

Quarterly Performance Review

u ethical International Equities Trust

Quarterly highlights June 2020

- International equity markets rebounded strongly off March lows, boosted by unprecedented fiscal stimulus and accommodative monetary policy
- The total return for the trust over the June quarter was 2.9 per cent, underperforming the benchmark by 3.1 per cent
- Over the 12 months to the end of June, the trust delivered a total return of 12.9 per cent, which was 7.7 per cent ahead of the benchmark
- Top performing stocks for the quarter included Home Depot, Apple Inc and Microsoft Corporation
- During the June quarter we added medical device business Varian Medical Systems to the trust

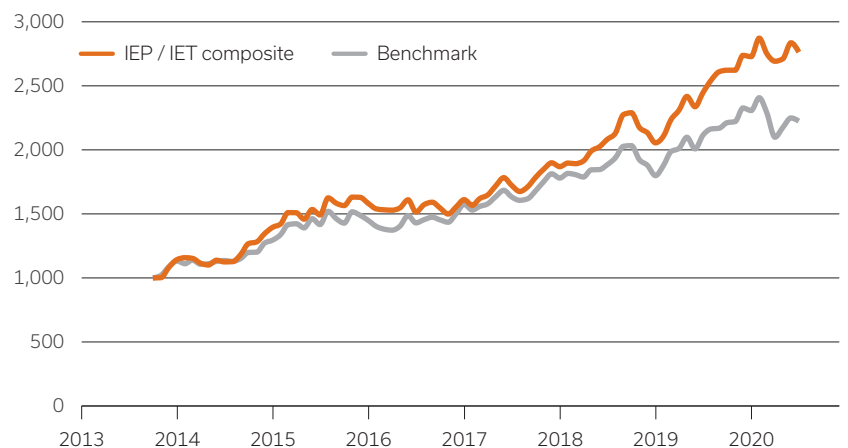
Investment objective

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 is designed for investors seeking 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.

Fund information

Inception date	1 August 2019 ¹
Fund size	\$26.96 million AUD
Benchmark	MSCI World Ex Australia TR Index (AUD)
Buy/Sell spread	0.25% / 0.25%
Management costs	Estimated up to 0.90% p.a. ² See Information Memorandum
Number of stocks	20-50
Minimum ESG rating	BBB
Portfolio manager	Jon Fernie

Growth of \$1000 invested[†]



Total returns (% per annum)

	3 months %	6 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception % p.a.
International Equities Trust[#] (90bp fee)	2.86	1.33	12.91	17.03	13.11	16.24
Benchmark	5.94	-3.58	5.20	10.84	9.43	12.57
Relative performance	-3.08	4.91	7.71	6.19	3.68	3.66

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 0.90% p.a.

² Management fees are estimated up to 0.85% p.a and recoverable expenses are estimated up to 0.05% p.a.

[#] 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%.

[†] Based on exit price with distributions reinvested, and are net of all fees. Past performance is not indicative of future performance.

Market commentary

By late June we saw a gradual easing of global lockdown measures combined with unprecedented fiscal stimulus measures and accommodative monetary policy. This resulted in global equity markets rebounding strongly off their March lows. At the end of another tumultuous quarter, equity markets appear locked into a range bound trading pattern amidst no shortage of mixed messages. Over recent months we've seen conflicting noise from economic indicators and corporate earnings data, increasing global rates of COVID-19 infections and rising geo-political tensions. Hopes are still pinned on a breakthrough vaccine development, but the timeline remains uncertain. Equity market momentum has been fuelled by an increasing number of online retail investors pushing 'big tech' names such as Amazon and Netflix higher, as well as the recovery of previously bombed out cyclical sectors such as energy. In contrast to the bond market, the equity market does not currently face a high hurdle rate in order to maintain its position as the only sector amongst core asset classes offering some chance of a positive return.

