
Morphic Ethical Equities Fund Ltd (ASX: “MEC”)

A newly formed Listed Investment Company (LIC) aiming to deliver to investors an ethically screened global equities portfolio, superior risk-adjusted returns, and provide capital growth and consistent income.

Investment Management Assessment

An independent report prepared by Arkaba Advisors

13 March 2017



■ Note: this document does not constitute an offer to sell or a solicitation to invest.

Conclusion & recommendation

The overall appraisal by Arkaba Advisors is that as a Listed Investment Company (LIC), MEC represents investment grade. It is therefore suitable for inclusion on an “approved investment” list for exposure to international equities with the added attraction of an ethical investment slant. Arkaba Advisors expects that MEC should outperform the broader MSCI All Countries World Index on a risk-adjusted basis over rolling three-year periods. The stated objective of MEC is to deliver to investors an ethically screened global equities portfolio, superior risk-adjusted returns, and provide capital growth and consistent income. Further, the objective is to provide better relative returns in times of down markets, and to outperform world markets the rolling three-year periods. For investors this means that downside should be limited, providing MEC with the ability to take better advantage during and after market corrections.

The company’s progenitor, Morphic Asset Management (MAM), is the appointed Investment Manager of the company’s equities portfolio. Both MAM and MEC have experienced and well-credentialed investment teams.

The investment philosophy, investment strategy, investment process and risk-management elements of the company’s activities are well established given MAM’s backing and investment pedigree. Arkaba Advisors’ positive view is based on the depth of the collective experience of the company’s executives and the investment professionals housed within MAM and MEC.

Arkaba Advisors believes that an investment in MEC can provide an appropriate investment principally to high net worth (HNW) individuals, substantial self-directed superannuation funds and well-established family offices. An investment in MEC securities should, however, be considered as a long-term investment: the company’s capital appreciation and [future] dividend stream are not intended nor anticipated to meet investors’ short-term financial needs nor provide a complete or balanced investment program.

Differentiating & notable factors

- MEC has the backing of and access to the long-standing investment history and expertise embedded in MAM.
- Despite the natural links between MAM and MEC, the presence of the independent non-executive board members (Victoria Malley, JoAnna Fisher and Mark Forstmann) ensures strong oversight and robust governance.
- While there *may* be a share price risk with MEC’s listed securities per se, this does not necessarily flow from nor reflect an overriding risk within the LIC’s equities portfolio.
- MEC can hold cash (up to 50%) to protect investor capital.
- The investment team members are the direct investors in the selected equities – there is no in-between party or cost incurred.
- MEC is driven by bottom-up top-down research and strict ethical screening (see Portfolio Construction/Stock Selection).
- Jack Lowenstein and Chad Slater were acknowledged as two of Hunter Hall’s top-performing portfolio managers.
- The investment appeal is readily apparent for retail, HNW and family office investors requiring a truly international equities exposure, with an ESG/ethical investment objective.
- Jack Lowenstein and Chad Slater are substantial investors in the MAM Morphic Global Opportunities Fund (MGOF) designed for HNW, retail and institutional investors. They are also majority stakeholders in the business; Westpac Banking Corporation’s boutique fund manager Ascalon Capital Ltd has a strategic stake in the business (and appoints two directors to the MAM board) and is also a large investor in the fund.
- Investors seeking a long-term investment can view buying MEC shares in the IPO (and the attached options) as a positive.
- A truly global fund, with the ability to hold stocks that are not found in portfolios of domestically offered funds.

