

# Quarterly Performance Review

# U Ethical Cash Management Trust - Wholesale

## Quarterly highlights June 2024

- The Trust returned 1.17% for the quarter, outperforming the benchmark by 0.08% after fees. The outperformance was delivered via strategic positioning in longer-dated term deposits.
- The Bank Bill Swap curve steepened, enabling the Trust to take advantage of relatively attractive, medium and long term deposit rates.
- The Trust's gross yield as at June 2024 was 5.07% and continues to remain strong.

### Investment objective

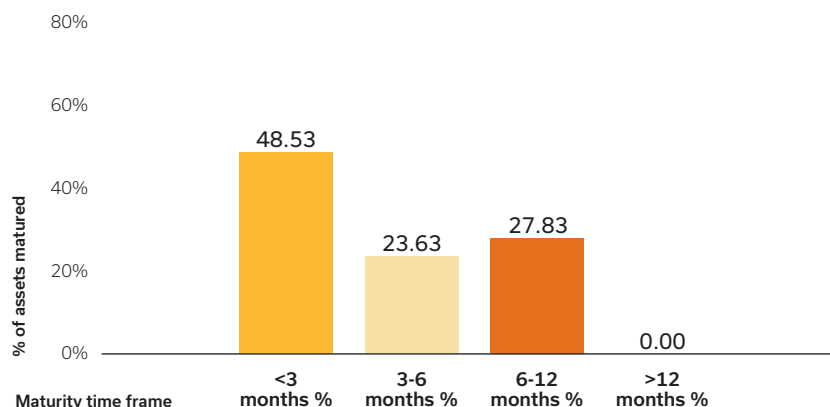
The U Ethical Cash Management Trust - Wholesale aims to compare favourably with comparable cash management trusts through a combination of cash and cash equivalent investments.

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

Associate portfolio manager	Joshua Nappa
Chief investment officer	Jon Fernie
Inception date	1 July 2020
Total fund size (\$M)	\$89.926
Benchmark	The Reserve Bank of Australia (RBA) cash rate
Buy/sell spread	N/A
Management costs	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.
Cash Management Trust - Wholesale <sup>†</sup>	1.17	2.34	4.66	2.64	2.01
Benchmark <sup>*</sup>	1.09	2.19	4.36	2.50	1.91
Relative performance	0.08	0.15	0.30	0.14	0.10

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 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

Over the June quarter, the Bank Bill Swap (BBSW) Curve experienced a notable upward shift driven primarily by renewed concerns over persistent inflation. The resurgence of fears around persistent inflation led to a reassessment of interest rate expectations, impacting the entire BBSW curve.

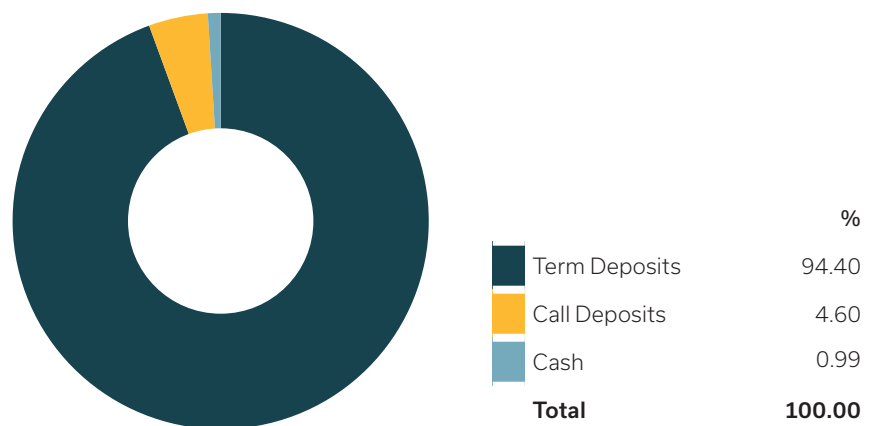
Longer-term BBSW rates have seen significant increases. The 6m tenor rose by 23.6 bps and the 5m tenor by 19bps as the market adjusted to the likelihood of an imminent rate hike in August to combat inflationary pressures. In contrast, the 3m tenor increased by +9.5bps, contributing to a further steepening of the BBSW curve.

This quarter, with the final maturities of the Term Funding Facility rolling off in June 2024, demand for longer term deposit funding by banks continued to rise. This demand, coupled with inflation concerns and potential rate hike, drove the upward movement in longer term deposits rates.

The premium across term deposit curves became more pronounced at the 6 to 12 month mark, as banks adjusted to the shifting interest rate landscape. The Trust capitalized on deposits offering rates of 5% and higher, maintaining a strategic position to benefit from the favorable rates. As deposit rates gradually increased, the Trust lengthened its duration over the quarter. Consequently, the Trust's gross yield increased by +1bps compared to the end of the March quarter.

Top 5 issuers	%
National Australia Bank	38.61
Bendigo Bank	19.56
Westpac Banking Corporation	15.16
BankVic	14.79
Bank of Queensland	10.89
<b>Total</b>	<b>99.01</b>

### Asset allocation by securities' type



This document dated June 2024 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 30 June 2024.

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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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