

# Quarterly Performance Review

# U Ethical Australian Equities Trust - Institutional

APIR UGF4955AU

December 2024

A diversified portfolio of ethically screened Australian shares designed to provide income and long-term capital growth.

## Benefits and risks

- Twice-yearly distributions of fund net income
- Exposure to an actively managed portfolio
- Suggested minimum investment horizon - 7 to 10 years
- High-risk profile

## Investment objective

The U Ethical Australian Equities Trust - Institutional has been developed for the long-term investor, and aims to outperform the benchmark after fees over rolling 5-year periods. It invests primarily in Australian shares as well as up to 10 per cent in fixed interest and cash.

## Fund information



Assigned as of 30/11/2024  
Analyst-Driven 0%  
Data Coverage 91%

Morningstar Sustainability Rating™



Out of 508 Australia & New Zealand Equity Funds as of 30/11/2024. Based on 100 percent of eligible corporate AUM and 0 percent of eligible sovereign AUM. Data is based on long positions only.



<b>Portfolio Manager</b>	Cam Hardie
<b>Chief investment officer</b>	Jon Fernie
<b>Inception date</b>	24 January 2024
<b>Total fund size (\$M)</b>	\$0.155
<b>Benchmark</b>	S&P/ASX 300 Accumulation Index
<b>Buy/sell spread</b>	0.25%/0.25% <sup>1</sup>
<b>Management costs</b>	Estimated up to 0.80% p.a. See Product Disclosure Statement
<b>Holdings range</b>	Typically hold 20-40
<b>Number of holdings</b>	30

## Performance

	1 month %	3 months %	6 months % p.a.	1 year % p.a.	3 years % p.a.	Since inception % p.a.
U Ethical Australian Equities Trust - Institutional†	-3.81	-1.47	7.91	0.00	0.00	15.35
Benchmark	-3.08	-0.81	6.94	0.00	0.00	12.53
Relative performance	-0.73	-0.66	0.97	0.00	0.00	2.82

Past performance is not indicative of future performance.

Issued by Uniting Ethical Investors Limited ABN 46 102 469 821 AFSL 294147

<sup>1</sup>The buy/sell spread is set at 0.25 per cent per unit and is rounded to the nearest cent.

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

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## Market Commentary

Global equity markets moved higher during the December quarter as central banks further eased monetary policy and corporate earnings remained solid. A Trump presidential victory in the US buoyed markets given scope for deregulation and lower corporate taxes. However, the re-escalation of trade tensions and potential implications for inflation and economic growth remains a concern.

The Federal Reserve reduced interest rates for a third consecutive time in December to a target range of 4.25-4.50%, although signalled a slower pace of easing moving forward. While US inflation has significantly lowered over the last 12 months, we saw a tick up in November to 2.7%. The European Central Bank also continued to cut interest rates during the quarter with growth remaining subdued in the region.

In Australia, the Reserve Bank of Australia (RBA) maintained interest rates at 4.35%, although market expectations are for an interest rate cut in the first half of 2025. Domestic headline inflation continued to decline during the quarter, although benefitted from various subsidies and rebates. The labour market also remains robust with seasonally adjusted unemployment declining to 3.9% in November.

Further stimulus measures were announced in China during the quarter and the country looks set to hit its target of 5% GDP growth for 2024. However, the potential for increased trade tensions under Trump clouds the outlook for the region and also has implications for the Australian economy.

Despite expectations for strong earnings growth in aggregate, we continue to see global equity market valuations as stretched. While further central bank easing may be supportive for equity markets, the pace of cuts will likely to be slower than previously forecast. Uncertainty over the impact of a second Trump presidency also remains high.

## Portfolio Commentary

The Trust delivered a total return of -1.5% in the December quarter, underperforming the market by 0.7%. Underperformance was driven by stock selection within the Materials sector and a below-market weight to the Commonwealth Bank. Stock selection offset sector allocation, with the portfolio's underweight exposure to the Materials and Energy sectors contributing to relative performance.

The quarter showed significant divergence in the Australian market's two largest sectors, with Financials (+6%) considerably outperforming Materials (-12%). This continues a recent trend, with the 12-month differential being almost 50% in favour of Financials. Valuation metrics for Australia's banking stocks have become more elevated at the same time questions have been raised on China's growth outlook and policy stimulus and the subsequent impact on commodity prices.

Over the quarter the portfolio re-established a position in Pilbara Minerals and established a position in DigiCo Infrastructure REIT, a newly listed company seeded with Australian and USA data centre assets. Within the Financials sector the portfolio's position in NAB was reduced and exposure was added to insurer QBE. Other portfolio activity included increases in HMC Capital and, following a period of short-term relative weakness, Cochlear.

