

## International Shares Fund

Monthly Report | June 2018

### About International Shares Fund

- Only consists of companies that have passed Australian Ethical's positive and negative screens, based on the Ethical Charter.
- Certified by the Responsible Investment Association Australasia.



### 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.)
<b>Fund (Retail)*</b>	1.9	3.1	9.2	7.7	12.2	9.8	4.3	2.1
<b>Benchmark~</b>	2.3	5.5	15.4	9.8	13.4	15.1	9.3	6.1
<b>Relative Performance</b>	-0.4	-2.4	-6.2	-2.1	-1.2	-5.3	-5.0	-4.0
<b>Fund (Wholesale)*</b>	2.0	3.5	10.5	8.8	n/a	n/a	n/a	8.8
<b>Benchmark</b>	2.3	5.5	15.4	9.8	n/a	n/a	n/a	9.8
<b>Relative Performance</b>	-0.3	-2.0	-4.9	-1.0	n/a	n/a	n/a	-1.0
<i>Alternative benchmarks</i>								
<b>MSCI World ex Australia (AUD) Net</b>	2.3	5.5	15.4	10.0	14.9	15.0	9.2	

\* Inception Date (Retail): 13 June 2007

\* Inception Date (Wholesale): 1 July 2015

~ Benchmark was changed from MSCI Global Climate to MSCI World ex Australia from 1 July 2016. Composite benchmark is calculated by linking the two index series.

^ MSCI Global Climate Index history started from 31 August 2010.

Past performance is not an indicator of future performance.

### Investment Commentary

There was mixed performance from the major global equities markets over the June quarter. While the US and UK turned around the previous quarter's underperformance, the major European markets of Germany and France, and the main Asian markets all underperformed.

Good economic data saw the US market finishing marginally ahead (0.4%) at quarter end. However, this result was not reflective of the daily volatility experienced due to the uncertainty surrounding the potential trade war with China. European equities also struggled with the French and German markets down -1.4% and -2.4% respectively, despite releases of good economic data and a stronger business confidence outlook.

The UK was volatile but managed to finish up 1.7%. It started April strongly (+6.4%) but fears surrounding Brexit whittled away much of these gains. All the Asian markets declined significantly due to the US/China trade tensions, offsetting earlier gains from news that North Korean had suspended its nuclear testing program.

Overall, global markets, as measured by the MSCI ex Australia index performed strongly, up 5.5% over the quarter. The Energy sector and the oil price increase were catalysts for some of this performance. The other strong global sector was IT where US stocks Apple, Microsoft and Facebook delivered good quarterly earnings.

The International shares fund underperformed its blended benchmark. The portfolio contributed a return of 3.5% versus the benchmark return of 5.5%. The fund's underperformance was specifically driven by underweight positions in the Consumer Discretionary and Energy sectors. Due to our ethical screening, we do not hold Amazon in Consumer

Discretionary which had a negative impact of -0.33. As Energy is not ethically rated, the Fund does not hold any stocks in this sector which delivered a negative impact of -1.0%. The fund is overweighted to Financials and as the result of stock selection based on our Ethical Charter, the sector contributed -0.48% versus the benchmark return of -0.15%. The other sector which dampened performance was the fund’s underweight position in Health Care where the benchmark was a positive contribution of 0.75% versus the fund’s contribution of 0.46%. Significant overweight positions in the IT and Property Trusts sectors contributed 1.07% of performance but this was not enough to offset the underperformance.

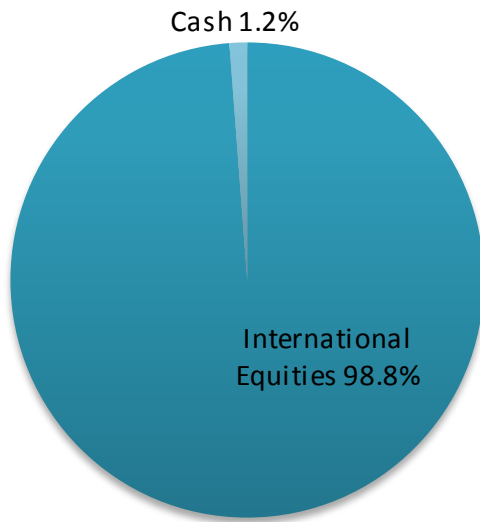
## Top Holdings

Microsoft Corporation	3.5%
Alphabet Inc. Class A	3.3%
American Express Company	1.9%
Accenture Plc Class A	1.8%
Facebook, Inc. Class A	1.7%
Allianz SE	1.7%
Amgen Inc.	1.6%
Northern Trust Corporation	1.6%
Prudential Financial, Inc.	1.5%
Legrand SA	1.5%

