

Quarterly Performance Review

u ethical International Equities Trust - Wholesale

Quarterly highlights December 2023

- After lackluster performance in September, the MSCI World Ex Australia TR Index (AUD) staged a strong comeback and finished the quarter up 5.4%.
- It was a strong quarter for markets; however we note the 'Magnificent Seven' stocks (Apple, Microsoft, Alphabet, Nvidia, Amazon, Meta and Tesla) were responsible for almost one third of the total benchmark return.
- The Trust provided a return of 3.4% for the quarter, underperforming the benchmark by 1.9%. Key detractors were underperformance of a small handful of stocks across different sectors and not holding some of the abovementioned Magnificent Seven stocks (some due to higher ESG risks). These were partially offset by good stock selection in the Financials sector and strong performance in several stocks held.
- During the quarter we reduced positions in defensive companies including TJX, Kimberley Clark, and Unilever. We also sold some of our holdings in cyclical companies Mercedes, UPS and Alstom, and added to existing positions in Microsoft and Edward Lifesciences.

Fund information



Out of 212 funds 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.

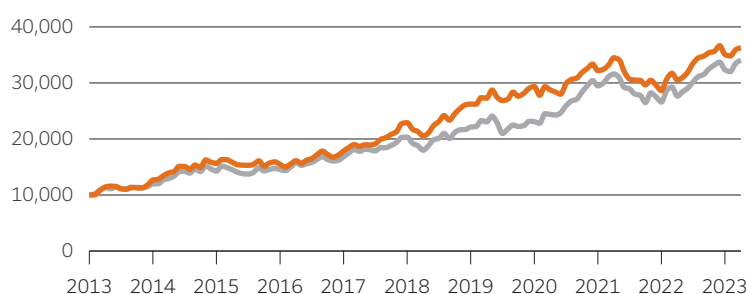


Portfolio manager	Cam Hardie
Chief investment officer	Jon Fernie
Inception date	1 August 2019 ¹
Total fund size (\$M)	\$30.1 ²
Benchmark	MSCI World Ex Australia TR Index (AUD)
Buy/sell spread	0.25%/0.25%
Management costs	Estimated up to 0.90% p.a. See Information Memorandum ³
Holdings range	20-50
Number of holdings	29
Targeted ESG rating	BBB

Investment objective

The Trust seeks to achieve competitive market returns over the long term, while limiting harm and creating positive impact through the implementation of U Ethical's Ethical Investment Policy. The Trust is an actively managed high-conviction fund that's designed for investors who seek exposure to international equities aligned to UN SDGs and positive ESG ratings. Through a focus on high quality companies with strong fundamentals that are trading at acceptable valuations the Trust aims to outperform the benchmark over a rolling 5-year period.

Growth of \$10,000 invested[†]



Performance

	3 months %	6 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.
U Ethical International Equities Trust - Wholesale[†]	3.41	2.50	18.81	8.06	12.03	12.22	13.38
Benchmark	5.35	4.88	23.28	11.80	13.63	11.65	12.71
Relative performance	-1.94	-2.38	-4.47	-3.74	-1.60	0.57	0.67

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 Uniting Ethical Investors Limited trading as U Ethical ABN 46 102 469 821 AFSL 294147

¹On 1 August 2019, the Portfolio was transferred from a sub-account of the U Ethical Growth Portfolio into a unit trust, the U Ethical International Equities Trust (Trust). The Trust retains the same investment manager and investment strategy, and charges management cost of up to 0.90% p.a.

²This figure contains \$24.290 million invested by the U Ethical Growth Portfolio product.

³From inception to 30 June 2019, performance is that of the U Ethical International Equities Portfolio (the Portfolio) with management costs adjusted from 0.80% to 0.90%.

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

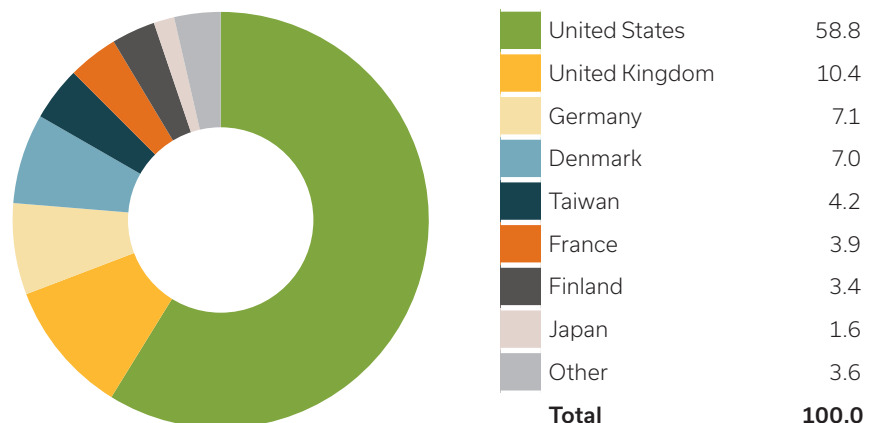
Despite the Trust's positive performance of 3.4% for the quarter, it underperformed the benchmark by 1.9%. Key detractors were: (1) underperformance of a small handful of stocks, notably Alstom, Mercedes, Unilever and Bristol-Myers Squibb; and (2) not holding Amazon, Meta (where we see higher ESG risks) and Nvidia. These three stocks accounted for almost one third of the benchmark's total return for the quarter. These detractors were partially offset by good stock selection in the Financials sector and strong performance in other stocks in the Trust, including Vestas Wind Systems, Union Pacific, TSMC and ServiceNow.

