

Quarterly Performance Review

u ethical International Equities Trust - Wholesale

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September 2024

A high-conviction and actively managed portfolio of international equities designed to combine positive impact with competitive financial returns.

Benefits and risks

- Targeted portfolio alignment with United Nations Sustainable Development Goals(SDGs) and Environmental, Social and Governance (ESG) ratings
- Suggested minimum investment horizon - 7 to 10 years
- High-risk profile

Investment objective

The Trust seeks to achieve competitive market returns over the long term, in accordance with 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 minimum 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.

Fund information



Assigned as of 31/08/2024
Analyst-Driven 0%
Data Coverage 80%



Out of 515 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.



Portfolio Manager	Cam Hardie
Chief investment officer	Jon Fernie
Inception date	1 August 2019 ¹
Total fund size (\$M)	\$84.28 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	30
Targeted ESG rating	BBB

Performance

	3 months %	6 months %	1 year % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.
U Ethical International Equities Trust - Wholesale [†]	1.40	3.42	19.64	9.87	12.71	13.92
Benchmark	2.30	2.58	23.21	12.49	12.75	13.42
Relative performance	-0.90	0.84	-3.57	-2.63	-0.04	0.50

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

¹ On 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.

² This figure contains \$26.530 million invested by the U Ethical Growth Portfolio product.

³ From 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%.

u ethical International Equities 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

Despite delivering positive performance, the Trust underperformed the benchmark by 0.9%. Key drivers of the underperformance were allocation to the Health Care sector and having no exposure to the Utilities and Real Estate sectors. This was partially offset by good stock selection in the Financials, Information Technology sectors while having no Energy sector exposure was a tailwind.

While the Information Technology sector underperformed the benchmark more broadly over the period, the stocks held in the Trust resulted in the sector contributing to performance, Offsetting this, some of the Health Care sector companies held in the Trust underperformed at their recent quarterly results.

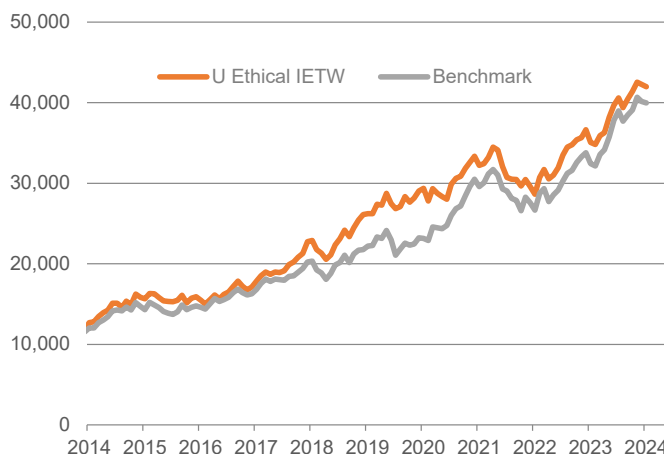
The Trust continues to be overweight the Information Technology sector, particularly in companies where monetizing AI is relatively straightforward. We increased our holding in Nvidia following the weak share price performance from what was otherwise a very good quarterly result.

We have increased Financials sector exposure, primarily by adding to CME Group and Mastercard. We reduced the Novo Nordisk position as other companies weight-loss drugs enter the market increasing competition for Novo's GLP-1 drug offerings. We also reduced the position in Mercedes Benz as automotive manufacturers experience more widespread demand issues.

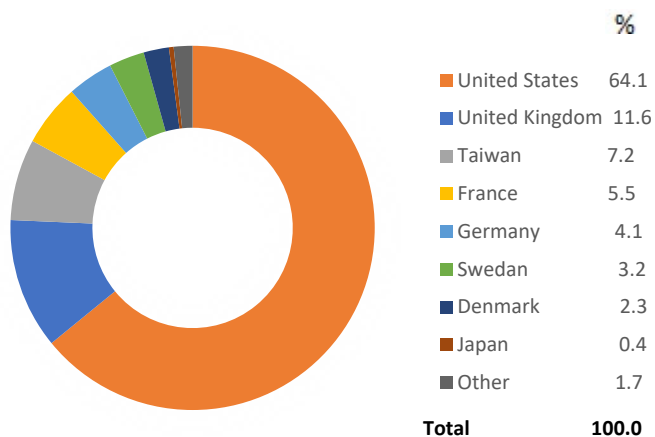
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Company	Weight %
Microsoft	8.1
Apple	6.3
Taiwan Semiconductor Manufacturing	6.0
Alphabet	5.8
Nvidia	5.4
Bank New York Mellon	5.3
TJX Companies	5.1
BT Group	5.0
Mastercard	4.4
Visa	4.2
Total	55.6

Growth of \$10,000 invested†



Geographic exposure



Note: Total may not add due to rounding

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Ethical view

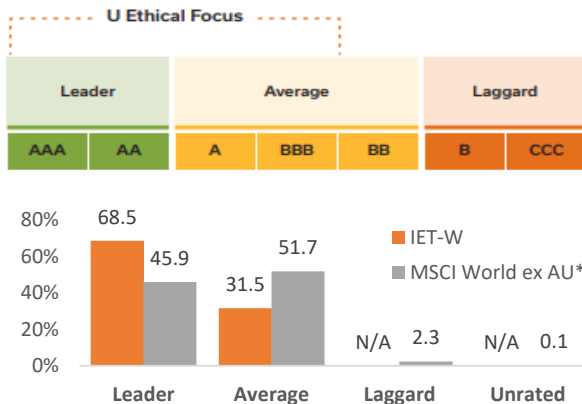
Environmental, Social, and Governance (ESG) refers to the central factors in measuring and tracking the sustainable and societal impact of an investment. These factors include climate risk management and preparedness, human rights considerations, and modern slavery risk.

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.

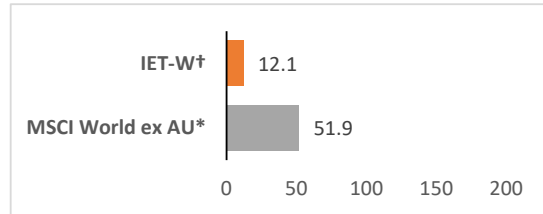
ESG ratings

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 31/08/2024. Based on 97.29% percent of eligible portfolio covered. Data is based on long positions only.

Engagement Update

U Ethical communicates with portfolio companies for a number of reasons, including to gain greater insight on ESG-related issues, communicate our preferences for best practice management of ESG risks and opportunities, and seek commitments for enhanced performance on ESG matters. U Ethical believes that stewardship and engagement is part of our responsibility as ethical investors.

U Ethical held a virtual meeting with Novo Nordisk over occupational health and safety concerns after media reports of a series of fires at Novo Nordisk facilities in Denmark. The meeting sought greater clarity over NVO management of occupational health and safety in operations and supply chain, the response in light of the incidents and our expectations of best practice management of OHS in portfolio companies.

† 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.

u ethical International Equities Trust - Wholesale

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

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U Ethical is recognised as a Responsible Investment Leader 2023 by the Responsible Investment Association Australasia (RIA A). 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.

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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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