

MORPHIC GLOBAL OPPORTUNITIES FUND

Monthly Report
April 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	1.19%	-8.39%	-4.46%	5.27%	5.70%	13.07%
Index ¹	3.50%	-9.99%	-6.53%	9.20%	8.33%	14.76%

* Past Performance is not an indication of future performance.

Ethical Investing in Focus

Despite the almost 100% focus on COVID-19, another large bank in Australia, Westpac, announced that they would be [exiting all support](#) for lending to the thermal coal industry by 2030. This builds on prior commitments from other lenders and Insurers who are increasingly worried about the financial viability of lending to those investments.

As a reminder, your Fund does not buy shares in any fossil fuel producing company.

Portfolio review

The Fund rose 1.2% in April, underperforming global markets which rose 3.5% in AUD terms. Global equities rose 10.6% in USD terms, as the market had the strongest rally in 32 years, bouncing back on hopes that the worst of COVID-19 had passed quicker than first feared. The strong rise in the AUD dampened returns. Nearly all the underperformance came from the Fund carrying cash, which helped in March, but was a headwind in April.

The USA market performed best (+13%) with Europe (+5.7%) and Japan (+5.4%) lagging. Despite the oil price briefly trading below \$0, Energy was the best performing sector (+15.7%) as hopes of reduced supply and better demand combined. Banks (+5.7%) was the laggard as fears of higher loan losses weighed on the sector.

Ping An Healthcare was the largest positive contributor over the month. The company has been leading the development of online medical advice in China, and with COVID-19, the Chinese government has given the "stamp of approval" for the company. With the stock up over 50% in a month, we have taken profit and will look to add on pullbacks.

The largest detractor for the month was Service Corp, our funeral home provider. The company pulled guidance and provided downbeat commentary, which was disappointing as it was expected that demand for services should be higher in the current environment.

Our position in Alstom was also a detractor over the month. The stock struggled as investors become concerned that the company would push ahead with the Bombardier acquisition at the prior price and take on too much debt.

Outlook

Whilst the Fund was of the view that the market bounce could continue, and was prepared for it, the largest bounce in 30 plus years still came as some surprise. "Unprecedented" is becoming "precedented" in both directions it seems.

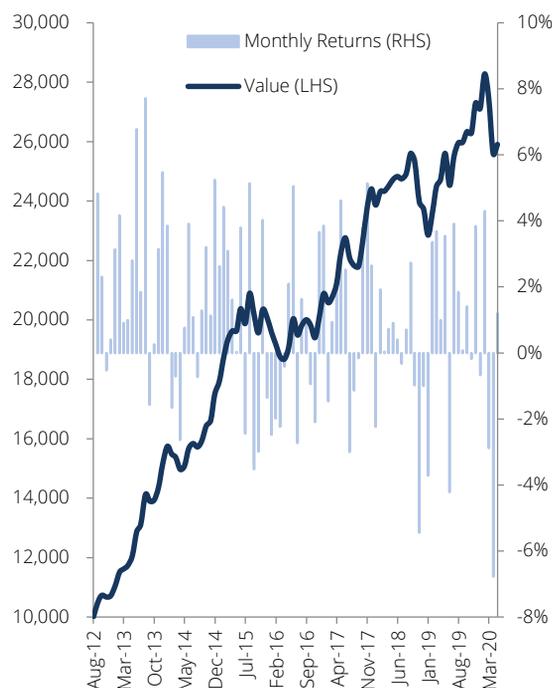
Cash weightings had been increased as we sold into the bounce, but markets have now gone to levels where we had set our "walk away" points. As such cash weightings finished the month lower than where it averaged for the month. The Fund has some call options which will further lower cash levels if markets rise a lot further, but still provide us with a cash buffer in falls.

The Fund finished the month with 7.3% cash and 1.7% of AUM in call options.

Our base case remains that markets re-test lows, but time is not a friend here, because with each passing week, the world moves closer to returning to normal and markets rarely sell off on "old news" – bad data isn't going to surprise anyone. Markets appear to be moving to price a reflationary outcome (better growth and falling unemployment). Time will tell if this is too optimistic.

All things considered, we see the market stuck in a large range – making new highs seems highly unlikely, but, for now, new lows look increasingly unlikely. In this environment we are looking to add back stock risk and focus efforts there.

