

TRIUM MORPHIC ESG L/S GLOBAL FUND

Monthly Report

January 2019

Fund Objective

The Trium Morphic ESG L/S Global Fund ("the Fund") is an **absolute return** Fund which seeks to provide investors long term capital appreciation and superior risk adjusted returns by investing in ethically screened global equities.

The Fund seeks to achieve its objective through investing in the Trium Morphic ESG L/S Fund (the "Underlying Fund").

Investment returns	1 Month	3 Months	Since Inception*
Trium Morphic ESG L/S Global Fund (in AUD) ¹	-2.00%	-2.37%	-2.61%

*Fund inception: 19 October 2018. Past Performance is not an indication of future performance.

ESG Action in Focus

The World Economic Forum Annual Meeting took place this month in Davos and one of the big themes and challenges world leaders discussed was climate change. Big corporates like Procter & Gamble, Pepsi, Nestlé and Unilever (UL) joined forces with waste management company TerraCycle to launch [Loop](#), a project that will allow people to reuse containers for some of the world's most popular household products.

We believe the best speech on the topic didn't come from a world leader or a CEO; it came from the 16-year-old activist Greta Thunberg, who warned everyone that "[Our house is on fire](#)". It is great to see that people around the world are adding their voice to call for urgent action to protect and restore nature. [Click here if you want to get involved today](#).

Underlying Fund Review

The Fund fell 2.0% (in AUD) in January, with the Underlying Fund up 1.3% (in USD). A climbing AUD offset the increase in the Underlying Fund. The gross exposure of the Underlying Fund was raised over the month, whilst net exposure was unchanged in the mid 20's.

Heavily oversold in December, markets in January rose on the back of hope for a looser monetary policy, coupled with positive expectations for the China-US trade war negotiations. All regions posted strong returns with Emerging Markets being the best performer during the month.

The largest contributor was the long-short pair position in freight forwarder Panalpina, with offsetting short legs in competitors DSV and Kuehne + Nagel. In November, the company announced that the non-independent Chairman would step down in 2019. The largest shareholder (45%) had previously used this position to block any discussion of takeover, and we judged that the company's valuation did not reflect the new probability of this. Pairing the holding with short positions in other peers rewarded us when DSV recently announced a takeover approach at a significant premium to the market valuation.

The largest detractors for the month were the combined effect of our Indian bank positions. The Underlying Fund had built an exposure to a selection of smaller Indian banks on the view that credit would flow to the better capitalised ones, coupled with the likely improved governance at Yes Bank. The risk was hedged out with a short position in large Indian private sector bank ICICI Bank, a former market darling that is struggling with a number of problems. Over the month, our long position in IndusInd Bank reported quarterly earnings that were below expectations and the position underperformed.

Key Facts^{2,3}

Launch Date	19 October 2018
Minimum Initial Investment	AUD 100,000
Pricing and Liquidity	Daily
Management Fee (Underlying Fund's Management Fee) ⁴	0% (1%)
Performance Fee (Underlying Fund's Performance Fee) ⁵	0% (15%)
Entry and Exit Fees	Zero
Unit Price (in AUD)	\$ 0.9739
Funds Under Management – Fund (in AUD) (Underlying Fund's FUM, in AUD)	\$ 2m (\$ 29m)
Funds Under Management – Morphic (in AUD) ⁶	\$ 161m

Outlook

[Our half year report](#) expressed cautious optimism in early January that markets had over-reacted in December and should rally. After the largest rally in January in 30 years, we believe markets are likely to enter a more difficult directionless range as some data in the background such as earnings revisions and growth expectations have slowed over the last four months.

Historically, a Federal Reserve that goes on hold and stops hiking is positive for equities, but the reason they are on hold is a double-edged sword: if worsening data get too bad, there is a risk of recession and equities don't rise in that situation. We remain of the view this is not the case but temper our bullish stance by keeping the net exposure at around +20% for now.

Charitable Giving Program

Morphic Asset Management and Trium Capital are proud to support and donate 2.5% of their management fees to the [Tear Fund](#) and the [Rainforest Alliance](#) as part of their charitable giving program. The first donation is being made this year and as the Fund grows, we are looking forward to seeing this amount increase.

Underlying Fund Portfolio Characteristics

Top 3 Long Positions

Company	Country	Position Weighting
Alstom	France	4.4%
Service Corp International	USA	3.4%
China Water Affairs Group	Hong Kong	3.4%

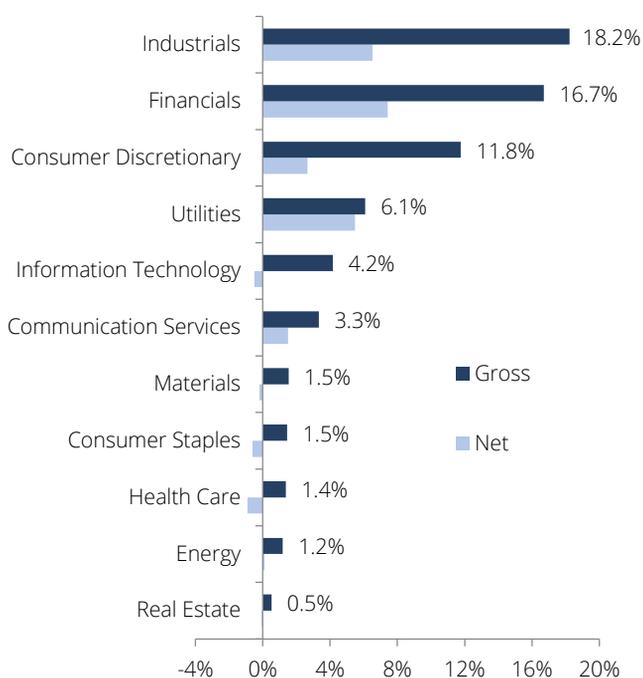
Top 3 Short Positions

Company	Country	Position Weighting
Mazda Motor	Japan	(3.3%)
ICICI Bank	India	(2.4%)
DSV A/S	Denmark	(2.3%)

Equity Exposure Summary By region



Equity Exposure Summary By sector



Risk Measures

Net Exposure ⁷	21.4%
Gross Exposure ⁸	66.4%
Long Exposure	43.9%
Short Exposure	-22.5%
VAR ⁹	2.7%

The Trium Morphic ESG L/S Global Fund is an open-ended Unit Trust and seeks to achieve its objective through investing in the Trium Morphic ESG L/S Fund ("the Underlying Fund"). The Underlying Fund is an Undertakings for Collective Investment in Transferable Securities (UCITS) fund on the Trium UCITS platform with the same investment objectives as the Unit Trust. You can download the Underlying Fund's latest monthly factsheet [here](#).

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¹ Performance is after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable); ² ISIN AU60PER64163, APIR PER6416AU; ³ All fees shown are inclusive of GST; ⁴ The Underlying Fund's expense recoveries are capped at maximum 1.0% p.a.; ⁵ The Underlying Fund pays a performance fee of 15% p.a. in respect of the Underlying Fund's outperformance of its benchmark. Performance Fees are only payable when the Underlying Fund achieves positive absolute performance and is subject to a high water mark; ⁶ Total funds under management of Morphic Asset Management; ⁷ Includes Equities and Commodities - longs and shorts are netted; ⁸ Includes Equities, Commodities and 10 year equivalent Credit and Bonds - longs and shorts are not netted; ⁹ VAR is Value at Risk based upon the 95th percentile with a 1 day holding period using a 1 year look back.