

Quarterly Performance Review

u ethical Diversified Income Trust - Wholesale

APIR UGF8935AU

September 2024

A diversified portfolio of income generating investments including cash, short-dated deposits, bonds, hybrid securities, mortgages and impact loans.

Benefits and risks

- Exposure to income generating investments
- Suggested minimum investment horizon - 3 to 5 years
- Medium-risk profile

Investment objective

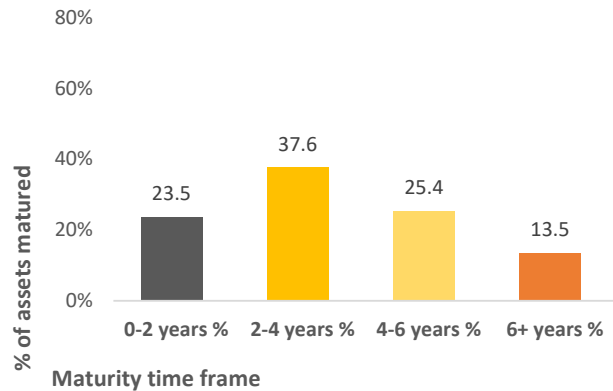
The U Ethical Diversified Income Trust - Wholesale aims to generate income in excess of short-term interest rates, while limiting harm and creating positive impact through the implementation of U Ethical's Ethical Investment Policy.

The Trust is a medium-risk investment option with a suggested minimum investment horizon of 3 to 5 years. It aims to outperform the benchmark after fees over a rolling three year period.

Fund information

Portfolio Managers	Joshua Nappa & Dandan Huang
Chief investment officer	Jon Fernie
Inception date	1 July 2020
Total fund size (\$M)	\$38.42
Benchmark	3 Month Bank Bill Swap Rate + 2.50%
Buy/sell spread	0.20%/0.20%
Management costs	Estimated up to 0.70% p.a. (See Information Memorandum)

Maturity Profile



Performance

	3 months %	6 months %	1 year % p.a.	3 year % p.a.	Since Inception % p.a.
U Ethical Diversified Income Trust - Wholesale†	1.87	3.27	5.91	4.03	4.57
Benchmark*	1.74	3.51	7.11	5.67	4.75
Relative performance	0.13	-0.24	-1.20	-1.64	-0.18

Past performance is not indicative of future performance.

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

* 3 month Bank Bill Swap Rate +2.5%

u ethical Diversified Income Trust - Wholesale

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 quarter, major bank credit spreads tightened albeit with Tier 2 (T2) and Senior Unsecured underperforming Additional Tier 1 (AT1) on a spread basis. This saw the Tier-2/Snr Unsecured spreads at the five-year expand to 1.98x up from the start of the quarter 1.92x level. Comparing the AT1/T2 multiple over the same period showed a compression from 1.41x to 1.32x, contrary to movements in Tier-2 spreads which expanded marginally.

AT1's outperformance versus the rest of the bank debt market was brought upon by APRA's release of their final decision regarding the future of the hybrid market. The proposal to fully scrap the market going forward and to fully phase out AT1's in bank capital structures, surprised the market and a spread rally ensued. This was on the back of likely no future supply or rolls of existing lines.

Further adding to the rally was strong performance in bank stocks over the period, as AT1's were 'pulled along' via their beta to the ASX 200 Financials sector.

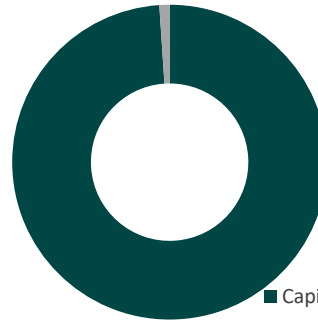
Considering the above, the Diversified Income Trust (DIT-W) returned 1.87% over the quarter, outperforming the benchmark (after fees) by 0.13%. With 1.38% of the return attributed to coupon income and 0.49% as a result of movements in capital value.

u ethical Diversified Income Trust - Wholesale

Top 5 issuers

	%
Commonwealth Bank Of Australia	23.31
National Australia Bank	21.58
Macquaire Group	19.49
Westpac Banking Corporation	16.64
Australia & New Zealand Bank Group	15.83
Total	96.86

Asset allocation by securities' type

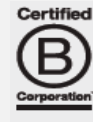


	%
Capital Notes	98.95
Tier 2	0.00
Cash & Cash Equivalents	1.05
Total	100.00

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

Level 6
130 Lonsdale Street
Melbourne VIC 3000

Email info@uethical.com
Freecall 1800 996 888

This document dated September 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 Diversified Income Trust – Wholesale (the U Ethical Fund). All data within this document is published as at 30 September 2024.

The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any fund of which U Ethical is the Manager, Administrator, Issuer, Trustee or Responsible Entity. This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, you should consider the appropriateness of the information based on your own objectives financial situation or needs or consult a professional adviser. You should also consider the Information Memorandum (IM) which can be found on our website www.uethical.com or by calling us on 1800 996 888. U Ethical may receive management costs from the U Ethical Fund, see the current IM. U Ethical, its affiliates, and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. All investments carry risks. There can be no assurance that any U Ethical fund will achieve its targeted rate of return and no guarantee against loss resulting from an investment in any U Ethical fund. Past U Ethical Fund performance is not indicative of future performance.