

Quarterly Performance Review

U Ethical Cash Management Trust - Wholesale

Quarterly highlights March 2024

- The Trust returned 1.16% over the quarter, outperforming the benchmark by 0.07%.
- The Bank Bill Swap curve steepened, enabling the Trust to take advantage of relatively attractive, medium-term deposit rates.
- The Trust's yield as at March 2024 was 5.03% and continues to remain strong.

Investment objective

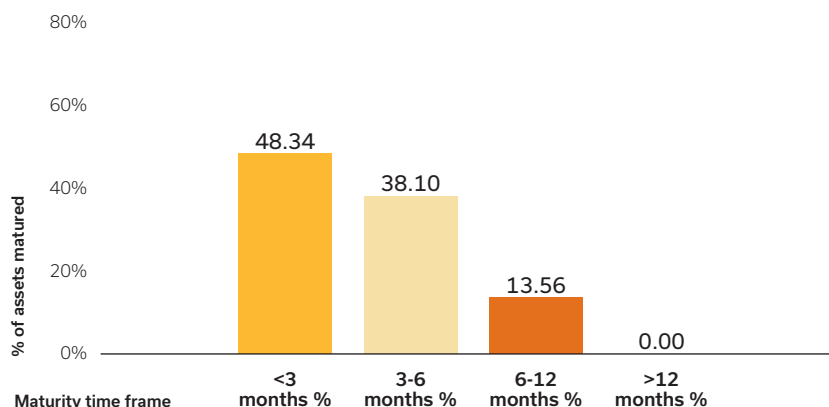
The U Ethical Cash Management Trust - Wholesale aims to compare favourably with comparable cash management trusts through a combination of cash and cash equivalent investments.

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) | \$104.078 |
| 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[†] | 1.16 | 2.33 | 4.48 | 2.26 | 1.84 |
| Benchmark[*] | 1.09 | 2.18 | 4.23 | 2.14 | 1.74 |
| Relative performance | 0.07 | 0.15 | 0.25 | 0.12 | 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.

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

^{*} Reserve Bank of Australia cash rate.

Market commentary

Global equity markets extended their rally in the March quarter with the MSCI World Ex Australia Index (AUD) delivering a total return of 14.0% (partly driven by a weaker Australian dollar). While US inflation has trended lower, expectations for interest rate cuts have been pushed out given stronger economic data.

The US Manufacturing Purchasing Managers' Index (PMI) increased to 50.3 in March ahead of forecasts and up from 47.8 in the prior month. Recent nonfarm payrolls figures have also surprised to the upside. The federal funds target range has remained at 5.25-5.50% since July, although we have seen US 10-year treasury yields rise well above 4% during the quarter.

Australian inflation excluding volatile items declined to 3.9% in February and despite services inflation remaining sticky the trend lower has continued. The Reserve Bank of Australia (RBA) has maintained the cash rate at 4.35% since November, although minutes revealed a shift to more dovish stance. The domestic labour market remains tight with the seasonally adjusted unemployment rate declining slightly to 3.7%.

Corporate earnings were better than expected during the quarter, although stretched equity market valuations leave little room for disappointment. Stronger economic data will likely mean central banks are reluctant to ease monetary policy near-term and we view this as a key driver of equity markets in recent months.

Portfolio commentary

Over the March quarter, the Bank Bill Swap Curve saw relatively little movement as the market saw some 'settling' with respect to expectations for the direction of interest rates. However, some slight increases in longer-term BBSW rates (5, 6mth) materialised due to a few factors.

Primarily, some 'easing' of rate cut expectations in the market were priced into longer-dated BBSW rates, with the 6m tenor rising by +5.4bps and the 5m tenor rising by 3.8bps. This occurred whilst the 3m tenor fell by -1.4bps, ultimately 'steepening' the BBSW curve.

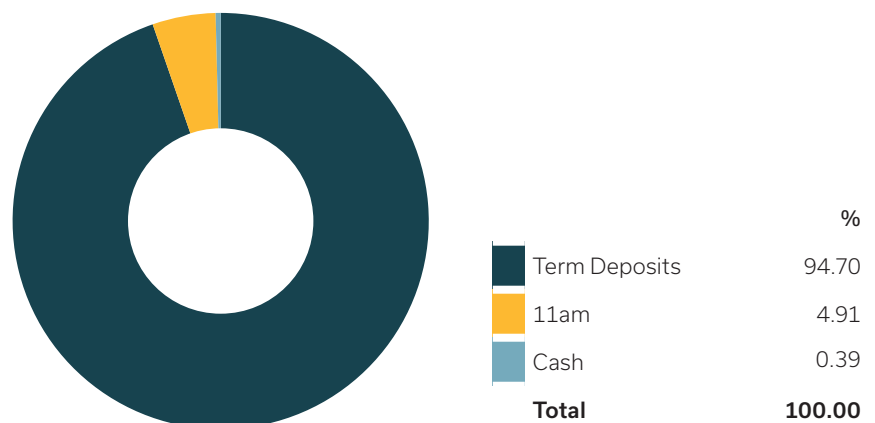
Secondly, the last of the Term Funding Facility maturities are set to roll off in June 2024 and as such, demand for longer-term (in the context of BBSW) funding has risen, pushing the 5 and 6m rates upwards.

In light of this, premium across term deposit curves emerged at the 6 to 9 month mark, with the Trust taking advantage of deposits continuing to offer 5% and upwards interest rates. Overall, deposit rates fell in aggregate versus the prior period. This saw the Trust's duration shorten marginally, and the yield increase by +1bp vs the end of the December quarter.

Despite the fall in deposit rates, performance for the quarter saw the Trust exceed the benchmark by 0.07%.

| Top 5 issuers | % |
|-----------------------------|---------------|
| National Australia Bank | 39.08 |
| Bendigo Bank | 19.63 |
| Bank of Queensland | 17.65 |
| Westpac Banking Corporation | 14.72 |
| BankVic | 9.82 |
| Total | 100.91 |

Asset allocation by securities' type



This document dated March 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 31 March 2024.

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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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