

# Quarterly Performance Review

# U ethical Growth Portfolio

APIR UGL0002AU

December 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



Morningstar Sustainability Rating™



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

Out of 8085 Australia & New Zealand Equity Funds as of 30/11/2024. Based on 98.7 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.

## 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>	-0.14	8.23	16.53	7.71	8.78	9.44	10.13
<b>Benchmark</b>	0.07	7.32	13.04	6.84	7.94	8.44	N/A
<b>Relative Performance</b>	-0.21	0.91	3.49	0.87	0.84	1.00	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.



<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>	\$134.55
<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

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 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 Growth Portfolio delivered a total return of -0.1% over the December quarter, underperforming the composite benchmark by 0.2%. The Portfolio has provided a total return of 16.5% over the last 12 months and outperformed the composite benchmark by 3.5%.

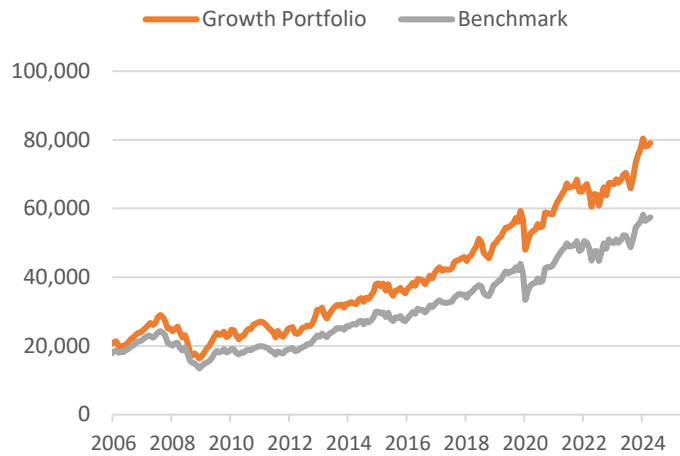
The underperformance for the quarter was predominantly due to weaker relative performance in Australian equities (impacted by security selection across the financials, industrials and materials sectors). This was partly offset by outperformance in international equities and listed property. Asset allocation marginally contributed to relative performance given the Portfolio was underweight listed property the worst performing asset class.

Looking forward uncertainty remains high given a Trump presidential victory in the US and the implications of economic growth, inflation and geo-political tensions. Corporate earnings have remained solid, although in the US growth continues to be driven by the information technology sector. Equity market valuations remain stretched and with earnings growth expectations high this leaves little room for disappointment. While further monetary policy easing will be supportive for equity markets, we remain comfortable being slightly defensively positioned given these risks and relatively attractive fixed income returns.

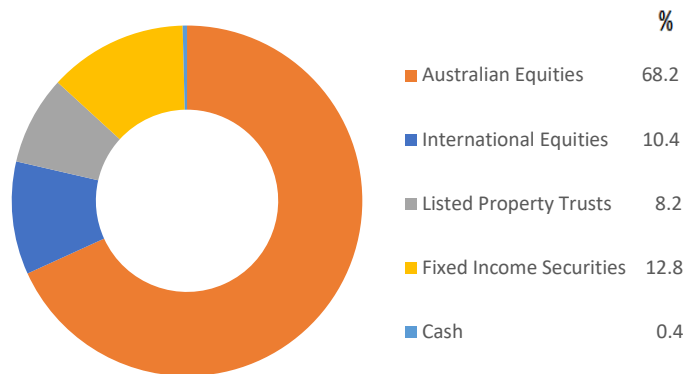
# u ethical Growth Portfolio

Top 10 holdings	Weight %
Goodman Group	7.1
CSL	5.8
Telstra Corporation	4.4
Commonwealth Bank Of Australia	4.3
Fortescue	3.7
Macquarie Group	3.5
National Australia Bank	3.1
Westpac Banking Corporation	3.0
Resmed Inc.	2.9
Brambles	2.9
Total	40.7

## 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.

# U Ethical Growth Portfolio

## Ethical view

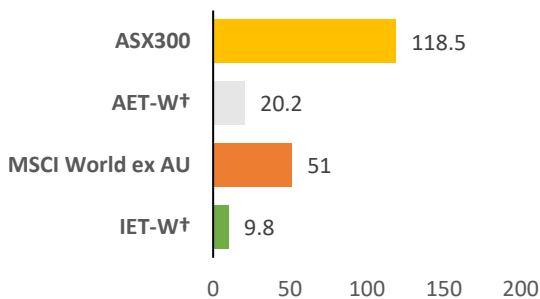
Environmental, Social, and Governance (ESG) refers to the central factors in measuring and tracking the sustainable and societal impact of an investment. These factors include climate risk management and preparedness, human rights considerations, and modern slavery risk.

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.

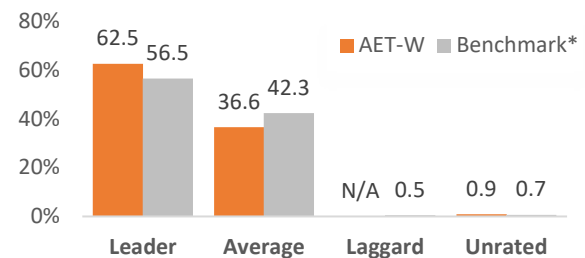
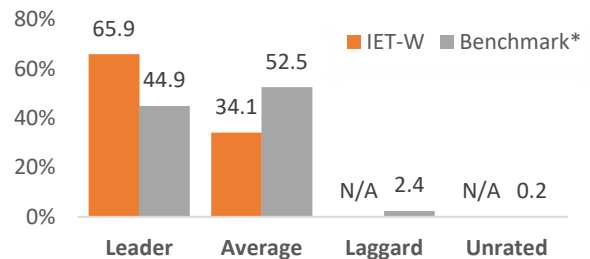
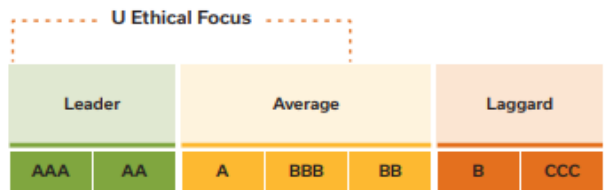


Low Carbon

Carbon Metrics as of 31/12/24. Based on 99.1% coverage of the AET-W portfolio and 100% coverage of the IET-W portfolio. 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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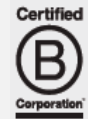
## About U Ethical and your team

**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



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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 30/11/2024. 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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