

MORPHIC GLOBAL OPPORTUNITIES FUND

Monthly Report
June 2020



Fund Objective

The Fund seeks long term capital growth by investing in global shares and excluding direct investments in entities involved in environmental destruction, intensive animal farming, tobacco, alcohol, armaments and gambling. The Fund aims to have exposures in companies that are cheap, of high quality and where momentum supports the investment thesis. The Fund can also hedge to manage risk.

Investment returns*

	1 Month	3 Months	CYTD	3 Years (p.a.)	5 Years (p.a.)	ITD (p.a.)
Morphic Global Opportunities Fund	-0.55%	4.50%	-1.33%	6.61%	6.12%	13.23%
Index ¹	-0.51%	5.98%	-4.28%	10.03%	8.82%	14.77%

* Past Performance is not an indication of future performance.

Ethical Investing in Focus

The largest corporate fraud in Germany history, Wirecard, was uncovered this month with the ex-CEO arrested and nearly \$3bn of bank account money has found to be missing. Shamefully the German regulators had harassed and arrested short sellers and the Financial Times journalists who tried to bring this to light in the last 2 years.

We focus a lot on the "E" of ESG, in ethical investing, but the Governance matters a lot as well. One would hope that German regulators (and Auditors) focused more themselves rather than just blindly trusting management.

Portfolio review

The Fund fell 0.55% in June, underperforming global markets which fell 0.51% in AUD terms. Global equities rose 3.0% in USD terms, as markets continued their rebound from March lows, capping off the best second quarter since 2009 and despite increasing evidence of a "second wave" of COVID-19 infections. The rise in the AUD dampened returns.

Asia Ex Japan, which lagged significantly in the last month, led the rebound (+7.7%) as fears of US retaliation over Hong Kong were pushed aside. Europe (3.9%) had one of its best performances compared to the USA (2.1%), whilst Japan, which the fund is overweight, lagged (-0.1%)

One thing that didn't change was Technology (+9.4%) leadership, following on from the 7% in the month before as the market continues to seek out long duration growth stories. Energy was the worst performing sector (-0.5%), along with Utilities (-1.5%).

Reflective of the strong performance of the Technology sector for the month, Tencent, our largest holding, rose strongly over the month and was the largest contributor. Having sold off a little on results last month, the Fund added to the position and the stock rose as southbound Connect investors' from Mainland China added to their holdings in it.

The second largest contributor was our sector neutral pair in Japanese homebuilder stocks, Open House and Iida. In May Open House reported excellent results, whilst Iida cut dividends and guidance. The valuation dispersion was still not reflective of the differential earnings outlook, so June's performance went some way to rectifying this.

All the Fund's largest detractors were in the USA. Liveramp, which provides digital marketing solutions to businesses, was the largest detractor, giving back a lot of the gains of May where it rose strongly after earnings. Also detracting was Keysight Technologies, as the market became more concerned about loss of customers around its 5G testing for Chinese customers.