Absent of rapid easing of interest rates, we see a challenging macro backdrop for equities in 2024 with softening consumer trends expected as excess savings deteriorate. Equities look expensive, and geopolitical and political risks remain elevated. Meanwhile the market does not appear to be factoring in a higher for longer rate environment, or a recession outcome.

The Trust continues to hold an overweight position in the European market where we see better value and opportunities compared to the US where we are underweight relative to the benchmark as valuations are particularly rich, and the market is pricing in a Goldilocks outcome which, on balance, appears optimistic.

Top 10 holdings	Weight %
Microsoft	6.5
Alphabet	5.4
TJX Companies	5.4
Apple	5.1
Bank New York Mellon	4.7
Union Pacific	4.6
Mastercard	4.1
Novo-Nordisk	4.0
Taiwan Semiconductor Manufacturing	4.0
Unilever	3.8
Total	47.6

Geographic exposure



Note: Total may not add due to rounding

Ethical view

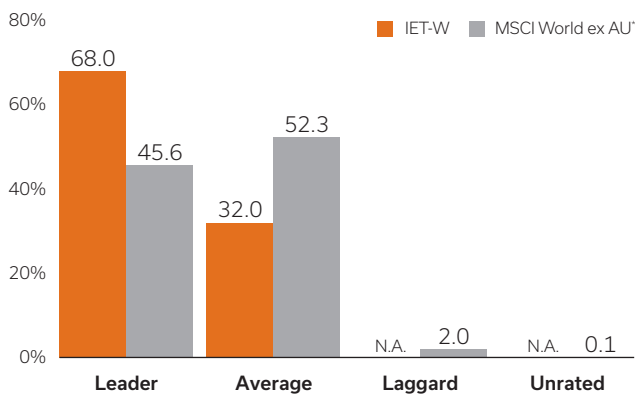
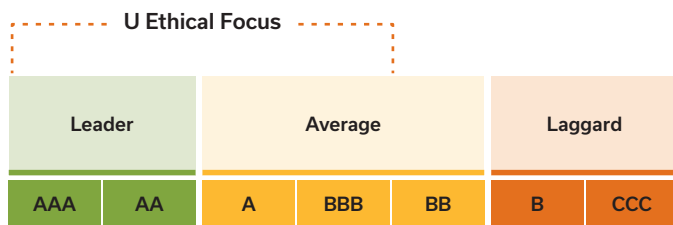
Environmental, Social, and Governance (ESG) refers to the central factors in measuring and tracking the sustainable and societal impact of an investment. These factors include climate risk management and preparedness, human rights considerations, and modern slavery risk.

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.

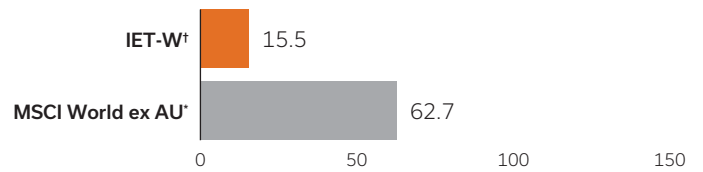
ESG ratings

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 86.68% percent of eligible portfolio covered. Data is based on long positions only.

Top pick for sustainable impact this quarter

Company:
Edward Lifesciences (EW)

Weight: 2.2%

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 Uniting Ethical Investors Limited for the U Ethical International Equities Trust - Wholesale. 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 Trustee, Manager and Administrator of the U Ethical International Equities Trust - Wholesale. 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 product of which U Ethical is the Manager, Administrator, Issuer, Trustee or Responsible Entity (Products). 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 its products, see 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 product will achieve its targeted rate of return and no guarantee against loss resulting from an investment in any U Ethical product.

Sustainability Rating as of 31/08/2023. Corporate and Sovereign Sustainability Score and Investment Style as of 31/08/2023. Morningstar's Sustainability Score incorporates Sustainability's company and country-level analysis.

© 2023 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. This report or data has been prepared for clients of Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or New Zealand wholesale clients of Morningstar Research Ltd, subsidiaries of Morningstar, Inc. Any general advice has been provided without reference to your financial objectives, situation or needs. For more information refer to our Financial Services Guide at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Morningstar's publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Morningstar's full research reports are the source of any Morningstar Ratings and are available from Morningstar or your adviser. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a financial adviser.



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

Level 6
130 Lonsdale Street
Melbourne VIC 3000

Email info@uethical.com
Frecall 1800 996 888