

TRIUM MORPHIC ESG L/S GLOBAL FUND

Monthly Report

July 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	CYTD	Since Inception*
Trium Morphic ESG L/S Global Fund (in AUD) ¹	1.38%	0.52%	-0.54%	-1.16%

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

ESG Action in Focus

In amongst the gloom of record [heatwaves in Greenland](#) in July, that is seeing rates of ice melt originally expected to occur in 2050, there are some slivers of good news. It can be hard to quantify, yet there is a perceptible mood shift taking place in the world. As a recognition of climate issues more broadly, even if [governments try to impede it](#), consumers are voting with their feet, which always gets businesses attention. This month alone, US auto producers, hardly the paragons of climate virtue, are pushing for [more regulations](#) on emissions, against the Trump administration wishes.

BHP has openly discussed targeting [Scope 3 emissions](#) – the elephant in the climate room – [infuriating the conservative government](#) of Australia. This is the same government who slashed Renewables targets five years ago and removed carbon pricing, arguing they were unachievable and would cripple the industry. These [targets will be passed anyway next year](#), without a carbon price. So, on bad days, just remember: how you spend your money really does make a difference!

Underlying Fund Review

The Fund was up 1.4% in July, with the Underlying Fund down 0.4% in USD terms. Global equities were essentially flat in July. Gross exposure was largely unchanged over the month. Pairs and shorts were the small detractor, along with FX hedges that were carried in the hedging portfolio.

July saw a large divergence between regions, with the USA rallying (+1.4%) whilst Asia Ex-Japan struggled (-1.6%) against a stronger US dollar and a lack of resolution on trade issues. Tech stocks led the rally (+1.7%), with the cyclical sectors of Materials (-2.8%) and Energy (-2.9%) the laggards.

Long position in French train maker, Alstom, was one of the largest contributors to performance in July. The stock rallied over the month on its quarterly sales update which confirmed a strong order book, along with the payment of a special dividend to shareholders of approximately 14% returning the cash from the sale of businesses to General Electric.

China Water Affairs Group was the largest detractor over the month as the market sold the stock on the back on its quarterly earnings expectations and concerns about its recent acquisition. The stock has de-rated heavily and we have trimmed the position around these concerns.

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) (CUM)	\$ 0.9884
Funds Under Management – Fund (in AUD) (Underlying Fund's FUM, in AUD)	\$ 4m (\$ 31m)
Funds Under Management – Morphic (in AUD) ⁶	\$ 167m

Outlook

In what has been described as a “hawkish cut”, the Federal Reserve appears to have pleased no-one, including their master Trump. With the added news of more tariffs, it would seem for now the path of least resistance for equity markets is downwards to sideways, after such a breathtaking rally this year. Data disappointment is focused on the exporting and trade-focused sectors, whilst consumer-facing data remains robust, which ultimately accounts for two-thirds of US GDP. Job losses will be needed for them to change their behaviour and that's what our focus will be on.

We note that for the gloom of Emerging Markets, earnings revisions have bottomed, and historically these levels are associated with global markets being 13% higher in the next 12 months. One to keep in mind in the coming months.

Underlying Fund Portfolio Characteristics

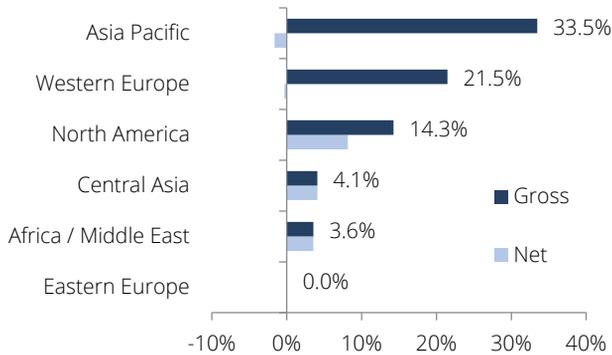
Top 3 Long Positions

Company	Country	Position Weighting
China Everbright Intl Ltd	Hong Kong	5.4%
Service Corp International	United States	5.3%
Alstom	France	4.7%

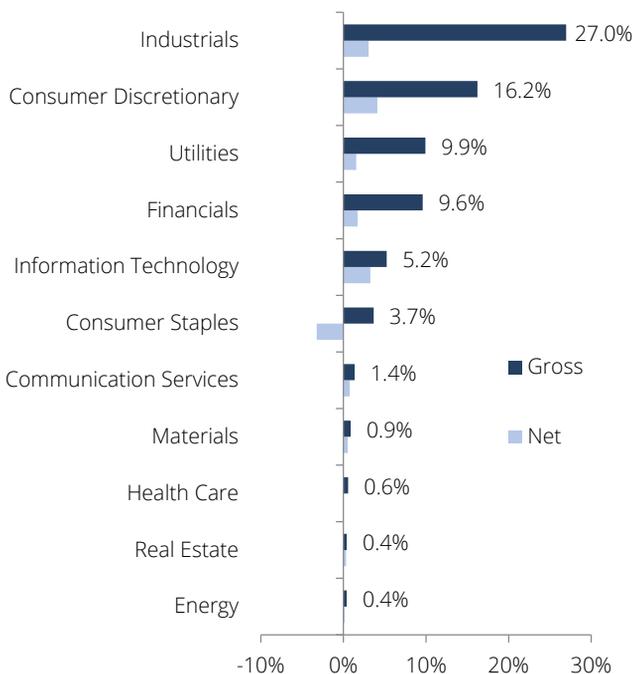
Top 3 Short Positions

Company	Country	Position Weighting
Qantas Airways	Australia	(5.2%)
Huadian Power Intl	Hong Kong	(4.1%)
Harvey Norman Holdings	Australia	(3.4%)

Equity Exposure Summary By region



Equity Exposure Summary By sector



Risk Measures

Net Exposure ⁷	13.9%
Gross Exposure ⁸	76.9%
Long Exposure	45.4%
Short Exposure	-31.5%
VAR ⁹	2.63%

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.