

Quarterly Performance Review

u ethical Growth Portfolio

Quarterly highlights December 2023

- Global equity markets rallied over the quarter given inflation trending lower and optimism central banks will cut interest rates in the first half of 2024.
- The Portfolio delivered a total return of 7.7%, underperforming the benchmark by 0.5%. Over 2023, the Portfolio outperformed the benchmark by 2.1%.
- Underperformance for the quarter was due to asset allocation and relative international equities performance.
- We remain slightly defensively positioned given earnings risks, equity market valuations and uncertainty over the timing of central banks cutting interest rates.

Investment objective

The U Ethical Growth Portfolio is more suitable for medium to long-term investment and aims to provide a total return of 3 per cent above the rate of inflation (CPI +3%) over a rolling 5-year period. It combines a strategic mix of Australian and international shares, listed property trusts, fixed interest and cash to achieve income and capital stability. The Portfolio is available to not-for-profit organisations that are registered for charity tax concessions.

Fund information



Assigned as of 30/11/2023
Analyst-Driven 0%
Data Coverage 91%

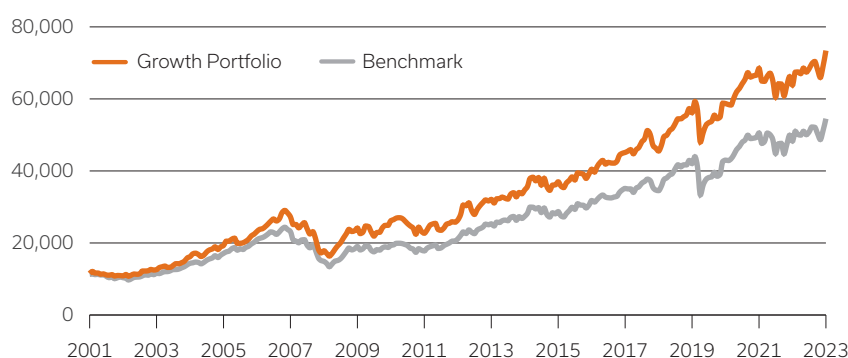


Out of 109 Australia & New Zealand Equity Funds as of 31/12/2023. Based on 100 percent of eligible corporate AUM and 0 percent of eligible sovereign AUM. Data is based on long positions only.



Portfolio manager/ Chief investment officer	Jon Fernie
Inception date	1 July 1985
Total fund size (\$M)	\$257.74 ¹
Benchmark	Refer below ²
Buy/sell spread	0.20%/0.20%
Management costs	Estimated up to 0.80% p.a. See Offer Document

Growth of \$10,000 invested[†]



Performance

	3 months %	6 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	20 years % p.a.	Since inception % p.a.
U Ethical Growth Portfolio[†]	7.67	7.44	15.00	7.74	10.02	8.63	9.21	9.97
Benchmark	8.14	7.25	12.87	8.23	9.56	7.98	8.06	N/A
Relative performance	-0.47	0.19	2.13	-0.49	0.46	0.65	1.15	N/A

Past performance is not indicative of future performance. [†]Based on exit price with distributions reinvested, including franking credits and net of all fees.

Issued by UCA Growth Fund Limited ABN 39 075 948 435. Managed and administered by Uniting Ethical Investors Limited ABN 46 102 469 821 AFSL 294147

¹ Figure represents the sum of the underlying products within which it invests and includes franking credits.

² The Portfolio's composite benchmark reflects the strategic asset allocation of the Portfolio: 70% S&P/ASX 300 Accumulation Index, 10% MSCI World Ex Australia Net Total Return Index (AUD) (unhedged), 10% S&P/ASX 300 Real Estate Accumulation Index, 5% Bloomberg Ausbond Bank Bill Index, and 5% Bloomberg Ausbond Composite 0-3 Year Index.

Market commentary

Global equity markets rallied over the December quarter with the S&P 500 Index rising more than 11%. Contributing to the momentum has been inflation trending lower and optimism central banks will cut interest rates in the first half of 2024. Economic growth has remained more resilient than expected with a 'soft landing' now expected for the global economy.

US core inflation remained steady in November at 4.0% and the federal funds target range has been maintained at 5.25-5.50% since July. On the back of more dovish commentary and forecasts, the US yield curve shifted down over the quarter with 10-year treasury yields dropping below 4%.

In Australia, inflation eased to 4.9% in October and remains above target levels driven by stickier services components. The Reserve Bank of Australia (RBA) increased the cash rate to 4.35% in November and next meets again in February. A tight labour market will remain a concern with the unemployment rate at 3.8%, but we are close to the interest rate peak domestically.