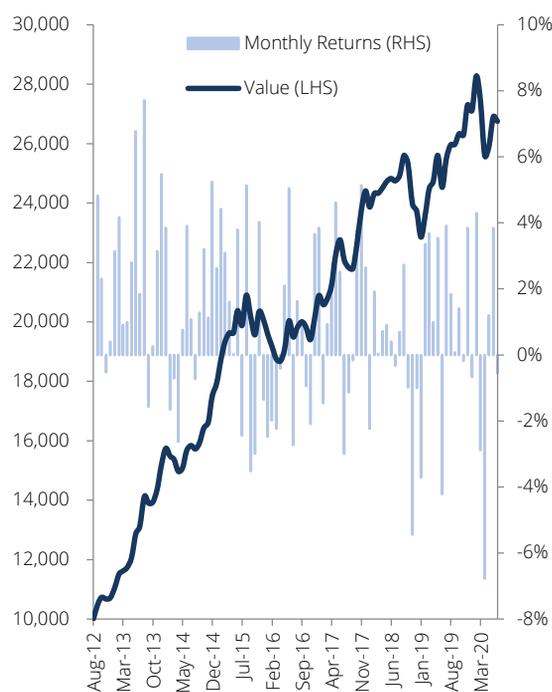
Outlook

Somewhat remarkably given the increasingly bad COVID-19 news at the margin, the market remains stuck in a trading range. We had discussed the view that as long as the data keeps improving, the market will be OK. Whilst this is the case, at the margin, shutdowns in California, Florida and Texas appears to be impacting the high frequency data in June, with the lower frequency data (Purchasing Managers surveys and employment) remaining on track.

With this in mind, the Fund has increased cash levels at the margin towards the end of the month. This is consistent with our prior views that post July may see increasingly difficult waters for markets to navigate. That said it is with low conviction as the situation remains incredibly fluid.

The Fund is positioned more for "COVID-19 risk off" in stock positioning (via long Technology and Education and short Air Travel) even if the net exposure isn't as heavily positioned for that scenario as it was in March/April.

Performance of AUD \$10,000



Key Facts^{2, 3}

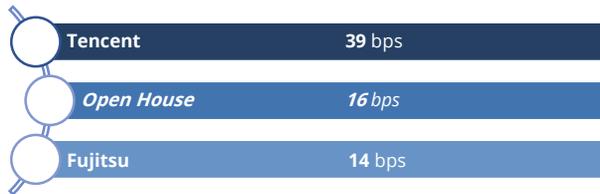
Launch Date	August 2 nd , 2012
Minimum Initial Investment	AUD 10,000
Pricing and Liquidity	Daily
Distributions	January and July
Management Fee ⁴	1.05%
Performance Fee ⁵	15%
Entry and Exit Fees	Zero
Buy/Sell Spread	0.25% each side
Unit Price	\$ 1.7680
Funds Under Management – Fund (AUD)	\$ 50m
Funds Under Management – Morphic (AUD) ⁶	\$ 111m

Top 10 Active Positions

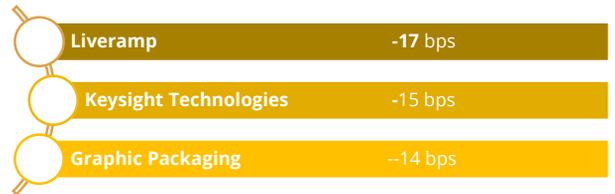
Stocks (Shorts)	Industry	Region	Position Weighting
Tencent	Information Technology	Asia Pacific	2.7%
Alstom	Industrials	Europe	2.0%
NEC Corp	Information Technology	Asia Pacific	1.8%
Cellnex	Telecom	Europe	1.8%
Fujitsu	Information Technology	Asia Pacific	1.7%
Keysight Technologies	Industrials	North America	1.5%
Service Corp	Consumer Staples	North America	1.4%
New Oriental Education	Consumer Services	North America	1.4%
Techtronic Industries	Information Technology	Asia Pacific	1.3%
NetEase Inc	Information Technology	Asia Pacific	1.3%

Risk Measures	
Net Exposure ⁷	97%
Gross Exposure ⁸	116%
VAR ⁹	2.46%
Upside Capture ¹⁰	93%
Downside Capture ¹⁰	83%
Best Month	7.71%
Worst Month	-6.78%
Average Gain in Up Months	2.71%
Average Loss in Down Months	-2.04%
Annual Volatility	9.76%
Index Volatility	10.40%

