Warakirri Ethical Australian Equities Fund
Quarterly Fund Profile
31 December 2020

Warakirri ASSET MANAGEMENT

INVESTMENT OVERVIEW

The Warakirri Ethical Australian Equities ("WEAE" or the "Trust") has been established by Warakirri Asset Management Ltd (Warakirri) to offer tax-exempt organisations access to a high quality investment manager specialising in Australian equities, via a vehicle managed specifically to their tax-exempt status. The underlying investment manager, Northcape Capital seeks to invest in sustainable, high quality companies with attractive valuations listed on the Australian Securities Exchange (ASX), whilst ensuring the portfolio is compliant with the Warakirri Ethical Overlay:

- Positive Overlay: Investment in companies that operate sustainable businesses that exhibit sound practices across: Environmental, Social and Governance.

- Negative Overlay: Warakirri excludes investment in companies that have significant businesses in the following industries: Gaming Products/Services, Tobacco Products, Alcoholic Beverages, Military Applications, Obesity and Thermal Coal & Coal Seam Gas Extraction.

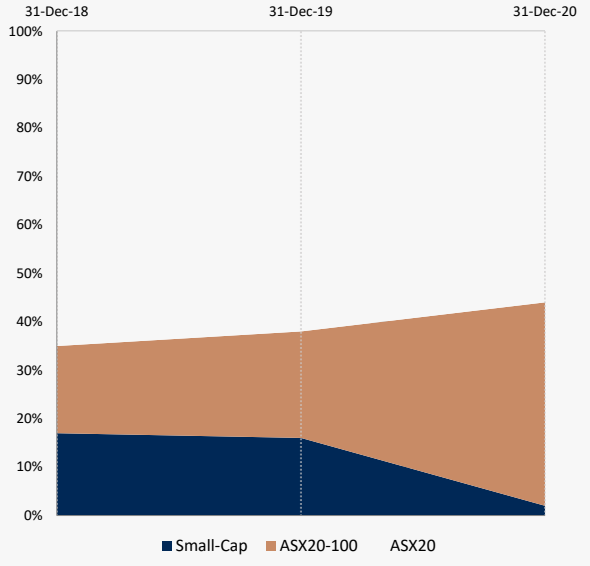
PERFORMANCE SUMMARY – NET OF FEES

Performance Period	NORTHCAPE CAPITAL			1 Year	3 Years (p.a)	5 Years (p.a)	10 Years (p.a)	Since Inception (p.a)*
After-Tax	1 month	3 months	FYTD					
Fund	-0.5%	+12.5%	+13.7%	+2.4%	+7.1%	+8.0%	+8.1%	+11.0%
Benchmark^	+1.3%	+13.8%	+14.2%	+2.8%	+8.4%	+10.4%	+9.4%	+9.3%
Relative Return (After-Tax)	-1.8%	-1.3%	-0.5%	-0.4%	-1.3%	-2.4%	-1.3%	+1.7%

Performance Period	NORTHCAPE CAPITAL			1 Year	3 Years (p.a)	5 Years (p.a)	10 Years (p.a)	Since Inception (p.a)*
Before-Tax	1 month	3 months	FYTD					
Fund	-0.5%	+12.3%	+13.1%	+1.1%	+4.3%	+5.5%	+5.9%	+11.0%
Benchmark^	+1.3%	+13.8%	+13.7%	+1.7%	+6.9%	+8.8%	+7.7%	+9.3%
Relative Return (After-Tax)	-1.8%	-1.5%	-0.6%	-0.6%	-2.6%	-3.3%	-1.8%	+1.7%

Northcape Capital became the underlying investment manager effective 1 April 2020.
^ Benchmark is the S&P/ASX300 Accumulation Index. The after-tax benchmark has been calculated using the tax status of Tax-Exempt (0% tax rate).
* Fund inception date was 1 June 1993. Since inception returns are before-tax, franking credits are not included.