Corporate earnings have remained solid, although we expect more pressures to emerge as economic growth slows. While domestic consensus forecasts have declined over the last 12 months (excluding resources), globally we still see expectations as too high. Equity market valuations also look more stretched given the rally at the end of 2023.

Portfolio commentary

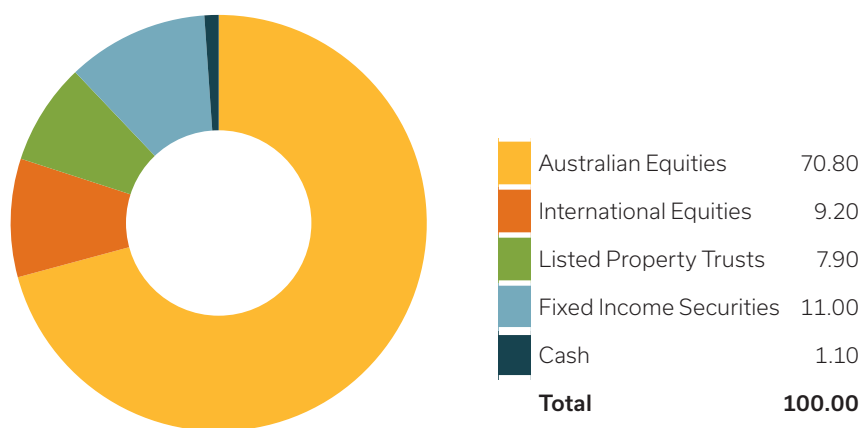
The Growth Portfolio delivered a total return of 7.7% over the December quarter, underperforming the benchmark by 0.5%. Over 2023, the Portfolio outperformed the benchmark by 2.1% and provided a total return of 15.0%. Contributing to the strong returns has been optimism over easing global inflation and expectations that central banks will be able to cut interest rates. At the same time economic growth and corporate earnings have remained more resilient than expected.

The underperformance for the quarter was partly due to asset allocation with the Portfolio being overweight fixed income and cash (the worst performing asset class) and underweight listed property (top performing). Underperformance relative to the benchmark in international equities also impacted returns for the period.

While the risk of global recession has declined, we believe earnings expectations are too optimistic and the equity market valuations remain full. There also remains uncertainty over the timing of central banks cutting interest rates. We remain slightly defensively positioned given these risks and the recent equity market strength.

Top 10 holdings	Weight %
CSL Limited	6.7
Goodman Group	5.8
Fortescue Metals Group	4.5
Commonwealth Bank Of Australia	4.2
National Australia Bank	3.6
Telstra Corporation	3.5
Macquarie Group	3.5
Resmed Inc.	2.9
Australia And New Zealand Banking Group Limited	2.7
G.U.D. Holdings	2.6
Total	40.0

Asset allocation



Ethical view

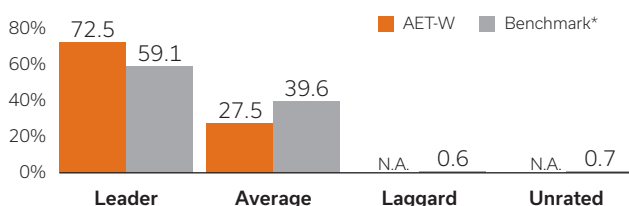
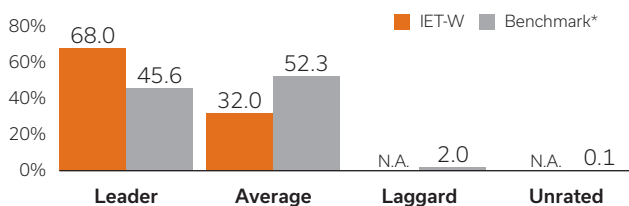
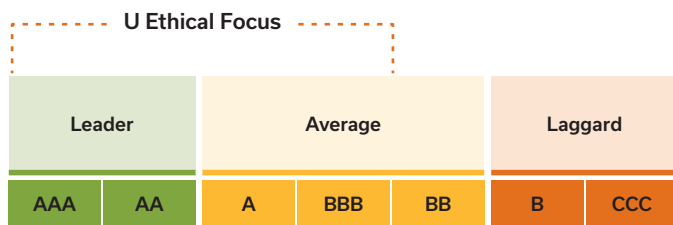
Environmental, Social, and Governance (ESG) refers to the central factors in measuring and tracking the sustainable and societal impact of an investment. These factors include climate risk management and preparedness, human rights considerations, and modern slavery risk.

