GLOBAL SHARE FUND

March 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Global Share	252.75	-0.96	-0.18	5.39	14.99	14.97	8.28	-	-
Benchmark*		-0.62	0.66	6.54	12.97	14.34	7.82	-	-

* MSCI World Net Total Return ($A)

TOP 5 STOCKS

STOCK NAME	COUNTRY	%
Mondelez International, Inc. Class A	United States	5.10
Nasdaq, Inc.	United States	4.61
Wells Fargo & Company	United States	4.00
Nomad Foods Ltd.	United Kingdom	3.48
Shire PLC	United Kingdom	3.28
TOTAL		**20.47**

MARKET COMMENTARY

Global markets declined over the quarter to post their worst aggregate loss since September 2015. Heightened inflation along with concerns over an impending trade war between the US and China (triggered by import tariffs proposed by the Trump Government) contributed to a sell-off in global stocks over the quarter. The MSCI World Net Total Return index in Australian dollar terms, however, was able to finish in positive territory (increased 0.7%) due a buffer provided by a falling Australian dollar, which fell 1.9% against the US dollar, 4.2% against the Euro and 5.4% against the Pound on the back of a sell-off in commodities and from broader divestment across asset markets.

The US market finished behind as the S&P 500 lost 2.5% in local currency terms, despite the fourth-quarter reporting season seeing ~80% of companies exceed earnings expectations and a majority upgrading guidance on the back of Trump's US tax reforms. Asian markets declined, particularly China, with the Shanghai Composite Index falling 4.2% over fears of a possible trade war. The UK FTSE 100 fell 7.2% on the back of a stronger Pound and political uncertainties while the DJ Euro STOXX 50 index fell 4.1% and emerging markets lost 3.5%. The S&P/ASX 300 lost 3.8% over the quarter on the back falling commodities and a sell-off in the banks.

The best performing sectors globally came from the bond-proxies (utilities and REIT stocks). Privacy concerns involving the Cambridge Analytical data leak scandal exacerbated a decline in the US tech giants, contributing to the sell-off in an already turbulent sector. Global Material stocks reversed early-quarter gains as commodity prices slumped on fear of a global trade war. Base metals fell by 6.3% led by a fall in iron ore, dropping 11.8% on the back of falling Chinese steel prices. Energy stocks were also sluggish over the quarter as crude oil oversupply in the US pushed oil prices lower before partially recovering towards the end of the quarter on better-than-expected compliance with OPEC production cuts.

The best performing sectors for the quarter, as measured by the MSCI World Total Return Index in Australian dollar terms, were Information Technology (+5.4%), Consumer Discretionary (+3.8%) and Health Care (+0.7%). The worst performers were Telecommunication Services (-4.0%), Energy (-3.5%) and Consumer Staples (-3.4%). As a while, global value stocks (-4.8%) underperformed global growth stocks (-0.6%) as measured by the MSCI World Value and MSCI World Growth indices, respectively.

PORTFOLIO COMMENTARY

The Global Share Fund underperformed its benchmark during the quarter.

The Fund's largest overweight positions include snack food and beverage producer Mondelez International and US exchange operator Nasdaq Inc and frozen foods produced Nomad Foods. The Fund's largest underweight positions include Microsoft (not held), Apple and Amazon (not held).

Stock Contributors

The overweight position in Chinese online retailer Vipshop Holdings (+44.6%) contributed to relative performance. The stock climbed over the quarter as multiple analyst updates reported increased target prices for the company in response the company's announcement that Chinese online giant's Tencent Holdings and JD.com agreed to invest a combined US$863m into the company. Vipshop has doubled in price since slumping to a four-year low during November 2017.

The overweight position in European exchange operator Deutsche Boerse Ag (+18.3%) contributed to relative performance. The stock rose as the company announced during the quarter its intention to end the expansion of their derivatives trading business, Eurex, into Asia and to instead focus its attention on the German market while extending the trading hours of its Frankfurt venue. The stock was further boosted by the weakening of Australian dollar relative to the Euro over the quarter.

Stock Detractors

The overweight position in diversified financial services company Wells Fargo and Company (-11.5%) detracted from relative performance. The stock slumped on the back of harsher-than-expected penalties handed down to the company by the Federal Reserve early in the month for its misconduct surrounding its fraudulent accounts scandal over the past year. The US central bank criticised the company's board for failing to adequately oversee the bank and announced that four of its 16-person board would stand down by the end of the year. The fund continues to hold the stock as we see value at these levels.

The overweight position in construction and building materials company Fletcher Building Ltd. (-17.9%) detracted from relative performance. The stock fell over the quarter following a review of the company's Building and Interiors business, reporting a projected EBIT loss of NZ$660m ($486m worse than expectation) for FY18, which almost completely offsets total earnings projections for the rest of the s company. Following the News, CEO Ralph Norris announced that he will step down as CEO before the next AGM. The stock continues to be held in the fund as we believe there is a reasonably significant upside to the stock at its current valuation.

OUTLOOK

A period of historically low interest rates across the globe has led to a repricing of risk and a subsequent inflation of asset values across many markets. With trillions of dollars of bonds now trading at low yields, future shifts in official interest rates have the potential to heavily impact asset valuations, leading market participants to remain focused on central bank policy. In addition, ongoing shifts in the global political landscape continue to nourish uncertainty across markets and deliver periods of heightened volatility. The portfolio remains invested in quality businesses with strong balance sheets trading at reasonable valuations and retain a cash buffer to deploy into opportunities as they arise.