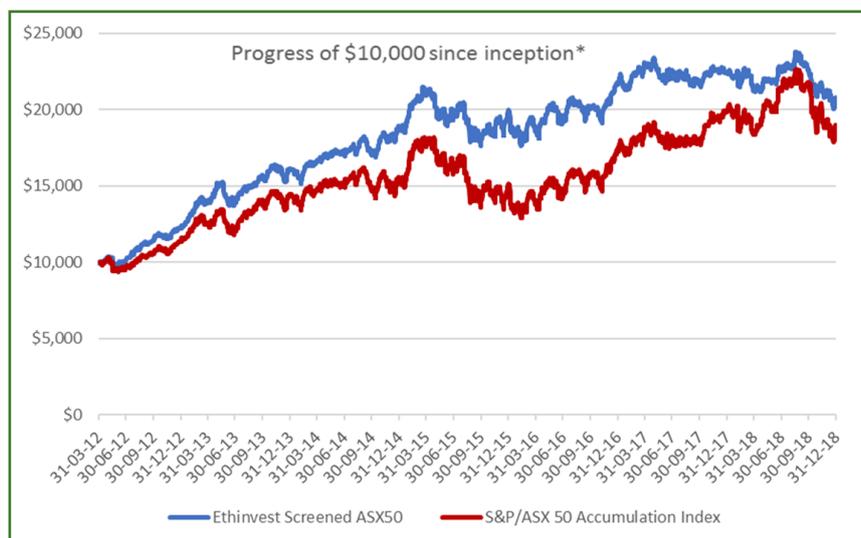


Ethinvest ASX50 Screened Index Model

31st December 2018

	1 month	3 months	1 Year	3 Years pa	5 Years pa	Since Inception pa*
Ethinvest Screened ASX50	-1.22%	-8.83%	-7.92%	1.23%	5.08%	11.32%
S&P/ASX 50 Accumulation Index	0.59%	-6.82%	-1.50%	6.12%	4.92%	8.73%



* Assumes all dividends and distributions reinvested, as per accumulation index, from inception date of 01/04/2012.

Number of holdings	21
Additions during this period:	None
Removals during this period:	AMP, ANZ, CBA, NAB —removed following disclosures from the Royal Commission into Misconduct in the Banking, Superannuation and financial services industry.

Top 10 Holdings

- | | |
|-------------------------------------|---------------------------------------|
| > Brambles Limited | > QBE Insurance Group Limited |
| > CSL Limited | > Scentre Group |
| > Goodman Group | > Suncorp Group Limited |
| > Insurance Australia Group Limited | > Telstra Corporation Limited |
| > Medibank Private Limited | > Westpac Banking Corporation Limited |

Red (Excluded)	Yellow (Neutral)	Green (Positive)	Index Criteria
Companies that are directly involved in excluded activities.	Companies that are not directly involved in excluded activities, but not actively involved in promoting sustainable business practices.	Companies that are not directly involved in excluded activities and are promoters of more sustainable business practices.	The ASX50 Screened Index Model applies a negative screen to the 50 largest companies listed on the ASX. This means companies with a red rating are excluded from investment. Investments are made in companies rated yellow and green. The index is weighted by market capitalisation.



Commentary

From an investment perspective we can all be glad to see an end to 2018 and hope for more positive news in the year ahead. Sentiment in global financial markets soured sharply in August and deteriorated from there, reversing strong gains from the first part of the year. Some pull-back in US stock markets was welcome, as mid-year stock prices in the surging tech sector appeared overly optimistic. However, trade tensions between China and the US along with rising US interest rates saw selling pressure intensify. The Australian share market lost 7% over the course of what became a volatile year, with losses across the board. Local factors compounded negative leads from offshore, particularly in the financial sector (the Royal Commission and softening house prices); Telcos (NBN and regulatory uncertainty) and the Health and Tech sectors (where traders took profits on high growth stocks).

We are at a testing time in history, when combined action on climate change, fair trade and the huge flows of displaced peoples requires wisdom, cooperation, coherent policy formulation and some measure of sacrifice for the common good – but the current crop of world leaders marks something of a generational low-water mark where these qualities appear to be in short supply. Nevertheless, significant progress is being made for many millions of people in ways that don't get much press coverage.

While Donald Trump was right that some “disruption” was needed in Washington to address the frustration that politicians are self-absorbed and out of touch, it is now clear that he doesn't have a coherent strategy to address the concerns of his constituents, but rather is driven by gut instinct and an inflated self-belief in his negotiating powers. Even ardent supporters within the Republican Party are alarmed at his intemperance and lack of consultation on such matters as the announced withdrawal of troops from Syria, and the shutdown of the US Government because Congress won't fund a wall along the Mexican border.

Politics is always a major factor in the economic outlook, and now as much as ever the key drivers of investment performance over 2019 will be the way in which major political issues play out. Chief among those are the trade tensions between China and the US, but also Brexit and the ramifications on a fracturing Europe.

Various economic forecasters have provided a wide array of possible outlooks for 2019 – many of them optimistic about a recovery in share prices, assuming that China and the US find a way to relieve trade tensions, and that the US Federal Reserve is careful not to raise rates too quickly from here. Some even expect the RBA to lower interest rates in Australia to help the housing sector to avoid a hard landing as it drops from its peak. Others can only see more downside in the short term, and a US recession in the next 12 months.

Our view is that interest rates will remain low in Australia, and that the current volatility in share prices will be around for some months more. We think Trump will want to see the US Stock market recover and will strike some deal with China, which would boost share prices, but perhaps he will play “Chicken” with the world economy for a few more months yet. The problem with “Chicken” is that the odds are unknowable, hence the nervousness and fluctuations in stock market levels through the short term. Whether the market finishes 2019 higher or not, we remain convinced that diversified portfolios of quality assets provide the best way to achieve long-term capital growth and rising levels of income.

PLEASE NOTE: The information and data presented in this fact sheet is not intended as financial advice. It has not been prepared with your attitude to risk, investment objectives, financial situation or needs in mind, and should not be used as a basis for making financial decisions or investment. To the extent provided by law, and without limiting your statutory rights, Ethinvest accepts no liability for any loss or damage as a result of reliance on this information. Ethinvest does not guarantee the performance of this investment model, payment of income nor the repayment of capital. **We strongly recommend that you consult your financial adviser before making any investment decisions.**