MARKET CAPITALISATION EXPOSURE



FUND SNAPSHOT

Key Information	
Investment Type	Long only, Australian equities
Investment Style	Active
Benchmark	After-tax benchmark based on the S&P/ ASX 300 Accumulation Index
Investment Objective	Outperform benchmark net of fees over the long-term
Fund Size	$265,165,295
Underlying Investment Manager	Northcape Capital
Stocks Held	36
Distributions	Quarterly

Signatory of:

PRI Principles for Responsible Investment

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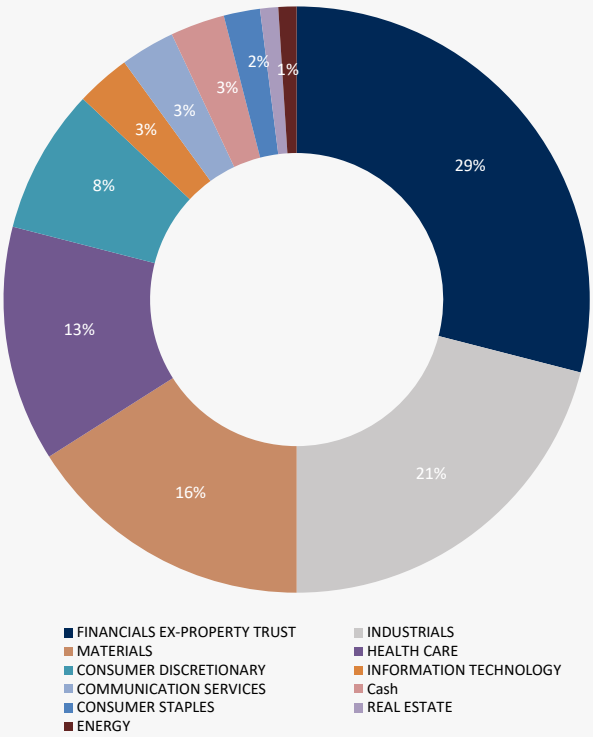
TOP 10 HOLDINGS

Security		Fund
BHP	BHP Billiton Ltd	10.0%
CSL	CSL Limited	8.2%
TCL	Transurban Group	7.5%
MQG	Macquarie Group Ltd	6.4%
CBA	Commonwealth Bank	6.0%
JHX	James Hardie Indust	4.2%
QAN	Qantas Airways	4.1%
WES	Wesfarmers Ord	3.8%
WBC	Westpac Banking Corp	3.7%
SYD	Sydney Airport	3.6%
Total		57.5%

INDUSTRY EXPOSURE



PORTFOLIO ATTRIBUTION

Top five contributors to relative performance

Security Name	Sector	Return	Average Active Weight	Contribution
Xero Ltd	Information Technology	+46.0%	2.4%	+0.7%
Newcrest Mining Ltd	Materials	-17.5%	-1.3%	+0.5%
REA Group Ltd	Communication Services	+35.4%	2.0%	+0.4%
Seek Ltd	Communication Services	+34.0%	1.6%	+0.3%
Beach Energy Ltd	Energy	+36.5%	1.0%	+0.2%

Top five detractors to relative performance

Security Name	Sector	Return	Average Active Weight	Contribution
Transurban Group	Industrials	-2.2%	6.0%	-1.0%
ASX Ltd	Financials	-11.1%	2.7%	-0.8%
ANZ Banking Grp Ltd	Financials	34.2%	-2.4%	-0.5%
National Australia Bank Ltd	Financials	29.1%	-3.1%	-0.4%
Afterpay Touch Group Limited	Information Technology	47.5%	-1.2%	-0.4%

PORTFOLIO INCOME YIELD

WEAE Yield Forecast- 12months forward looking	
Income Yield	2.5%
Franking Credit Yield	0.6%
Total Grossed-Up Yield	3.1%

PERFORMANCE – RISING & FALLING MARKETS

Market	Total Months	Outperformed Months	Underperformed Months
Rising	214	104	110
Falling	117	78	39
Total	331	182	149

Warakirri ASSET MANAGEMENT

DECEMBER QUARTER MARKET REVIEW

On a before-tax basis the S&P/ASX 300 Accumulation Index (Index) returned +13.8% during the December quarter. All three months posted gains, with a particularly strong return in November driven by the news of an effective COVID-19 vaccine, and the market alleviating concerns and uncertainty around the US election. Since the onset of the pandemic and huge market falls seen in February and March, the Index has posted gains eight out of the last nine months, with September the only month posting a negative return.

The best performing sectors for the December 2020 quarter were Energy (+26.1%), Financials (+22.8%) and Information Technology (+22.8%). The worst performing sectors were Utilities (-5.4%), Health Care (-1.0%) and Industrials (+5.7%).