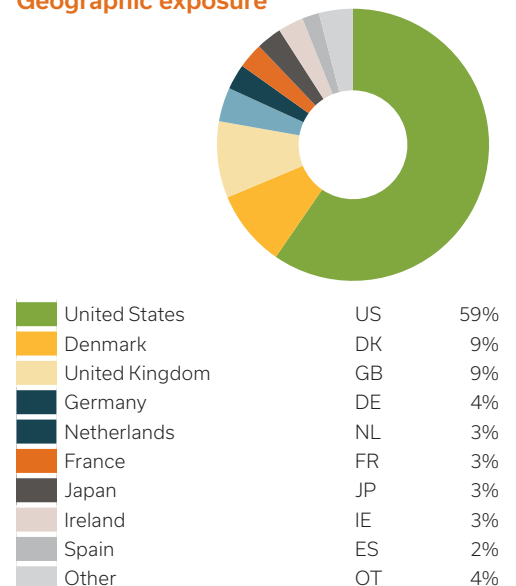
Portfolio commentary

The Trust delivered a total return of 2.9 per cent during the quarter, underperforming the benchmark return by 3.1 per cent. A strong rebound in the Australian dollar was a key detractor with the return in US dollars being 16.3 per cent over the period. Over the 12 months to the end of June, the Trust delivered a total return of 12.9 per cent, which was 7.7 per cent ahead of the benchmark. Sector allocation had a broadly neutral impact with higher cash levels and security selection impacting relative performance. Information technology was the strongest sector over the quarter with Apple Inc benefitting from the new MacBook launch and plans to manufacture its own micro-chips. Microsoft Corporation was another top performer due to increased focus on digital workspace solutions and continued strength in cloud solutions. However, not holding other strong performing information technology stocks and a more subdued Citrix (after a very strong March) contributed to relative underperformance. Consumer discretionary was another strong sector and Home Depot continued to deliver strong sales growth despite Covid-19 disruptions. This was partly offset by underperformance from retailers TJX Companies and Inditex as lockdown restrictions continued to bite. During the June quarter we added US medical device business Varian Medical Systems to the Trust. While fiscal stimulus measures and lower interest rates may be supportive of equity markets in the near-term, we remain cautious given stretched valuations, the ongoing COVID-19 health crisis and a weaker economic environment.

Top 10 holdings

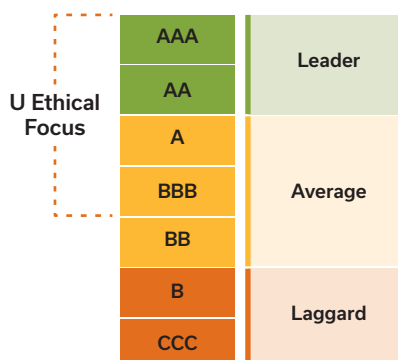
	%
Microsoft	4.89
United Parcel Svc	4.83
Bristol Myers Squibb	4.63
Vestas Wind Systems	4.63
Unilever	4.40
Home Depot	4.39
Sap Se	4.39
Glaxosmithkline	4.36
Mastercard	4.26
Kimberly-Clark	4.14
Total	44.92

Geographic exposure



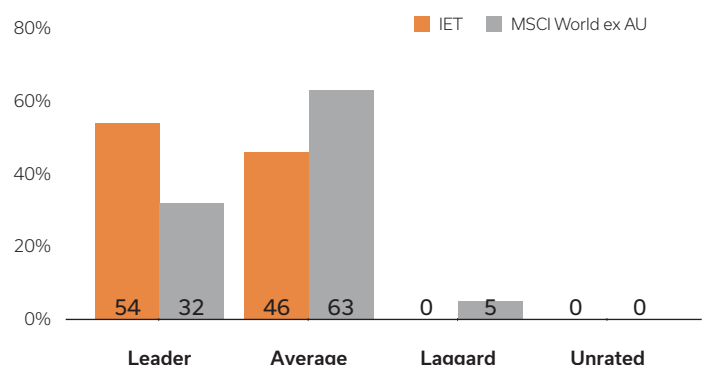
Ethical Outcomes

Environmental, Social, and Governance (ESG) refers to the three central factors in measuring the sustainable and societal impact of an investment.



ESG ratings

The fund has more leading ESG ratings compared to the benchmark



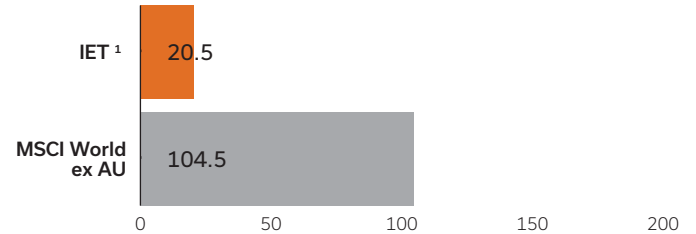
SDG Champions

The United Nations Sustainable Development Goals SDGs have created a clear message that the private sector has a significant role to play in their achievement.

The SDGs are used as a targeted alignment with the Portfolio. Using the goals as a guideline for ethical investing helps maintain our vision of doing well while doing good.



Carbon footprint (Tonnes CO2 equivalents per \$ million invested)



Top 5 sustainable impact securities

Company	Weight	Impact
Vestas Wind Systems	4.64%	Danish wind turbine Vestas derives 100% of its revenue from supplying alternative energy. 66,000 installed wind turbines have saved the world from hundreds of millions of tonnes of CO2.
Novo Nordisk	4.09%	In FY 2018, Novo Nordisk derived 90% of its revenues from products that diagnose and treat conditions such as diabetes.
Sap Se	4.40%	European multinational software corporation that makes enterprise software to manage business operations and customer relations. In 2018, SAP digital skills and coding programs trained 34,000 teachers, engaged 2.8 million young people, and spanned 93 countries.
Kingspan	2.63%	Kingspan is a global leader in high-performance insulation solutions for low carbon buildings. Kingspan have committed to using 1 billion recycled plastic bottles a year in its insulation products by 2025.
Mastercard	4.27%	Mastercard have formidable philanthropic efforts which contribute to the SDGs. Their technology is used to drive implementation and scale for the global goals, and create a more inclusive economy.

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.

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¹ 81.5% of the U Ethical International Equities Trust holdings reported carbon emissions, remaining are estimated by MSCI. 86.7% of the benchmark holdings reported carbon emissions, remaining are estimated by MSCI.