

Quarterly Performance Review

u ethical Enhanced Income Trust - Wholesale

Quarterly highlights March 2024

- The Trust returned 1.36% for the quarter, outperforming the benchmark by 0.02%.
- Income generated from high coupon bonds generated the majority of the return for the quarter, with credit spread compression also adding positively.
- The Trust continues to remain well positioned, with exposure to high quality conservative credit names and 0.92y of interest rate duration.

Investment objective

The U Ethical Enhanced Income Trust - Wholesale aims to generate income and preserve capital. The Trust aims to outperform the benchmark after fees over rolling two-year periods.

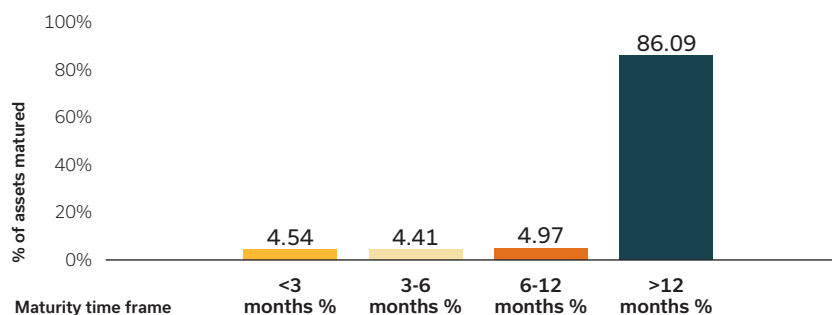
Fund information



Out of 100 Australia & New Zealand Equity Funds as of 31/1/2024. Based on 100 percent of eligible corporate AUM and 0 percent of eligible sovereign AUM. Data is based on long positions only.

Associate portfolio manager	Joshua Nappa
Chief investment officer	Jon Fernie
Inception date	1 July 2020 ¹
Total fund size (\$M)	\$273.744
Benchmark	3 Month Bank Bill Swap Rate + 1.00%
Buy/sell spread	0.05%/0.05%
Management costs	Estimated up to 0.70% p.a. (See Information Memorandum)

Maturity profile



Performance

	3 months	6 months	1 year p.a.	3 years	5 years p.a.	10 years p.a.	Since inception p.a.
U Ethical Enhanced Income Trust - Wholesale¹	1.36	3.18	5.20	1.97	1.95	2.48	6.54
Benchmark	1.34	2.71	5.35	3.35	2.59	2.51	5.79
Relative performance	0.02	0.47	-0.15	-1.38	-0.64	-0.03	0.75

Past performance is not indicative of future performance.

¹Based on exit price with distributions reinvested, and are net of all fees.

²From March 1990 to 30 June 2020, performance is that of the U Ethical Enhanced Cash Portfolio (the Portfolio), reflecting the reinvestment of distributions quarterly and including franking credits, benchmarked against 50% Bloomberg AusBond Bank Bill Index / 50% AusBond composite 0-3year Index. On 1 July 2020, the Portfolio was transferred into a unit trust, the U Ethical Enhanced Cash Trust - Wholesale, renamed the U Ethical Enhanced Income Trust - Wholesale on 19 May 2021, benchmarked against the 3 Month Bank Bill Swap Rate +1.00% and performance excludes franking credits. Where time horizons require, performance reflects a blend of the products and their benchmarks.

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

The Trust delivered a total return of 1.36% over the quarter, outperforming the benchmark by 0.02%. The period saw volatility despite stability in the RBA Cash Rate albeit, due to macroeconomic releases which saw the market pare back some rate cut expectations.

This saw the market ultimately shave off 1.35% of cuts priced in at the start of the quarter. As a result, Australian government bond yields saw an 11bp increase in the 1Y tenor, whilst the 'belly' of the curve (5Y) saw a -2.5bp decrease. As such, the broader curve 'flattened' as the gap between the 10Y and 5Y yield narrowed by 8.7bps, continuing to reflect the likely 'top' of the rates cycle.

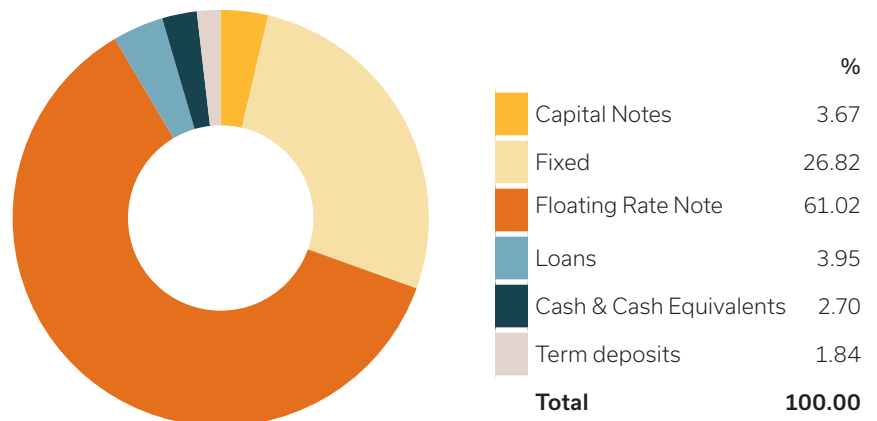
On the back of this, domestic credit spreads tightened by the most in the BBB bucket by 4.95bps, whilst spreads in the A- and A+ buckets tightened by 3.9bps and -0.9bps respectively. This was indicative of a 'risk on' move as markets saw comfort in resilient economic data and a relaxed central bank rhetoric.

The Trust benefitted from both its positioning in 'high carry' (income) lines and 'barbelled' exposure to credit (allocations in AA- and BBB+ buckets). Attribution for the quarter showed most of EIT-W's 1.36% return arising from income (+1.10% net of fees) with the remainder from credit spread compression and duration positioning.

Top 5 issuers*	%
National Australia Bank	10.59
Bank of Queensland	7.69
Westpac Banking Corporation	6.50
Suncorp Group	4.24
Commonwealth Bank of Australia	3.84
Total	32.86

*only considers fixed income securities

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 Enhanced Income Trust - Wholesale (the U Ethical Fund). All data within this document is published as at 31 March 2024

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Sustainability Rating as of 31/01/2024. Corporate and Sovereign Sustainability Score and Investment Style as of 31/01/2024 Morningstar's Sustainability Score incorporates Sustainability's company and country-level analysis.

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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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