates, the trust still managed to increase the portfolio yield by 16bps by locking in higher yielding longer term deposits whilst maintaining ample liquidity.

Performance for the quarter saw the Trust exceed the benchmark by 0.08%. This was naturally 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	36.93
Bendigo Bank	19.00
Westpac Banking Corporation	19.03
Bank of Queensland	15.06
BankVic	10.44
<b>Total</b>	<b>100.46</b>

### Asset allocation by securities' type



This document dated December 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 Cash Management Trust - Wholesale (the U Ethical Fund). All data within this document is published as at 31 December 2023.

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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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