Company specifics

Company name	Morphic Ethical Equities Fund Ltd ¹ (ACN 617 345 123)
Investment strategy	Focus on global equities with a small and mid-cap bias, generating a variable beta generally across a 50% to 120% range.
Investment Manager	Morphic Asset Management Pty Ltd (AFSL 419916)

KEY ELEMENTS	DESCRIPTION
Company inception	March 2017
Domicile	Sydney, Australia
Legal form	Public listed company (ASX: "MEC"; options "MECO")
Structure/purpose	Listed Investment Company (LIC)
Investment style	Long/short process to manage risk
Offer	Up to 200 million fully paid ordinary shares with an entitlement to one option for every share subscribed. Ability to accept a further 50 million shares and options in oversubscriptions
Offer price	\$1.10 per ordinary share
Issue size	Minimum \$38.5 million Maximum \$220 million Oversubscriptions \$55 million
Options	One option per ordinary share, strike price \$1.10, expiry 30 November 2018
Proforma net asset value #1 (NAV) backing per share	\$1.072 – if the minimum subscription amount is raised
Proforma NAV/share #2	\$1.078 if the maximum subscription amount is raised (before oversubscriptions)
Proforma NAV/share #3	\$1.079 – if the maximum subscription amount and \$55 million in oversubscriptions is raised
Offer close (expected)	Broker firm 12 April 2017 General offer 19 April 2017
Geographic mandate	Global
Benchmark	Yes
Management fee	1.25% (plus GST) per annum
Performance fee	15% (plus GST) outperformance versus the MSCI ACWI. The performance fee is only payable if the MEC portfolio is above the previous high-water mark.
Investment timeframe	Mid to long-term (rolling three-year periods minimum)
ASX listing (anticipated)	1 May 2017
Dividends	Not applicable as yet
Company address	Level 3, 139 Macquarie Street, Sydney, NSW 2000
Company website	http://www.morphicasset.com/

PRIMARY CONTACT

Name and title	Jack Lowenstein, MEC Executive Director
e-mail address	jlowenstein@morphicasset.com

¹ Morphic Asset Management will donate 2.5% of its fees earned from managing MEC to charity.

Telephone number +61 2 9194-6707

Company profile

HISTORY

MAM was founded in 2012 by Jack Lowenstein and Chad Slater, both of whom are former senior portfolio managers with Hunter Hall, at one stage regarded as one of Australia's largest ethical managers with robust track records in an ethically screened investment context.

MAM manages the flagship Morpheic Global Opportunities Fund (MGOF), now with circa A\$120 million in funds under management (FUM), for high net worth, retail and institutional investors. The fund typically aims to buy shares in companies around the world based on a philosophy of "Change creates opportunity", seeking to identify enduring change as opposed to fleeting change.

It typically harvests its opportunities across the industry, technological and economic and political arenas. The fund can invest in any global listed stock with a market capitalisation greater than US\$400 million and will generally have at least 50% of net assets invested in these. It can short sell where deemed appropriate to enhance returns. To manage risk, the fund employs "top-down" macro analysis, as well as investing in individual stocks.

It is anticipated that MEC will replicate the investment screening, style and performance of this existing fund.

OBJECTIVE

The stated objective of MEC is to deliver to investors an ethically screened global equities portfolio, superior risk-adjusted returns, and provide capital growth and consistent income. Further, the objective is to provide better relative returns in times of down markets, and to outperform world markets over rolling three-year periods.

Lowenstein says that MEC's research is not confined by geography or sector but, rather, is focused on a rigorous search for ideas that meet defined investment criteria and standards. This process, he says, has allowed MAM to include in its portfolio investments that are rarely found in most other global equity funds.

INVESTMENT UNIVERSE

MEC's investment universe is global. The current top 10 portfolio holdings for MGOF (and which are MEC-eligible) reflect the Morpheic global approach: Indian infrastructure, Pakistan infrastructure, global rail, US banking and Hong Kong Insurance (as a market-neutral pair), US healthcare and short a basket of Asia-Pacific airlines and global fund managers.

BENCHMARK

The MEC portfolio's performance will be measured relative to the Morgan Stanley Capital International All Countries World Index on total return daily basis in Australian dollars over 12-month periods. Fees payable for outperformance of the benchmark are subject to the portfolio generating absolute gains since inception and the first-priority recoupment of previous underperformance.

