

# Quarterly Performance Review

# u ethical Cash Management Trust - Wholesale

September 2024

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The U Ethical Cash Management Trust - Wholesale is a portfolio of cash and cash equivalents aiming to provide capital stability and ready access to your funds.

### Benefits and risks

- Suggested minimum investment horizon - 6 months
- Very low-risk profile

### Investment objective

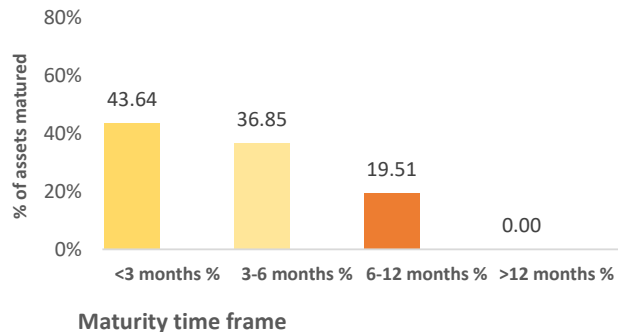
The U Ethical Cash Management Trust - Wholesale aims to compare favourably with comparable cash management trusts through a combination of cash and cash equivalent investments.

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 Managers</b>	Dandan Huang & Joshua Nappa
<b>Chief investment officer</b>	Jon Fernie
<b>Inception date</b>	1 July 2020
<b>Total fund size (\$M)</b>	\$103.828
<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 years % p.a.	Since Inception % p.a.
<b>Cash Management Trust - Wholesale†</b>	1.17	2.35	4.74	3.03	2.17
<b>Benchmark*</b>	1.10	2.20	4.42	2.87	2.06
<b>Relative performance</b>	0.07	0.15	0.31	0.16	0.11

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.

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## Market Commentary

Global equity markets continued to rally in the September quarter with inflation trending lower and more central banks starting easing cycles to engineer a 'soft landing'.

US inflation declined to 2.5% in August and recent economic data has been mixed. This led the Federal Reserve to reduce interest rates by 50 basis points at their September meeting ahead of the upcoming US election. The European Central Bank has also cut interest rates several times since June as growth remains challenging in the region.

In Australia, the Reserve Bank of Australia has maintained interest rates at 4.35% since November and trimmed mean inflation in August remained above target levels at 3.4% annualised. We expect that domestic monetary policy will remain on hold for 2024 as the labour market has remained relatively robust.

China continues to deal with a troubled property sector and subdued consumer activity, although recent stimulus measures have provided more reason for optimism. Rising tensions in the middle east remain a risk for markets including potential inflation impacts from supply chain disruption and higher energy prices.

Corporate earnings results have remained solid in Australia and overseas. However, outlook statements were more cautious and earnings expectations have been revised lower. We also note increased concentration in a US market dominated by a handful of large information technology stocks. We continue to see equity market valuations as stretched given relatively optimistic earnings growth forecasts, although acknowledge central bank easing will be positive for sentiment.

## Portfolio Commentary

Over the September quarter, the Bank Bill Swap (BBSW) Curve flattened, with longer term rates declining primarily due to a softer Q2 CPI print. This progress in disinflation prompted the market to begin pricing in potential rate cuts.

Longer-term BBSW rates fell during the quarter with the 6m tenor decreasing by 11.4 bps and the 5m tenor by 8.2bps as the market adjusted its expectation for the RBA's next move towards a rate cut. The 3m tenor remained relatively stable, with a modest decline of 1 bp.

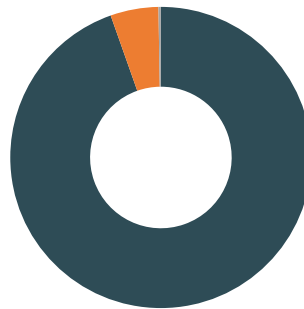
Additionally, following the final maturities of the Term Funding Facility (TFF) last quarter, several regional banks have tightened their deposit margins, having proactively met their funding requirements.

The premium across term deposit curves is particularly pronounced in the 6 to 12-month range, as banks seek to secure longer-term funding. The Trust capitalized on deposits offering rates around 5%, maintaining a strategic position to benefit from the favorable rates. Throughout the quarter, the Trust primarily invested in 6-month terms, locking in higher yields where overall yields were maximized. As a result, the Trust's gross yield remained stable at 5% for the quarter.

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Top 5 issuers	%
National Australia Bank	37.70
Bendigo Bank	23.21
Westpac Banking Corporation	18.35
BankVic	12.71
Bank of Queensland	8.05
<b>Total</b>	<b>100.01</b>

## Asset allocation by securities' type



## About U Ethical and your team

**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.



### U Ethical

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