

# Quarterly Performance Review

# u ethical Growth Portfolio

APIR UGL0002AU

## September 2024

A diversified portfolio of ethically screened Australian shares, international shares, listed property trusts and enhanced income designed specifically for not-for-profit and charitable organisations.

### Fund information



Assigned as of 31/08/2024  
Analyst-Driven 0%  
Data Coverage 91%

Out of 7458 Australia & New Zealand Equity Funds as of 31/08/2024. Based on 100 percent of eligible corporate AUM and 0 percent of eligible sovereign AUM. Data is based on long positions only.

### Benefits and risks

- Twice-yearly distributions of net income
- Exposure to international shares within an actively managed portfolio
- Suggested minimum investment horizon - 5 years
- Medium to high-risk profile

### 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.



<b>Portfolio Manager/ Chief investment officer</b>	Jon Fernie
<b>Inception date</b>	1 July 1985 <sup>1</sup>
<b>Total fund size (\$M)</b>	\$274.47
<b>Benchmark</b>	Refer the benchmark below
<b>Buy/sell spread</b>	0.20%/0.20%
<b>Management costs</b>	Estimated up to 0.80% p.a. See Offer Document

### Performance

	3 months	6 months	1 year	3 years	5 years	10 years	Since inception
	%	%	% p.a	% p.a	% p.a	% p.a	% p.a
<b>U Ethical Growth Portfolio†</b>	8.38	6.56	25.64	9.05	9.26	10.07	10.20
<b>Benchmark</b>	7.25	5.81	22.15	7.92	8.11	8.87	N/A
<b>Relative Performance</b>	1.13	0.75	3.49	1.13	1.15	1.20	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 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

The Growth Portfolio delivered a total return of 8.4% over the September quarter, outperforming the composite benchmark by 1.1%. The Portfolio has provided a total return of 25.6% over the last 12 months.

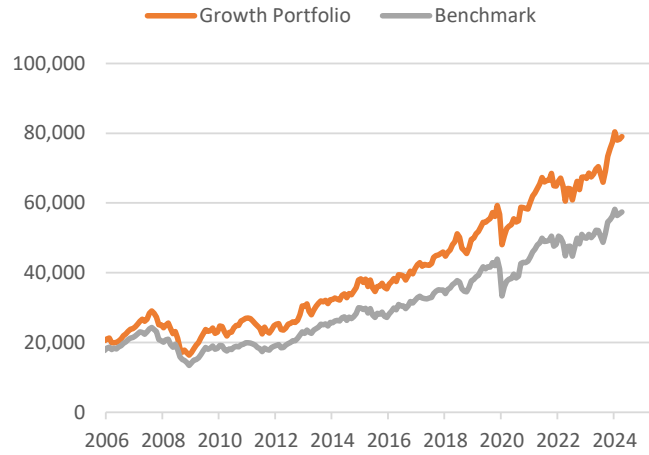
The outperformance for the quarter was primarily due to strong relative performance in Australian equities driven by good stock selection in the industrials and materials sectors. This was partly offset by underperformance in international equities, which was impacted by sector allocation. Asset allocation slightly detracted from performance with the Portfolio being overweight fixed income and cash (worst performing asset class) and underweight listed property (best performing asset class).

The outlook for equities remains mixed. We have seen solid corporate earnings, Chinese stimulus measures announced, inflation reduce further and central banks starting the easing cycle. However, we continue to see expectations around interest rate cuts and earnings growth as optimistic. Equity valuations also remain stretched and geo-political risks have risen in recent weeks. As such we remain comfortable being slightly more defensively positioned.

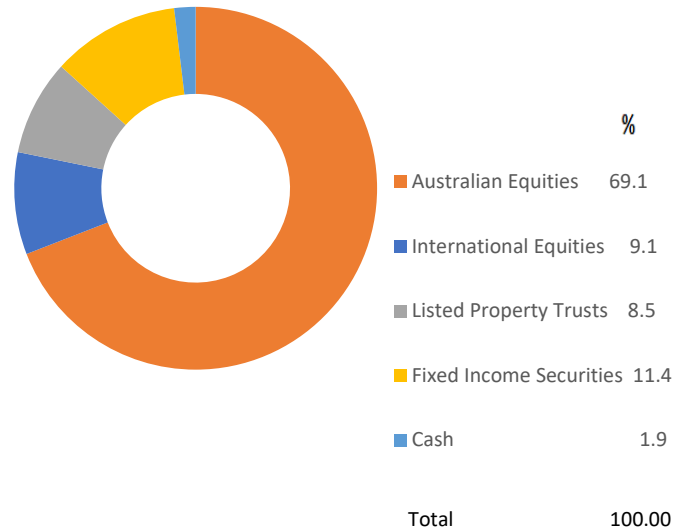
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Top 10 holdings	Weight %
Goodman Group	7.3
CSL	5.8
Telstra Corporation	4.2
Fortescue Metals Group	4.1
Commonwealth Bank Of Australia	4.0
National Australia Bank	3.8
Macquarie Group	3.7
Brambles	3.5
Westpac Banking Corporation	3.0
Resmed Inc.	3.0
Total	42.4

## Growth of \$10,000 invested†



## Asset Allocation



\* The asset allocation breakdown relates to investment in underlying trusts and is not on a look-through basis.

Cash represents cash held at bank.

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## Ethical view

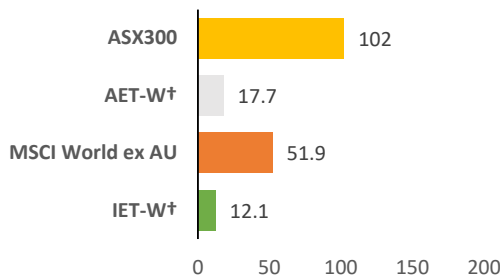
Environmental, Social, and Governance (ESG) refers to the central factors in measuring and tracking the sustainable and societal impact of an investment. These factors include climate risk management and preparedness, human rights considerations, and modern slavery risk.

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.

## Carbon footprint

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

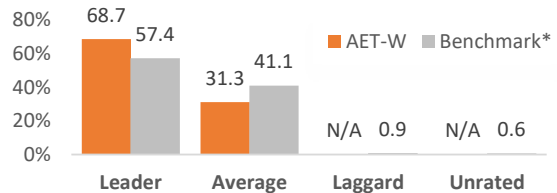
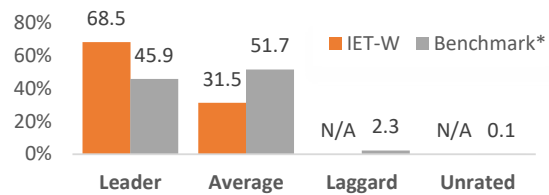
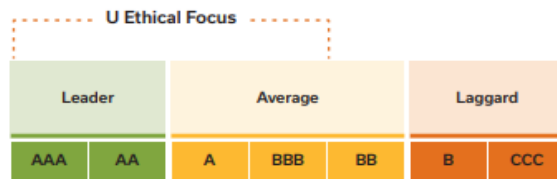


Low Carbon

Carbon Metrics as of 31/08/2024. Based on 96.6% percent of eligible portfolio covered. Data is based on long positions only.

## 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.



† 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.

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## 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 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

This document dated 30 September 2024 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 30 September 2024. 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](http://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 31/08/2024. Corporate and Sovereign Sustainability Score and Investment Style as of 31/08/2024. Morningstar's Sustainability Score incorporates Sustainalytics' company and country-level analysis.

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