Performance Commentary - Second Quarter 2017

# Domini Impact International Equity Fund℠
## Institutional Shares

*The Fund invests primarily in mid- to large-cap equities across Europe, the Asia-Pacific region, and throughout the rest of the world. It is managed through a two-step process designed to capitalize on the strengths of Domini Impact Investments and Wellington Management Company, the Fund's subadvisor. Domini creates an approved list of companies based on its social, environmental and governance analysis, and Wellington seeks to add value and manage risk through a systematic and disciplined portfolio construction process.*

| Total Returns as of June 30, 2017 | Apr 2017 | May 2017 | June 2017 | Second Quarter 2017 | Year to Date | One Year | Three Year*† | Five Year*† | Ten Year*† | Since Inception (12/27/06)*† |
|---|---|---|---|---|---|---|---|---|---|---|
| DOMOX | 3.48% | 2.88% | -0.41% | 6.04% | 15.99% | 22.83% | 4.94% | 11.72% | 1.34% | 1.94% |
| MSCI EAFE (gross) | 2.62% | 3.81% | -0.15% | 6.37% | 14.23% | 20.83% | 1.61% | 9.18% | 1.50% | 2.55% |
| MSCI EAFE (net) | 2.54% | 3.67% | -0.18% | 6.12% | 13.81% | 20.27% | 1.15% | 8.69% | 1.03% | 2.26% |

### MARKET OVERVIEW

For the second quarter of 2017, international equities remained in positive territory, with the MSCI EAFE Index returning 6.12%**. Despite heightened geopolitical risks and political uncertainty in Europe, equity markets were resilient, fueled by generally solid economic data and strong corporate earnings growth. European markets rallied around the results of France's presidential election, which saw centrist Emmanuel Macron soundly defeat Marine Le Pen, providing needed reassurance around the stability of the European Union. Economic indicators out of the Eurozone suggested that regional growth momentum remains strong: the composite purchasing managers' index held steady at a six-year high as manufacturing and services exceeded expectations, unemployment fell to its lowest level since the global financial crisis, and consumer confidence improved. However, volatility sparked in June after inflation dropped below the European Central Bank's target, casting increased uncertainty over the pace on which the ECB should rein in its stimulus program.

Conversely, In the United Kingdom inflation accelerated to its fastest pace in nearly four years, prompting consumers to reduce discretionary spending and causing retail sales to tumble. Risk uncertainties escalated significantly after the snap election on June 8 backfired against Prime Minister Theresa May, who called the election in an attempt to strengthen her hand going into Brexit negotiations, but instead wound up losing her Conservative majority in Parliament. The resulting increase in uncertainty over the Brexit timetable further exacerbated concerns over the UK's leadership and caused the British pound to fall.

Stocks in the Asia-Pacific region advanced for the fourth consecutive quarter. In Hong Kong, GDP growth accelerated, manufacturing data turned positive, and international visitors increased. In Japan, equities received continued support from the Bank of Japan's ongoing accommodative monetary policy, as well as improving export growth and business sentiment. Although inflation is on an uptrend, it remains well below the central bank target of 2%. Australia underperformed the region, despite a falling unemployment rate, as manufacturing growth and consumer sentiment dipped.

Emerging markets had a very strong quarter, fueled by improving economic conditions, a weaker U.S. dollar, and upbeat corporate earnings. Asia drove the majority of gains, led by South Korea, which was boosted by receding political noise and strong corporate earnings, and China, which was supported by better-than-expected real estate sales in third-tier cities and MSCI's decision to add China A-Shares to emerging market indexes.

### FUND PERFORMANCE

For the quarter, the Fund's Institutional shares returned 6.04%, modestly underperforming the MSCI EAFE Index net return of 6.12%**. Security selection was neutral, with strong selection in Consumer Discretionary and Financials offset by weaker selection in Consumer Staples, Energy and Information Technology. Sector allocation made a slight positive contribution to relative performance, thanks mainly to an underweight to Energy, which was the quarter's worst performing sector.

Geographically, security selection was very strong in Europe, with strong selection in the Netherlands and United Kingdom slightly offset by weaker selection in Norway. Selection was also strong in Japan, but was more than offset by weaker selection in Hong Kong. Relative performance benefitted from the Fund's out-of-benchmark emerging-market positions—with strong contributions from South Korea, China,

*(continued on next page)*

**Average annual total returns.*
*†Institutional shares were not offered prior to 11/30/12. All performance information for time periods beginning prior to 11/30/12 is the performance of the Investor shares. This performance has not been adjusted to reflect the lower expenses of the Institutional shares.*
***Reflects reinvested dividends net of withholding taxes but reflects no deduction for fees, expenses or other taxes.*

**Past performance is no guarantee of future results.** The Fund's returns quoted above represent past performance after all expenses. Investment return, principal value, and yield will fluctuate. Your shares, when redeemed, may be worth more or less than their original cost. Call 1-800-762-6814 or visit *www.domini.com* for performance information current to the most recent month-end, which may be lower or higher than the performance data quoted. A 2.00% fee applies on sales/exchanges made less than 30 days after purchase/exchange, with certain exceptions.

Expense Ratio – Gross 1.04% / Net: 1.04% (Per current prospectus. Domini has contractually agreed to cap Institutional share expenses to not exceed 1.27% until 11/30/17, subject to earlier modification by the Fund's Board of Trustees. See prospectus for details.)