PORTFOLIO CONSTRUCTION/STOCK SELECTION

The MEC approach is to have between 20 and 60 long and short positions comprising between 30% and 70% of net assets, plus market exposure typically representing circa 50% of net assets to give a typical market exposure of 100%. Perceived specific risks can be managed via currency and interest rate hedging.

The *negative screen* excludes buying direct interest shares in companies engaged in the following activities:

- armaments;
- tobacco and alcohol;
- gambling;
- coal and uranium mining;
- oil and gas exploration and production;

- intensive animal farming and aquaculture; and
- rainforest and old-growth [tree] logging.

Material indirect exposure to these sectors, and other stocks explicitly blacklisted by Norges Bank, which manages the world's ethically screened sovereign wealth fund on behalf of the Norwegian State, is removed from the portfolio by shorting.

The *positive screen* requires investment of at least 5% of the MEC portfolio in companies that "are likely to improve the planet". Consistent with the MEC's ethical objectives the portfolio will not include direct investments in screened-out securities and sectors. It may, however, include short positions in excluded securities.

Management

The MEC executive team and board are small and focused (as is the case for MAM).

MEC investment team

JACK LOWENSTEIN, Managing Director & Joint Chief Investment Officer, MAM, Executive Director MEC

Jack co-founded Morpheic Asset Management in 2012 and is its Managing Director and Joint Chief Investment Officer. He was previously Deputy Chief Investment Officer at Sydney-based global equity manager Hunter Hall with responsibility for risk management and portfolio construction.

As a stock picker Jack has invested in a variety of markets and sectors, but has also developed in-depth knowledge of markets in Asia-Pacific region as well as global finance and resources sectors. He played a leading role in launching Australia's first ethically screened global equities, LIC Hunter Hall Global Value Ltd (HHV). He was a director of HHV and its manager Hunter Hall from 2004 until late 2011.

Jack joined Hunter Hall in 1997, three years after its launch when it had just A\$13 million in FUM and helped build the business to nearly A\$3 billion in FUM.

At various times at Hunter Hall – in 10 years as a Portfolio Manager generating substantial outperformance – he held the roles of Deputy Chief Investment Officer and Deputy Chairman of the ASX-listed parent company. Prior to joining Hunter Hall, Jack had careers in corporate finance and as an international financial journalist. He holds an MA from Oxford University. He completed the three-year, part-time Owner/President Management Course at Harvard Business School in 2009.

CHAD SLATER, Joint Chief Investment Officer, MAM

Chad co-founded Morpheic Asset Management in 2012 with Jack Lowenstein and is its Joint Chief Investment Officer and an Executive Director. He was previously a Portfolio Manager and the Head of Currency & Macroeconomics at Hunter Hall from 2007 to 2012. During this period, which was dominated by the Global Financial Crisis (GFC), he generated substantial investment outperformance.

Before joining Hunter Hall he worked for BT Financial Group as an investment analyst including a secondment with Putnam Investments in Boston, US, and previously worked as an economist for the Australian Federal Treasury. Chad has been involved in the research and investment of global equities for more than 15 years.

He has a B.Comm and B.Econ (Hons) from the University of Queensland and has completed the Chartered Financial Analyst (CFA) program and been awarded the CFA Charter.

GEOFF WOOD, Head of Risk & Macro, MAM

Geoff the Head of Risk & Macro, previously worked in Sydney with Global Trading Strategies, a global macro hedge fund that managed more than US\$1 billion through the GFC. He was responsible for risk management.

Prior to this Geoff worked at Barclays Capital in London managing the risk on its hedge fund business. Geoff has been involved in the research and risk management of global equities and other securities for more than 15 years.

He holds an M.Sc Financial Engineering (Distinction) from the University of London, an M.Sc in Computer Science (Distinction) from the University of Birmingham, and a B.Eng Mechanical Engineering (First Class) from the University of Birmingham.