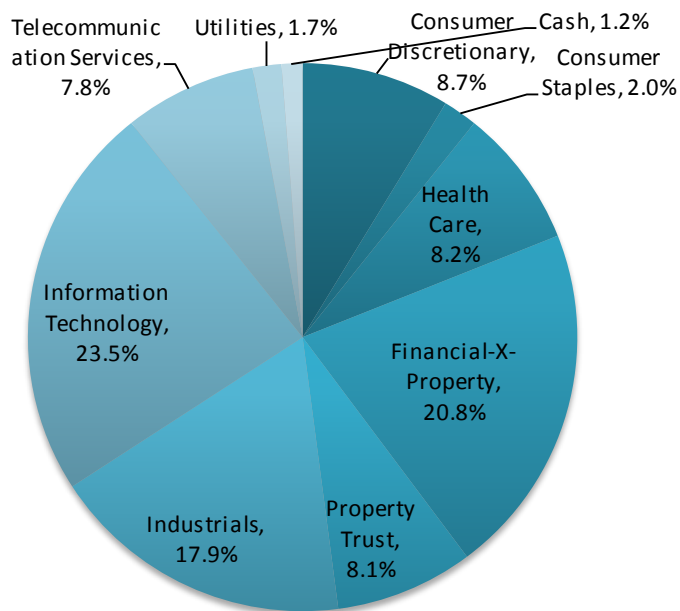
## Significant Performers (For the quarter)

Best	Total Return	Contribution	Worst	Total Return	Contribution
Microsoft Corporation	12.5%	0.4%	Continental AG	-12.8%	-0.2%
Alphabet Inc. Class A	13.0%	0.4%	LKQ Corporation	-12.7%	-0.1%
Facebook, Inc. Class A	26.3%	0.4%	Xylem Inc.	-8.9%	-0.1%

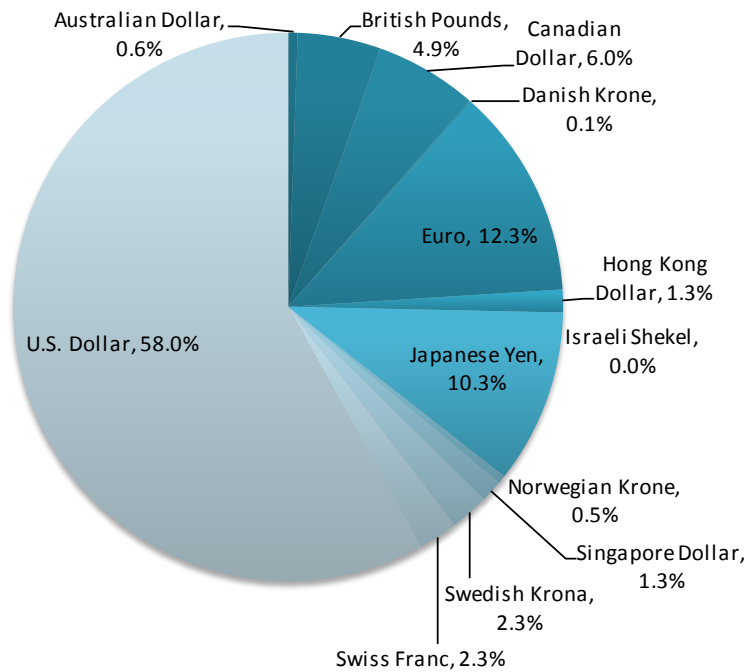
## Asset Allocation



## Sector Allocation



## Currency Exposure



### 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.

## Key Information



### Portfolio Manager Ray Gin

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

#### For more information

Responsible entity:	Australian Ethical Investment Ltd
Minimum initial investment:	\$1,000 (retail) \$25,000 (wholesale)
Distribution:	Six-monthly
APIR:	AUG0006AU (retail) AUG0025AU (wholesale)
ARSN:	124 861 338
Contribution fee:	None
Establishment fee:	None
Withdrawal fee:	None
Termination fee:	None
Performance fee:	None
Management fee:	2.20% (retail) 0.85% pa (wholesale)
Buy-sell spread:	0.20%
Platforms:	Netwealth
Fund size:	\$ 606.5Million
Objective:	To provide long-term growth through investment in overseas companies which 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.

#### For more information

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