

Quarterly Performance Review

U Ethical Enhanced Income Trust - Wholesale

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March 2025

A diversified portfolio of cash and fixed-income securities designed to provide consistent income.

Benefits and risks

- Suggested minimum investment horizon - 2 years
- Low-risk profile

Investment objective

The U Ethical Enhanced Income Trust – Wholesale aims to generate income and preserve capital, while limiting harm and creating positive impact through the implementation of U Ethical’s Ethical Investment Policy. The Trust aims to outperform the benchmark after fees over rolling two-year periods.

Fund information

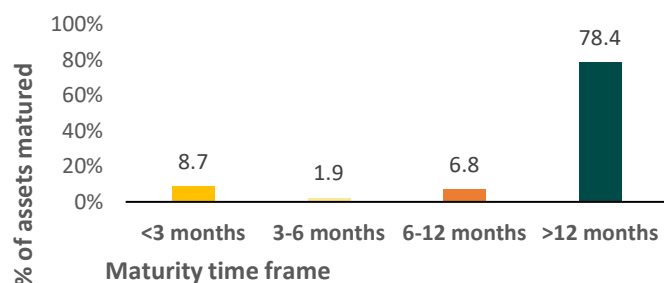
Morningstar Sustainability Rating™



Out of 110 Australia & New Zealand Equity Funds as of 31/01/2025. Based on 85.9 percent of eligible corporate AUM and 0 percent of eligible sovereign AUM. Data is based on long positions only

Portfolio managers	Dandan Huang & Joshua Nappa
Chief investment officer	Jon Fernie
Inception date	1 July 2020 ¹
Total fund size (\$M)	\$256.46
Benchmark	3 Month Bank Bill Swap Rate Rate + 1.00%
Buy/sell spread	0.05%/0.05%
Management costs	Estimated up to 0.70% p.a. (See Information Memorandum)

Maturity Profile



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.
U Ethical Enhanced Income Trust - Wholesale†	1.16	2.44	5.27	3.94	2.53	2.62	6.57
Benchmark	1.30	2.68	5.49	4.84	3.30	2.70	5.78
Relative performance	-0.14	-0.24	-0.22	-0.90	-0.77	-0.08	0.79

Past performance is not indicative of future performance.

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

¹ From March 1990 to 30 June 2020, performance is that of the U Ethical Enhanced Cash Portfolio (the Portfolio), reflecting the reinvestment of distributions quarterly and including franking credits, benchmarked against 50% Bloomberg AusBond Bank Bill Index / 50% AusBond composite 0-3year Index. On 1 July 2020, the Portfolio was transferred into a unit trust, the U Ethical Enhanced Cash Trust - Wholesale, renamed the U Ethical Enhanced Income Trust - Wholesale on 19 May 2021, benchmarked against the 3 Month Bank Bill Swap Rate +1.00% and performance excludes franking credits. Where time horizons require, performance reflects a blend of the products and their benchmarks.

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Market Commentary

Global equity markets were weaker in the March quarter as the US announced trade tariffs for China, Canada and Mexico increasing the risks of a global economic slowdown. In early April, 'Liberation Day' escalated this with a minimum 10% tariff on countries and additional measures where the US has large trade deficits such as the European Union and China. This led to the S&P 500 Index suffering its largest weekly drawdown since the pandemic. President Trump subsequently paused the additional tariffs on most trading partners for 90 days, although increased China duties to 125%. This in turn has seen China also raise tariffs significantly on US goods.

While certain companies will be more impacted, we view Australia as relatively well-placed given a 10% tariff level and the US only represents 5% of total exports. However, Australia will not be immune to a broader global slowdown and weaker Chinese activity is a concern given they are our largest trading partner.

Longer-term US bond yields have been volatile given fears of an increasing fiscal deficit and inflationary pressures. Given a significant rise in the 10-year yield to 4.4% in early April, this may have contributed to the pause in tariffs. The Federal Reserve has left interest rates in a target range of 4.25-4.50% since December, although will face a difficult balancing act if the US economy weakens and inflation rises. In Australia, the Reserve Bank of Australia (RBA) cut interest rates to 4.10% in February as domestic inflation continued to come down.

A pause in tariffs for most trading partners means the situation is not resolved and a slowdown in US and Chinese growth is a concern for the global economy. While a broad market sell-off may create longer-term opportunities for investors, earnings uncertainty means some caution is warranted. We expect markets will remain volatile near-term unless there is significant headway made in trade negotiations.

Portfolio Commentary

The Trust delivered a total return of 1.16% over the quarter, underperforming the benchmark by 0.14%. Running yield remained the biggest contributor (1.14%), while duration positioning added modest gains (+0.09%) due to falling benchmark yields. However, broad credit spreads widened into quarter-end, which weighed slightly on performance (-0.07%).

Yields moved sharply lower across the curve, particularly at the front end, with 1-year yields down almost 25 bps. This move was driven by softening inflation data and growing expectations for RBA rate cuts coming into the May and August meetings.

The Trust's overall credit spread drifted wider from 91.23 bps to 94.58 bps, albeit saw a relatively contained impact when noting stable spread duration. Running yield declined slightly as the Trust built up its cash levels in preparation for high volatility surrounding Trump's 'Liberation Day' announcement.

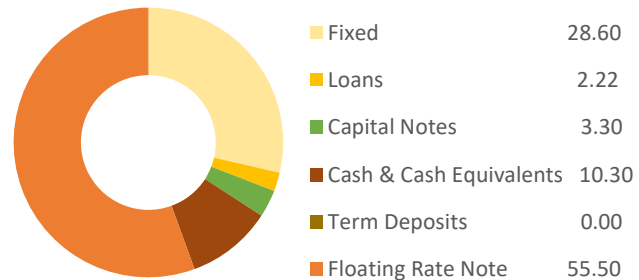
Key rate positioning stayed focused in the 3-6 year part of the curve, where most of the yield rally occurred. The Trust remains well-positioned albeit with some risk taken 'off the table' in anticipation of volatility.

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Top 5 issuers	%
National Australia Bank	10.38
Westpac Banking Corporation	6.37
Toyota Finance Australia	5.29
Bank Of Queensland	5.18
Australia and New Zealand Bank Group	3.68
Total	30.90

*only considers fixed income securities

Asset allocation by securities' type



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.

This document dated March 2025 is provided by U Ethical (a registered business name of Uniting Ethical Investors Limited ABN 46 102 469 821 AFSL 294147) as Issuer, Administrator and Manager of the U Ethical Enhanced Income Trust – Wholesale (the U Ethical Fund). All data within this document is published as at 31 March 2025.

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Sustainability Rating as of 31/01/2025. Corporate and Sovereign Sustainability Score and Investment Style as of 31/01/2025. Morningstar's Sustainability Score incorporates Sustainalytics' company and country-level analysis.

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