

Domini Impact Equity FundSM

Performance Commentary - Second Quarter 2018



Investor Shares - **DSEFX** | Institutional Shares - **DIEQX** | Class R Shares - **DSFRX** | Class A Shares - **DSEPX**

The Fund invests primarily in mid- and large-cap U.S. equities. 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 subadviser. 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, 2018	DSEFX	DIEQX	DSFRX	DSEPX (without load) ²	DSEPX (with max load) ²	S&P 500 ³
Second Quarter 2018	-0.21%	-0.08%	-0.10%	-0.17%	-4.91%	3.43%
Year to Date	-0.91%	-0.71%	-0.87%	-0.88%	-5.59%	2.65%
One Year	8.51%	8.92%	8.85%	8.57%	3.41%	14.37%
Three Year*	6.06%	6.45%	6.37%	6.04%	4.33%	11.93%
Five Year*	9.55%	9.95%	9.87%	9.53%	8.47%	13.42%
Ten Year* ¹	7.97%	7.97%	8.32%	7.97%	7.45%	10.17%

MARKET OVERVIEW

For the second quarter, the S&P 500 Index gained 3.43%, with U.S. equities driven higher by exceptionally strong corporate earnings. First-quarter earnings growth for the S&P 500 exceeded 20% for the first time since 2010, as the vast majority of constituents reported better-than-expected results. Although companies were generally upbeat about growth prospects, they cited rising wages, commodity prices, and logistics costs as potential earnings headwinds.

Data releases during the quarter suggested that the U.S. economy gained momentum. Jobless claims declined to historically low levels, with the unemployment rate approaching an 18-year low of 3.8% in May. Wage growth accelerated ahead of expectations, as average hourly earnings rose 0.3% in May. After two months of decline, the Institute of Supply Management's Manufacturing Index rebounded in May, while strong sales and orders drove the Non-Manufacturing Index to the highest level since 1997. The National Federation of Independent Business (NFIB) Small Business Optimism Index reached a 34-year high, with a record number of companies indicating that the current economic environment is favorable for business expansion. Nevertheless, due to concerns about rising inflation and potential impacts of tariffs, consumer sentiment weakened at the end of the quarter. The housing market was also weaker, due to rising construction costs, supply shortages, and higher home prices and mortgage rates.

The Federal Reserve (Fed) raised benchmark interest rates by another 25 basis points, and signaled the potential for two additional hikes this year. Despite rising uncertainties over the sustainability of growth in light of broader macroeconomic risks—including ongoing trade tensions and slowing growth in Europe—the Fed lifted its economic growth forecast for 2018 and lowered its projection for unemployment.

FUND PERFORMANCE

The Fund's Investor shares declined 0.21% for the quarter, underperforming the S&P 500 Index gain of 3.43%. Security selection was the largest driver of underperformance, with particularly poor selection in the financials and information technology sectors, although selection was also weak in consumer staples, consumer discretionary, and telecommunication services. Sector allocation also had a large negative impact on relative results, primarily because the Fund was significantly underweight to the energy sector, which was the S&P 500's top performing sector for the quarter. This underweight is primarily due to the Fund's exclusion of oil and gas exploration and production companies.[†] The Fund was also underweight in consumer discretionary, which also outperformed, and overweight in financials and telecommunication services, which underperformed.

[†] Companies included in the Integrated Oil & Gas or Oil & Gas Exploration & Production Industries as defined by the Global Industry Classification System (GICS)

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*Average annual total returns.

1. Institutional and Class A shares were not offered prior to 11/28/08. All performance information for time periods beginning prior to 11/28/08 is the performance of the Investor shares. This performance has not been adjusted to reflect the lower expenses of the Institutional and Class A shares, but in the case of the Class A shares, does where noted reflect an adjustment for the maximum applicable sales charge of 4.75%.

2. Performance "with load" for DSEPX reflects performance with application of highest maximum front-end sales charge (4.75%). Performance "without load" reflects performance without application of front-end sales charge.

3. See page 3 for important disclosure information.

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At a security level, the largest detractor from relative results was **Cummins**, a manufacturer of engines and engine-related components, which declined more than 17%. The company reported disappointing first-quarter results, with lower-than-expected profit driven by various recurring events. Margins in the engine and components segments were negatively impacted by a costly warranty campaign and product campaign, respectively.

Within financials, our out-of-benchmark position in **Banco Santander Brasil**, the Brazilian subsidiary of Banco Santander, S.A., a Spanish bank, was the largest detractor. The stock declined more than 37% as a result of Brazil's 10-year bond yield sharply rising throughout June. The treasury gains raised the prospects of investment losses at Santander, whose lending strategy has been a key growth driver in the past, but could now be vulnerable from any further deterioration in the country's economic growth outlook. Earnings risk for Brazilian banks remains high due to subdued credit growth and net interest margin pressure.

Insurance and investment management group **Prudential Financial** was also a significant detractor, declining almost 9%. U.S. life insurers have broadly underperformed due to concerns over capital, weakening earnings power, and slower organic growth.

Facebook and **Amazon** were also among the largest detractors from relative results for the quarter. Facebook was sold from the Fund's portfolio early in the quarter after we downgraded the company to ineligible for investment, in the wake of revelations about the unauthorized disclosure of 80 million users' data to Cambridge Analytica. During the period it was still held, the stock returned only 0.2% for the Fund, but over the full quarter it returned 21.6% for the S&P 500. Amazon, which was held for the full quarter, returned more than 17%, but our significant underweight relative to the index resulted in a large negative relative contribution.