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## Institutional Shares

and Turkey—but this benefit was mostly offset by weakness from its out-of-benchmark positions in Brazil.

The top individual contributor to relative performance was French luxury goods company **Kering**, which gained more than 28% for the quarter after reporting first-quarter results that far surpassed expectations. Improving Chinese demand and European tourism are providing a boost for luxury brands, and Kering is outpacing peers. Comparable sales improved 28.6% from prior-year quarter, driven by 48% growth for Kering's largest brand, Gucci—its strongest quarterly growth in more than 20 years. The Saint Laurent brand also saw strong sales growth at 33%, while Bottega Veneta unexpectedly reversed its decline.

Spain's **Aena**, which is primarily engaged in the operation of airports, was the second largest contributor for the quarter, returning almost 25%. Aena reported above-consensus results for the first quarter, driven by better-than-expected cost control, lower interest costs, volume growth in Spain, and across-the-board higher revenue.

### TOP RELATIVE CONTRIBUTORS AND DETRACTORS

CONTRIBUTORS

| *Company* | *Sector* | *Stock Return** |
|---|---|---|
| **Kering** | Consumer Discretionary | 28.08 % |
| **Aena S.A.** | Industrials | 24.88 |
| **3i Group plc** | Financials | 27.70 |
| **Crédit Agricole S.A.** | Financials | 23.29 |
| **ING Groep N.V.** | Financials | 16.75 |

DETRACTORS

| *Company* | *Sector* | *Stock Return** |
|---|---|---|
| **Nestlé S.A.**** | Consumer Staples | 16.95 % |
| **Fortescue Metals Group Ltd.** | Materials | - 15.75 |
| **Südzucker AG** | Consumer Staples | - 17.09 |
| **Banco do Brasil S.A.** | Financials | - 24.91 |
| **Wharf Holdings Ltd.** | Real Estate | - 3.45 |

*Represents return for period in the Fund's Portfolio or return for the entire period if not held.
**Not held in the Portfolio.

The other top contributors this quarter came from the Financials sector. UK-based private equity and venture capital company **3i Group** returned almost 28% for the quarter, reporting a 93% increase in total return for the year ended March 31, driven by gains in its private equity and infrastructure investments. Banking and financial services groups **Crédit Agricole**, based in France, and **ING Groep**, based in the Netherlands, respectively returned over 23% and almost 17%. The European banking sector, and French banks in particular, were fueled by Macron's victory. With the political risk diminished and less cause for uncertainty on Europe's macroeconomic recovery, investors refocused their attention on banks' solid fundamentals, including strong credit and deposit growth and improving margin dynamics thanks to the steepening yield curve.

The largest individual detractor to relative performance this quarter was a benchmark holding that the Fund did not own: Swiss food and beverage company **Nestlé**, which gained almost 17% this quarter.  Nestlé is not approved for investment by the Domini Funds primarily due to its leading role in the infant formula and bottled water industries, and related concerns.

The largest relative detractor that the Fund did hold was Australia's **Fortescue Metals**, which declined almost 16%, as an oversupply of iron ore caused worse-than-expected pricing and shipments, leading to lower production and higher costs. Fortescue lowered full-year guidance as the price for iron ore hit a disappointing low.

Among the other largest detractors were two non-benchmark holdings: **Südzucker**, a German company engaged in the processing of sugar and other agricultural raw materials, and **Banco do Brasil**, a Brazilian financial services group. Südzucker fell more than 17% during the quarter, as progress for fiscal year 2018 is threatened by less-than-favorable trends in commodity markets. Banco do Brasil dropped almost 25% during the period held during the quarter amid declines driven by losses from small-and-medium-enterprise and auto loans.

The Fund's overweight position in Hong Kong real estate company **Wharf Holdings** was another significant detractor, as stock pulled back more than 3%.

Investing internationally involves special risks, such as currency fluctuations, social and economic instability, differing securities regulations and accounting standards, limited public information, possible changes in taxation, and periods of illiquidity. These risks are magnified in emerging markets.

The performance information quoted above does not reflect the deduction of taxes that a shareholder would pay on distributions or the redemption of Fund shares. Total return is based on the Fund's net asset values and assumes all dividends and capital gains were reinvested. An investment in the Fund is subject to market risks such as sector concentration and style risk. You may lose money.

The MSCI EAFE Index is an unmanaged index of common stocks. You cannot invest directly in an index.

As of 6/30/17, these companies represented the following percentages of the Fund's portfolio: 3i Group plc (1.35%); Aena S.A. (1.59%); Crédit Agricole S.A. (1.22%); Fortescue Metals Group Ltd. (0.57%); ING Groep N.V. (1.46%); Kering (1.89%); Südzucker AG (0.37%); Wharf Holdings Ltd. (1.16%). Banco do Brasil S.A. was not held by the Fund. Néstle S.A. is not currently approved for investment or held by any of the Domini Funds. The composition of the Fund's portfolio is subject to change. Obtain a copy of the Fund's most recent Annual or Semi-Annual Report, containing a complete description of the Fund's portfolio, by calling 1-800-762-6814 or at *www.domini.com*. This commentary should not be considered a recommendation of the financial attractiveness as an investment of any of the companies mentioned.



**This material must be preceded or accompanied by a current prospectus. Please read it carefully before investing.**

DSIL Investment Services LLC, Distributor. 7/17