U Ethical pursues a values-based, risk-adjusted and, where possible for equities, SDG-aligned approach to investing. Our investment process seeks to ensure that our portfolio holdings are aligned with our clients' financial and ethical expectations.

U Ethical's investment process integrates ESG considerations with the aim of minimising investment risk and identifying investment opportunities. Informed by our ethical investment philosophy, we seek out companies producing goods or providing services that appropriately manage their impact on society and the environment according to industry best-practice, industry standards and/or voluntary frameworks.

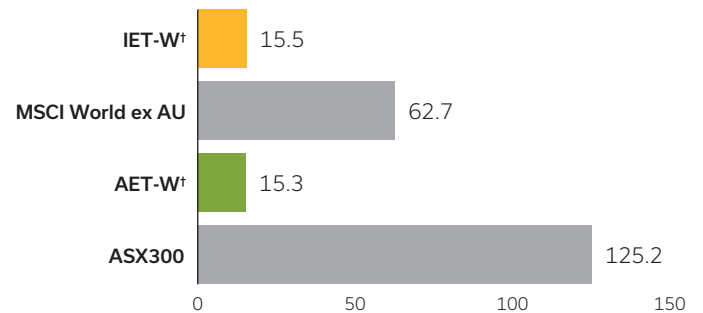
ESG ratings

ESG Ratings are designed to measure a company's resilience to long-term, industry material environmental, social and governance (ESG) risks. This helps identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.



Carbon footprint

Absolute emissions Scope 1&2.
Tonnes CO2 equivalents per \$ million invested.



Carbon Metrics as of 31/10/23. Based on 83.02% percent of eligible portfolio covered. Data is based on long positions only.

Top pick for sustainable impact this quarter

Company:
Edward Lifesciences (EW)

Weight: 0.2%

Industry classification:
Health Care Equipment & Supplies

ESG Rating: AAA

Company SDG alignment:



Edward Lifesciences is an industry leader in technologies for structural heart disease and critical care monitoring. The company has strong talent management initiatives, governance and business ethics framework. Edward Lifesciences is aligned to SDG 3 (good health and well-being) as its revenues are related to major disease treatment. Its operations are also aligned to SDG 5 (gender equality) given programs to facilitate workforce diversity.

† This is based on a combination of company reported and MSCI estimated carbon data. Certain information ©2021 MSCI ESG Research LLC. Reproduced by permission.

* Constituent-level scores might be affected by MSCI ESG Research's ESG Rating model enhancements introduced on the 10th of November 2020.

This document dated December 2023 is issued by UCA Growth Fund Limited (UCA Growth) for the U Ethical Growth Portfolio (the Portfolio). All data within this document is published as at 31 December 2023. U Ethical (a registered business name of Uniting Ethical Investors Limited ABN 46 102 469 821 AFSL 294147) is the Manager and Administrator of the Portfolio. 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 Offer Documents 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 Portfolio, see the Offer Documents. 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.

The Portfolio is not prudentially supervised by the Australian Prudential Regulation Authority (APRA). Therefore, an investor in the Portfolio will not receive the benefit of the financial claims scheme or the depositor protection provisions in the Banking Act 1959. The Portfolio is listed as a religious charitable development fund under APRA's Banking Exemption. Investments in the Portfolio will be used to support the charitable purposes of the Portfolio. UCA Growth is required to notify investors that the debentures in the Portfolio and their offering, are not subject to the usual protections for investors under the Corporations Act or regulation by ASIC and have not been approved or examined by ASIC. Investors in the Portfolio may be unable to get some or all of their money back when the investor expects or at all. Investment in the Portfolio is not comparable to investments with banks, finance companies or fund managers. UCA Growth relies on the exemptions under section 5(1) and 5(2) of ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813.

Sustainability Rating as of 30/11/2023. Corporate and Sovereign Sustainability Score and Investment Style as of 30/11/2023. Morningstar's Sustainability Score incorporates Sustainability's company and country-level analysis.

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U Ethical is recognised as a Responsible Investment Leader 2023 by the Responsible Investment Association Australasia (RIAA). We are placed in the top 20% of organisations assessed, demonstrating leading practice in our commitment to responsible investing; our explicit consideration of environmental, social and governance factors in investment decision making; our strong and collaborative stewardship; and our transparency in reporting activity, including the societal and environmental outcomes being achieved.

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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