

TRIUM MORPHIC ESG L/S GLOBAL FUND

Monthly Report

April 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	0.43%	0.97%	-1.67%

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

ESG Action in Focus

The fight against climate change has never been more critical and every Earth Day on 22nd of April reminds us that we all share in the responsibility to protect and preserve the planet. This year’s focus was the protection of threatened and endangered species. Wherever natural resources are exploited, one can observe a [deteriorating natural environment](#). Aside from the moral implications of destroying the home of our fellow species, this will have real financial consequences: lower crop yields equal higher food prices; and a loss of protein source for much of Asia as fish stocks collapse.

One of our charitable partnerships, [The Rainforest Alliance](#), works to preserve at-risk rainforests by funding the local community to work sustainably in their local environment, We would encourage you to consider supporting their work.

Underlying Fund Review

The Fund rose 0.4% (AUD) in April, with the Underlying Fund down 0.4% in USD terms. The net exposure at 17.4% was largely unchanged versus the previous month whilst the gross exposure was decreased to 112.5% through both profit taking on a successful pair and some risk management out of an unsuccessful pair.

The US continued to lead regional performance in April, cyclical sectors outperformed defensives and tech remains the best performing sector YTD. All regions rallied in April with Japan (+1.4%) the worst performing region during the month, lagging global markets by 8.0% this year.

The largest detractor for the month was our long position in Indian bank Yes Bank. The company reported poor quarter results with the bank’s first-ever quarterly loss driving the stock down almost 30%. Multiple pressures – bigger than expected provisioning, slower overall growth, bearish guidance on future credit cost, weaker asset quality and capital - resulted in the bank’s biggest decline on record. The position was stopped out according to the Underlying Fund’s stop loss rules.

The largest contributor was the position in freight forwarder Panalpina. On the first day of the month, Panalpina announced that it had agreed to improved terms from its takeover suitor Danish-peer DSV. The share price reacted positively, closing the significant gap to the value of the bid implied by DSV share price. Over subsequent days, we closed this pair trade and took profits.

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)	\$ 0.9833
Funds Under Management – Fund (in AUD) (Underlying Fund’s FUM, in AUD)	\$ 3m (\$ 31m)
Funds Under Management – Morphic (in AUD) ⁶	\$ 171m

Outlook

The “about-turn” of the Federal Reserve has delivered the desired effect of stabilising financial market conditions, lowering volatility and reassuring equity investors. At the moment, equity investors are enjoying the benefit of lower interest rates, yet with earnings forecasts intact. This is unlikely to continue.

Bond investors are pricing interest rate cuts by year end, but worsening data would seem to be the hurdle for the Federal Reserve (Fed) to convert this forecast into action. If this occurs, earnings are unlikely to hold up. On the other hand, if the data improves, the Fed is unlikely to cut rates, which will tighten financial conditions and be a headwind to stocks. We retain a “cautiously optimistic” outlook with a preference for non-US stocks reflected in the net exposure of the Underlying Fund at the lower end of its average range.

Underlying Fund Portfolio Characteristics

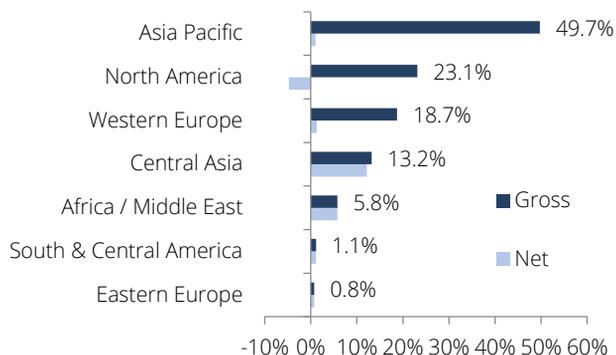
Top 3 Long Positions

Company	Country	Position Weighting
Alstom	France	6.3%
China Everbright Intl Ltd	Hong Kong	5.8%
Bank Leumi	Israel	4.7%

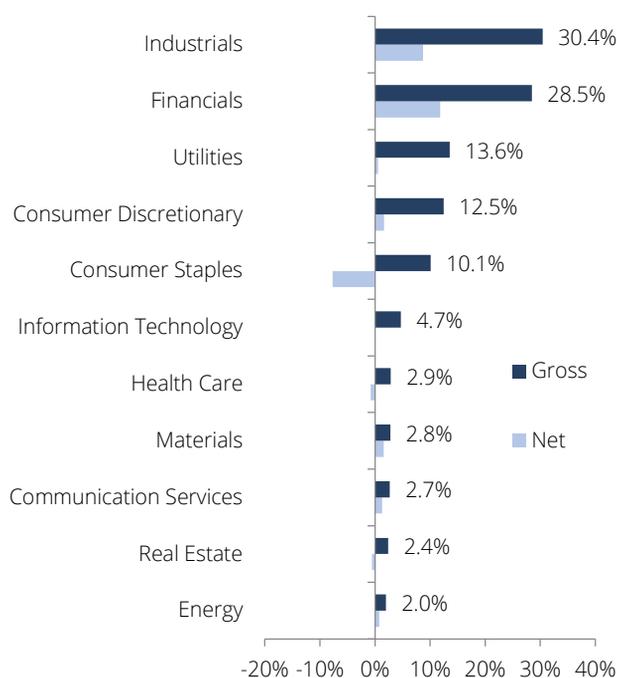
Top 3 Short Positions

Company	Country	Position Weighting
Huadian Power Intl	Hong Kong	(6.0%)
Coca-Cola Amatil	Australia	(4.4%)
Iida Group	Japan	(4.0%)

Equity Exposure Summary By region



Equity Exposure Summary By sector



Risk Measures

Net Exposure ⁷	17.4%
Gross Exposure ⁸	112.5%
Long Exposure	64.9%
Short Exposure	47.6%
VAR ⁹	3.66%

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.