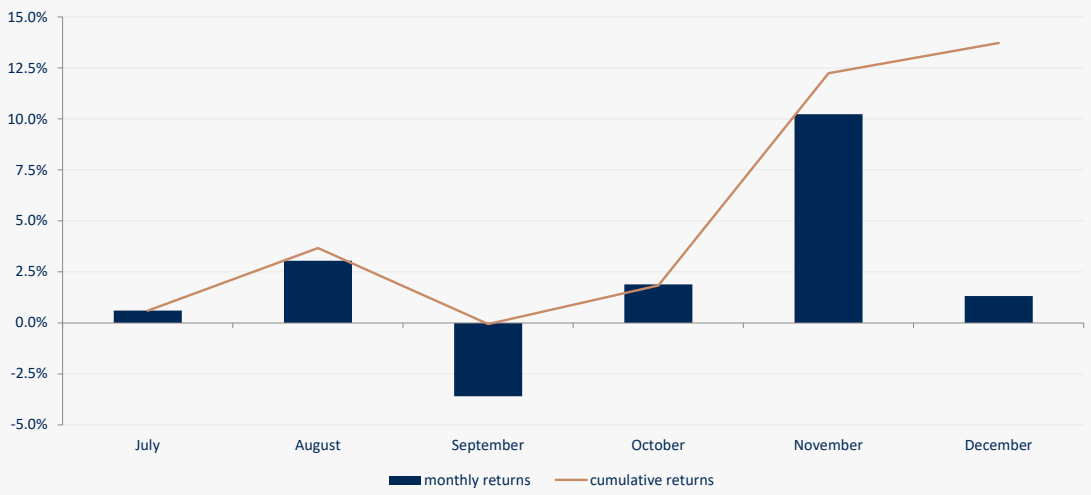
The Australian Dollar continued to appreciate strongly over the quarter, rising +8.4% from 71 cents AUD/USD at the beginning of the quarter to end the quarter at 77 cents AUD/USD.

The Australian equity market recorded a strong positive return over the quarter, rallying on positive news of a COVID-19 vaccine, and RBA QE/rate cut driven optimism. Global equity markets posted a similar increase in share prices. Greater certainty around the US election result earlier in the month was viewed positively by investors, however it was the incremental positive vaccine news that was the key driver of the global rally in markets.

Two companies announced vaccines with over 90% effectiveness providing investors with some confidence that there is a clear line of sight to the end of the pandemic and a full reopening of the global economy. The strong rally in markets in November was characterised by a rotation to the sectors / companies that were most impacted by the pandemic. Travel related companies were amongst the stronger performers. Energy stocks also rallied in line with a rise in the oil price, a beneficiary of increased economic activity, especially of increased air travel and cruises. Financials, driven by the banks, also rallied.

Fiscal and monetary policies continue to be very supportive. The monetary response has been significant with the RBA reducing its cash rate in November to an all-time low of 0.10%. The consistent commentary from the RBA is that rates will be lower for longer, though ruling out negative interest rates for the moment. The RBA Board Members agreed that the Board's policy measures were continuing to support the Australian economy by underpinning very low borrowing costs and the supply of credit to households and businesses.

Chart 1: S&P/ASX300 Accumulation Index Monthly and Cumulative Returns



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DECEMBER QUARTER MARKET REVIEW (Continued)

In addition to reducing the cash rate to 0.10% in the November meeting, the RBA introduced a further package of monetary measures in November including a reduction in the interest rate on Exchange Settlement balances held by financial institutions at the Bank to zero, a reduction in the target for the yield on the 3-year Australian Government bond to around 0.10%, a reduction in the interest rate on new drawings under the Term Funding Facility to 0.10% and the purchase of $100 billion of government bonds of maturities of around 5 to 10 years over the following 6 months.

According to the RBA minutes, central banks in most advanced economies continued to purchase significant amounts of government debt in secondary markets. Government bond yields have remained very low across advanced economies partly as a result of these purchases and despite strong issuance by governments. This issuance has also been met by strong demand from private sector investors.

According to the US Federal Reserve December press release, the Fed reaffirmed it is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals. The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With inflation running persistently below this longer-run goal, the Committee is aiming to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. It is expected that an accommodative stance of monetary policy will be maintained until these outcomes are achieved.

The Committee decided to keep the target range for the federal funds rate at 0-0.25% and expects it will be appropriate to maintain this target range until labour market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. In addition, the Federal Reserve announced it will continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month until substantial further progress has been made toward the maximum employment and price stability goals. These asset purchases should help foster smooth market functioning and accommodative financial conditions, thereby supporting the flow of credit to households and businesses.

FURTHER INFORMATION

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