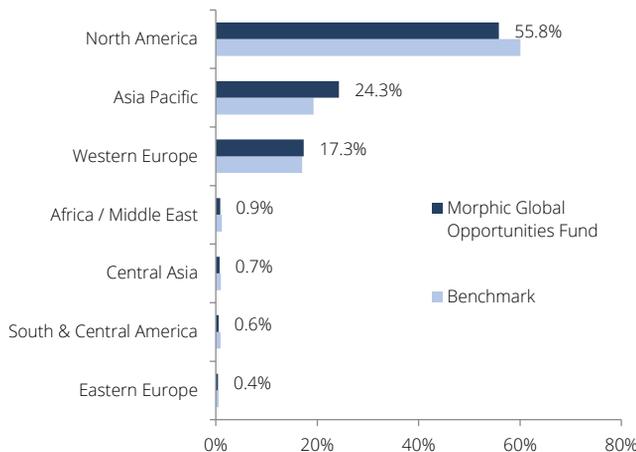
Top three alpha contributors¹² (bps)



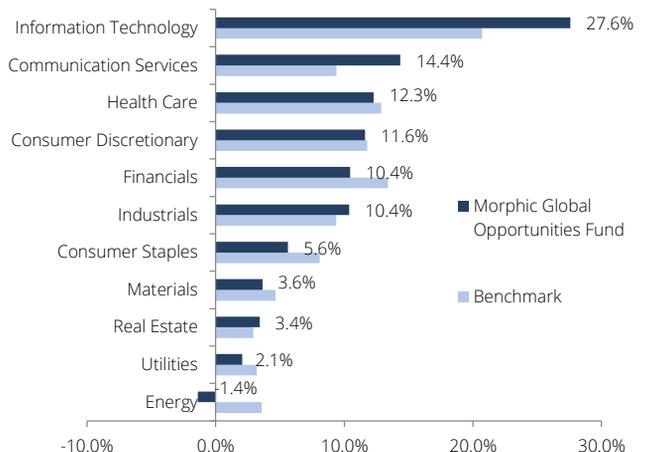
Top three alpha detractors¹² (bps)



Equity Exposure Summary By region



Equity Exposure Summary By sector



This report is for information purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security by the sender or Morphic Asset Management Pty Ltd ("Morphic" or "Manager") (ACN 155 937 901) (AFSL 419916). This report does not take into account the investment objectives, financial situation or particular needs of any particular person. Investors should obtain individual financial advice based on their own particular circumstances before making an investment decision. Any person considering an investment in the Morphic Global Opportunities Fund ("MGOF") should first review the Product Disclosure Statement (PDS) for the Fund issued by Elerston Capital Limited ABN 34 110 397 674 AFSL 283000 ("Elerston") dated 24/04/2020 which is available on Morphic's website morphicasset.com. Units in the MGOF are issued by Elerston Capital. Initial Applications for units in the MGOF can only be made pursuant to the application form in the PDS. Morphic does not guarantee repayment of capital or any particular rate of return from the MGOF. Past performance is no guarantee of future performance. Investment returns have been calculated in accordance with normal industry practice utilising movements in unit price and assuming reinvestment of all distribution of income and realised profits. Statements of fact in this report have been obtained from and are based upon sources that Morphic believes to be reliable, but Morphic does not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions and estimates included in this report constitute Morphic's judgement as at the date of this communication and are subject to change without notice.

The Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that Morphic Global Opportunities Fund adheres to the strict disclosure practices required under the Responsible Investment Certification Program for the category of Product Provider. The Certification Symbol is a Registered Trade Mark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and Morphic Global Opportunities Fund's methodology, performance and stock holdings can be found at www.responsibleinvestment.org, together with details about other responsible investment products certified by RIAA. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

1 The Index is the MSCI All Countries World Daily Total Return Net Index (Bloomberg code NDUEACWF) in AUD; 2 ISIN AU60PER06735, APIS PER0673AU; 3 All fees shown are inclusive of GST; 4 The Manager may also recoup a maximum of 0.27% in expenses related to operating the Fund; 5 The Performance Fee is payable semi-annually in respect of the Fund's out-performance of the Index. Performance Fees are only payable when the 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; 10 Based on gross returns since Fund's inception; 11 As a percentage of the Fund's Value at Risk (VaR) Limit; 12 Attribution; relative returns against the Index excluding the effect of hedges.