

Diversified Shares Fund

Monthly Report | March 2018

About Diversified Shares Fund

- Australian investments generally have a market capitalisation greater than 200th ranked stock listed on the ASX.
- Has outperformed its benchmark after fees since inception.
- Only consists of companies that have passed Australian Ethical's positive and negative screens, based on the Australian Ethical Charter.
- Certified by the Responsible Investment Association Australasia.



CERTIFIED BY RIAA

Performance Returns

	1 month (%)	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	7 years (% p.a.)	10 years (% p.a.)	Since Inception (% p.a.)
Fund (Retail)*	-2.3	-2.4	6.5	4.0	11.0	9.0	5.9	8.1
Benchmark~	-2.9	-2.6	3.0	4.0	10.9	11.6	7.5	7.8
Relative Performance	+0.6	+0.2	+3.5	+0.0	+0.1	-2.6	-1.6	+0.3
Fund (Wholesale)^	-2.2	-2.1	7.9	5.3	12.5	n/a	n/a	14.7
Benchmark~	-2.9	-2.6	3.0	4.0	10.9	n/a	n/a	14.6
Relative Performance	+0.7	+0.5	+4.9	+1.3	+1.6	n/a	n/a	+0.1
<i>Alternative benchmarks</i>								
S&P/ASX 200 Industrials	-3.6	-3.8	-0.4	2.9	8.8	10.8	7.3	
S&P/ASX 200	-3.8	-3.9	2.5	3.8	7.7	7.2	5.4	
MSCI World ex Australia (AUD) Net	-0.5	0.8	13.3	8.0	17.0	13.6	7.8	

* Inception Date (Retail): 3 November 1997

^ Inception Date (Wholesale): 23 January 2012

~ AEDSF melded benchmark is constructed based on strategic asset allocation. Current composition is 75% ASX 200 Industrials and 25% MSCI World ex Australia.

Past performance is not an indicator of future performance.

Investment Commentary

The S&P/ASX 200 Industrials index ended the March quarter down 3.8%, with most of the decline occurring in March, which was down 3.6%. This was the worst monthly performance since January 2016. The two key drivers of the sell-off were firstly Australian stocks were sold off in line with the global markets due to concerns of a potential trade war after Trump announced he will impose tariffs on imported steel and aluminium. Secondly, the Banking Royal Commission began in March which saw bank stocks decline by an average of 6.4%. The Financials sector finished the month down 5.9% while the biggest sector decline was Telcos, down 11%.

The Fund outperformed its melded benchmark by 0.8% (pre fees) during the March quarter. The contribution by the domestic equities portfolio was an outperformance of 1.0% which offset the international equities portfolio underperformance of 0.2%.

The positive performance in domestic equities was due to the underweight position in the Financials sector which was sold off during the quarter due to concerns of negative outcomes arising from the Banking Royal Commission. All the bank stocks declined over the quarter but our significant underweight position in banks (8% weighting versus the benchmark of 32.2% due to two of the major banks not meeting our ethical charter requirements) contributed 1.6% to our performance. This more than offset our overweight position in insurance companies which detracted performance by -0.4%.

The other sectors which contributed significantly to performance were the IT and Healthcare sectors. The domestic equities portfolio is substantially overweight the IT (13.3% weighting versus the benchmark of 2.4%) and Healthcare (20.4% versus benchmark 9.3%) both of which recorded positive performance for the quarter.

The International shares portfolio underperformed its blended benchmark. The portfolio contributed a negative return of -0.12% versus the benchmark return of 0.79%. The fund is overweight the Financials sector and as the result of stock selection based on our Ethical Charter the sector contributed -0.53% versus the benchmark return of 0.04%. The other sector which dampened performance was the fund's underweight position in the Consumer Discretionary sector where the benchmark was a positive contribution of 0.48% versus the fund's contribution of -0.09%.

The cash position at the end of the quarter is higher than normal due to the receipt of interim dividends from the December reporting period. The cash has been subsequently redeployed since the quarter end.