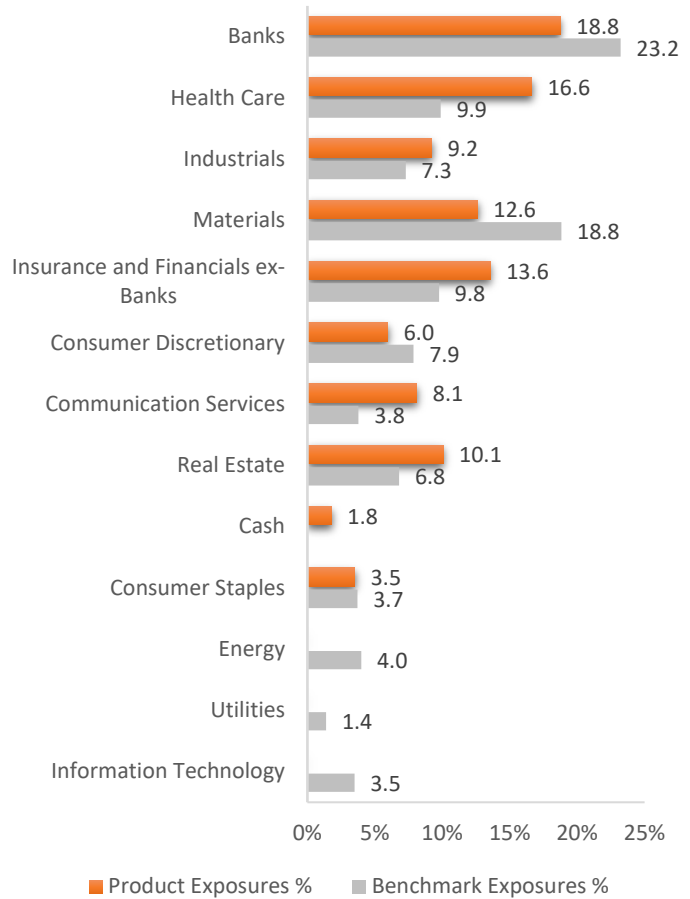
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## Top 10 holdings

## Weight %

CSL Limited	8.6
Telstra Corporation	6.5
Commonwealth Bank Of Australia	6.3
Goodman Group	5.9
Fortescue Metals Group	5.4
Macquarie Group	5.2
National Australia Bank	4.6
Westpac Banking Corporation	4.5
ResMed	4.3
Brambles	4.2
<b>Total</b>	<b>55.3</b>

## Sector exposure



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## Ethical view

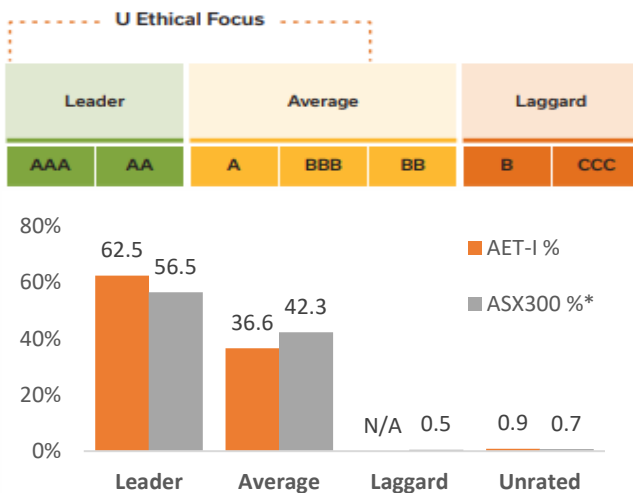
Environmental, Social, and Governance (ESG) refers to the central factors in measuring and tracking the sustainable and societal impact of an investment. These factors include climate risk management and preparedness, human rights considerations, and modern slavery risk.

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

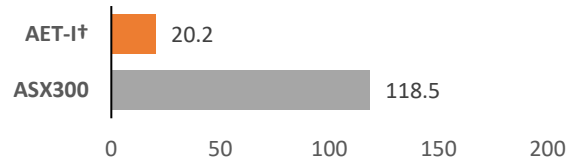
ESG Ratings are designed to measure a company's resilience to long-term, industry material environmental, social and governance (ESG) risks. This helps identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.



## Carbon footprint

Absolute emissions Scope 1&2.

Tonnes CO2 equivalents per \$ million invested.



Carbon Metrics as of 31/12/2024. Based on 99.1% 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 continues to lead a collaborative engagement with other investors on financed and facilitated emissions for the Australian banking sector covering Australia and New Zealand Bank, Macquarie Group, Westpac Banking Corporation and Commonwealth Bank of Australia. Our engagement activities informed our vote in support of shareholder resolutions presented at the Westpac, NAB and ANZ AGMs, with each resolution calling for further disclosure on transition plan assessments of oil and gas company clients and whether the plans are assessed with a 1.5°C goal of the Paris Agreement.

U Ethical also met with Fortescue Metals to gain greater insights into the company's approach to modernising partnership agreements with First Nations groups with regard to issues including the roll-out of cultural safety training at mine sites, development of Indigenous businesses at site levels, and ensuring that free, prior and informed consent (FPIC) in routines and processes are up to date and fit for purpose.

† 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.**



**U Ethical**

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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.



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.

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The Morningstar Medalist Rating™ for Fund U Ethical Australian Equities Trust - Institutional Strategy is 'Silver' as of 30/11/2024. Sustainability Rating as of 30/11/2024. Corporate and Sovereign Sustainability Score and Investment Style as of 30/11/2024. Morningstar's Sustainability Score incorporates Sustainalytics' company and country-level analysis.

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