Performance of AUD \$10,000



Key Facts^{2,3}

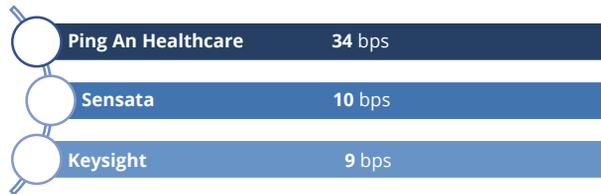
Launch Date	August 2 nd , 2012
Minimum Initial Investment	AUD 10,000
Pricing and Liquidity	Daily
Distributions	January and July
Management Fee ⁴	1.05%
Performance Fee ⁵	15%
Entry and Exit Fees	Zero
Buy/Sell Spread	0.25% each side
Unit Price	\$ 1.7120
Funds Under Management – Fund (AUD)	\$ 49m
Funds Under Management – Morphic (AUD) ⁶	\$ 108m

Top 10 Active Positions

Stocks (Shorts)	Industry	Region	Position Weighting
Tencent	Information Technology	Asia Pacific	2.3%
Service Corp	Consumer Staples	North America	2.2%
Alstom	Industrials	Europe	2.0%
Cellnex	Telecom	Europe	2.0%
Logitech	Information Technology	Europe	1.7%
Keysight Technologies	Industrials	North America	1.5%
Graphic Packaging	Industrials	North America	1.4%
Fujitsu	Information Technology	Asia Pacific	1.2%
Liveramp	Information Technology	North America	1.0%
Ciena	Information Technology	North America	0.9%

Risk Measures	
Net Exposure ⁷	94%
Gross Exposure ⁸	107%
VAR ⁹	2.43%
Upside Capture ¹⁰	93%
Downside Capture ¹⁰	83%
Best Month	7.71%
Worst Month	-6.78%
Average Gain in Up Months	2.70%
Average Loss in Down Months	-2.04%
Annual Volatility	9.76%
Index Volatility	10.44%

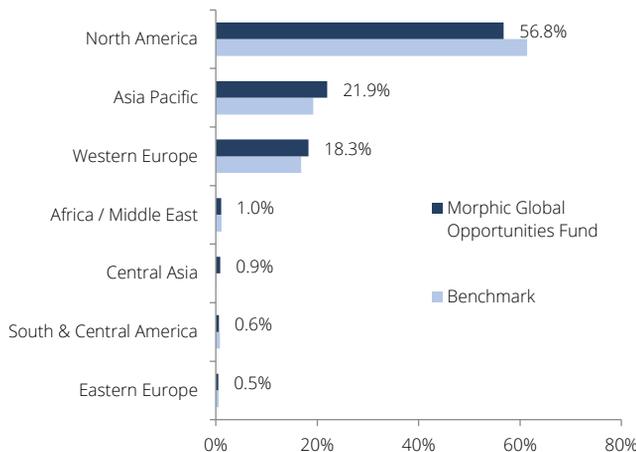
Top three alpha contributors¹² (bps)



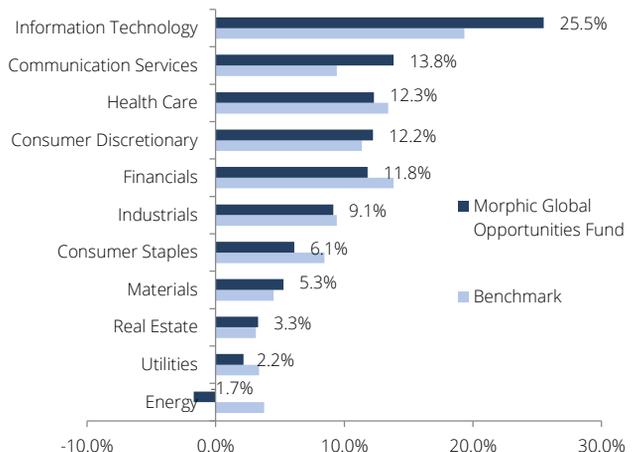
Top three alpha detractors¹² (bps)



Equity Exposure Summary By region



Equity Exposure Summary By sector



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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, APIR 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.