Top Holdings

National Australia Bank Limited	1.9%
CSL Limited	1.8%
Westpac Banking Corporation	1.8%
Telstra Corporation Limited	1.6%
Sirtex Medical Limited	1.6%
Brambles Limited	1.5%
Suncorp Group Limited	1.4%
Insurance Australia Group Limited	1.4%
AMP Limited	1.3%
Resmed Inc.	1.3%

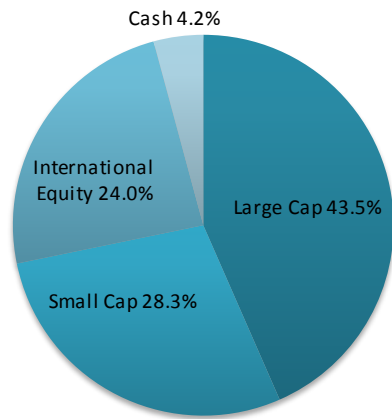
Our Ethical Approach

Australian Ethical is a specialist ethical fund manager. By investing responsibly in well-managed ethical companies, we believe we can deliver competitive financial performance to our clients and positive change to society and the environment.

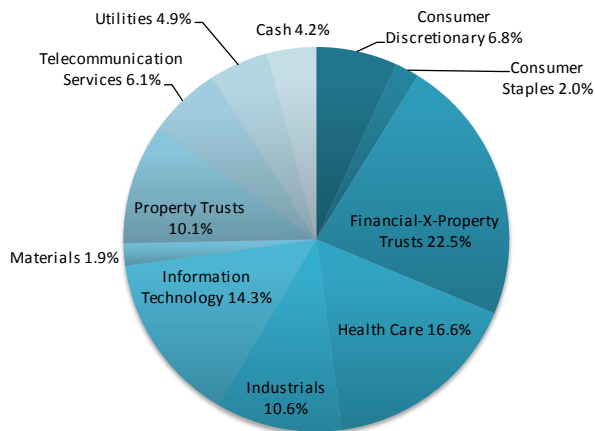
Significant Performers (For the quarter)

Best	Total Return	Contribution	Worst	Total Return	Contribution
Sirtex Medical Limited	67.9%	0.7%	Vocus Group Limited	-26.7%	-0.3%
Altium	50.8%	0.4%	IPH Ltd.	-36.4%	-0.2%
CSL Limited	10.7%	0.2%	Blackmores Limited	-24.8%	-0.2%

Asset Allocation



Sector Allocation



Key Information



Portfolio Manager Ray Gin

Ray is a Portfolio Manager. He has over 28 years' experience in the equities market.

Responsible entity:	Australian Ethical Investment Ltd
Minimum initial investment:	\$1,000 (retail) \$25,000 (wholesale)^
Distribution:	Six-monthly
APIR:	AUG0004AU (retail) AUG0019AU (wholesale)
ARSN:	089 919 166
Contribution fee:	None
Establishment fee:	None
Withdrawal fee:	None
Termination fee:	None
Performance fee:	None
Management fee:	2.20% pa (retail) 0.95% pa (wholesale)
Buy-sell spread:	0.15%
Platforms:	AXA North, BT Wrap, Colonial FirstWrap, Emerald, Freedom of Choice, Macquarie, Netwealth, Oasis, Spectrum (SMF)
Fund size:	\$ 788.3 Million
Objective:	To provide long-term growth through investment in listed companies on Australian and international stock exchanges that meet the Australian Ethical Charter.
Structure:	The Fund is an open-ended public unit trust.

A full explanation of all of the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Product Disclosure Statements available from our website.

^ Direct investors must maintain a minimum \$500,000 investment across Australian Ethical's managed funds and a minimum of \$25,000 in the Diversified Shares Fund.

Why invest ethically?

Aligning values with investments

You probably already understand the importance of having a portfolio that matches your appetite for risk, but equally, if not more important, is holding a portfolio that reflects your values. For example, if you value the provision of fair working conditions (and no child labour) then it's important to invest in funds that negatively screen out stocks on this basis.

Portfolio diversification

Ethical funds in particular, often invest in stocks that are not covered by many fund managers and brokers.

Good for the world

Your investments can help build a new low-carbon economy, fund medical and technology breakthroughs, efficient transport and more.

For more information

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