Despite the Fund's overall underperformance, there were several strong performers that made large positive contributions to relative results thanks to our overweight positions. The largest was from **Align Technology**, a medical device company that returned more than 36% for the quarter. Align manufactures systems for clear aligner therapy, intra-oral scanners, and 3D digital services used in dentistry and orthodontics. The company delivered excellent results for the first quarter, characterized by better scanner revenue, higher case volumes, and lower expenses. For the second quarter, management maintained guidance ahead of consensus expectations, while also increasing long-term sales guidance, with expectations for demand beyond orthodontics.

NetApp, a leading provider of data storage and networking solutions, gained almost 28% after reporting results for its fiscal fourth quarter that exceeded expectations on both the top and bottom lines. Despite growing competition—as the industry moves toward cloud and chip-based flash storage solutions—NetApp has driven sustained growth through operational discipline and a successful product transition.

Robert Half, which provides specialized staffing and risk consulting services, gained almost 13%. The company reported solid results for the first quarter, as annual growth accelerated in most temp and consultant staff segments, and gross margins expanded year-over-year. Guidance for the second quarter was also well above expectations.

Global payments and technology company **Mastercard** returned more than 12% after reporting better-than expected earnings for the first quarter and lifting its full-year revenue forecast. The firm benefitted from a weaker U.S. dollar during the first three months of the year, as tourists traveling in the U.S. spent more on credit-card purchases, and Americans traveling abroad also showed strong purchasing behavior. As a whole, cross-border spending rose 32% compared to the first quarter of 2017. This growth was expected to decline due to a drop-off in consumers using their credit-cards to fund cryptocurrency purchases. Mastercard's cross-border growth also benefitted from Chinese lenders issuing credit cards with foreign-payment networks.

The fund also benefitted from not owning benchmark constituent **Berkshire Hathaway**, which declined more than 6%. The conglomerate holding company is not approved for investment by Domini due to significant investments in nuclear power.

TOP RELATIVE CONTRIBUTORS AND DETRACTORS

CONTRIBUTORS

Company	Sector	Stock Return*
Align Technology, Inc.	Health Care	36.08%
NetApp, Inc.	Information Technology	27.70%
Robert Half International Inc.	Industrials	12.94%
Mastercard Inc.	Information Technology	12.24%
Berkshire Hathaway Inc.**	Financials	-6.43%

DETRACTORS

Company	Sector	Stock Return*
Cummins Inc.	Industrials	-17.37%
Banco Santander (Brasil) S.A.	Financials	-37.35%
Prudential Financial, Inc.	Financials	-8.90%
Facebook, Inc.***	Information Technology	0.22%
Amazon.com, Inc.	Consumer Discretionary	17.16%

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

**Not held in the Portfolio.

*** The Fund sold its full position in Facebook partway through the quarter, after Domini determined the company no longer met our Impact Investment standards.

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Past performance is no guarantee of future results. The Fund's returns quoted above represent past performance after all expenses. The returns reflect any applicable expense waivers in effect during the periods shown. Without such waivers, returns would be lower. Investment return, principal value, and yield will fluctuate. Your shares, when redeemed, may be worth more or less than their original cost. An investment in the Fund is not a bank deposit. The Fund is not insured and is subject to market, market segment, style and foreign investing risks. Investing internationally involves special risks, such as currency fluctuations, social and economic instability, differing security regulations and accounting standards limited public information possible changes in taxation, and periods of illiquidity. You may lose money. 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.

For the period reported in its current prospectus, the Fund's annual operating expenses totaled: 1.09% (Investor), Net 1.09%/Gross 1.41% (Class A), Net/Gross 0.74%/0.74% (Institutional), 0.80% (Class R). The Fund's adviser has contractually agreed to waive certain fees and/or reimburse certain ordinary operating expenses in order to limit Institutional share expenses to 0.74%, until November 30, 2018, and Class A share expenses to 1.09% until November 30, 2019, each absent an earlier modification approved by the Funds' Board of Trustees.

The Fund charges a 2.00% redemption fee on sales or exchanges of shares made less than 30 days after the settlement of purchase or acquisition through exchange, with certain exceptions. Certain fees and expenses also apply to a continued investment in the Fund and are described in the prospectus. Class A shares are generally subject to a front-end sales charge of 4.75%. Please consult the Fund's prospectus or your Service Organization for more information.

Total return is based on the Fund's net asset values and assumes all dividends and capital gains were reinvested. The returns in this commentary do not reflect the deduction of fees and taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

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As of 6/30/18, the companies noted above represented the following percentages of the Fund's portfolio: Align Technology, Inc. [0.57%]; Amazon.com, Inc. [0.90%]; Banco Santander (Brasil) S.A. [0.51%]; Cummins Inc. [2.27%]; Mastercard Inc. [2.50%]; NetApp, Inc. [1.21%]; Prudential Financial, Inc. [2.46%]; and Robert Half International Inc. [2.16%]. Berkshire Hathaway, Inc. and Facebook, Inc. were not approved for investment, and therefore not held by any of the Domini Funds.

The composition of the Fund's portfolio is subject to change. The Domini Funds maintain portfolio holdings disclosure policies that govern the timing and circumstances of disclosure to shareholders and third parties regarding the portfolio investments held by the Funds. Visit www.domini.com to view the most current list of the Fund's holdings. 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.

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Carefully consider the Fund's investment objectives, risk factors and charges and expenses before investing. This and other information can be found in the Fund's prospectus, which may be obtained by calling 1-800-762-6814, or at www.domini.com. Please read the prospectus carefully before investing or sending money.

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