JAMES TAYLER, Head of Research, MAM

James joined MAM in 2016. He was previously Head of Investment Research at Knight Vinke, a leading activist investor focused on European companies, based in Zurich and London.

Previously James was Head of Investment Research for a single-family office in Zug, Switzerland following more than 10 years with Swiss Reinsurance Company. He has been involved in the research and investment of global equities for more than 20 years. He has a B.A (Hons) in Industrial Economics from Nottingham University.

Lowenstein, Slater and Wood have primary responsibility for the investment decisions of the Investment Manager, MAM. MAM will ensure that each member of the investment team is available to devote the required time required in order for it as Manager to properly perform its functions in managing the company's portfolio in accordance with the *Investment Management Agreement*² between MAM and MEC.

MEC board

JOANNA FISHER, Chairman

JoAnna has a long-standing and international career in the financial sector in investment management, wholesale banking and capital markets. She is a Member of the Investment Committee Australian Catholic Superannuation & Retirement Fund, a Member of the Finance Audit & Risk Committee of the Australian Chamber Orchestra, and a non-executive director of Quantum Funds Management.

She is a former General Manager, Strategy and Marketing, for the Commonwealth Bank. She also spent 12 years at Bankers Trust Corporation in the US, Japan, the UK and Australia, managing funds and developing the organisation's institutional funds management businesses. Her more than 20 years of experience encompasses business performance improvement, governance, compliance and risk management.

JACK LOWENSTEIN, Executive Director

Refer preceding *MEC Investment team* section.

MARK FORSTMANN, Non-executive Director

Mark's career spans investment markets and film and television production. He was a non-executive director of Hunter Hall International Ltd from 2001 until September 2016. He has 27 years experience in investment markets including equities, currencies and fixed interest. He has worked with Bank of America, and Banque Indosuez in both Sydney and Paris. He currently works as a portfolio manager at Grosvenor Pirie, which offers a range of retail superannuation funds.

Mark holds a B.Sc. from the University of Sydney, a Graduate Diploma from AFTRS, and has studied for a B.A. Communications at the University of Technology Sydney. He served on the board of the Nature Conservation Trust of NSW between December 2009 and May 2015.

VIRGINIA MALLEY, Non-executive Director

Virginia has worked in the financial services sector for 30 years. In 1987, she joined Macquarie Bank as a credit analyst and became Chief Risk Officer of the Funds Management Group in 2003. During this period, she developed and implemented risk management frameworks for the domestic and Asian joint venture funds management businesses.

Following her executive career at Macquarie, Virginia served as a non-executive director on a number of

² The agreement has an initial term of five years and (unless terminated) automatically extends for periods of one year at the end of the initial term and each subsequent term thereafter. MEC has applied to the ASX for a waiver to allow an initial term period of 10 years.

subsidiary boards including Macquarie Investment Management Ltd until 2012. Virginia is currently a director of Perpetual Superannuation Ltd and Perpetual Equity Investment Company Ltd, and is a member of the Clean Energy Regulator and the Nature Conservation Trust of New South Wales.

Virginia is a Fellow of the Australian Institute of Company Directors and completed the Company Director Course in 2007. She holds a Bachelor of Arts and a Master of Applied Finance from Macquarie University, a Juris Doctor from the University of Technology Sydney, and a Graduate Diploma of Environmental Law and a Master of Law from the University of Sydney.

In November 2016, she was recognised with a Faculty Award for excellence and ongoing contribution to the gold standard in governance education by the Australian Institute of Company Directors.

Portfolio performance history

The MGOF has generated strong absolute and risk-adjusted performance since its inception in August 2012. As at 28 February 2017, MGOF had more than A\$120 million in funds under management, and since its inception has generated a compound annual return of more than 17% (after fees). Strong risk management was reflected in better fund performance during the down-market months and, according to MAM, screening out excluded sectors would have lifted the compound annual return since inception to more than 17.5%.

MGOF's has returned a higher alpha, since inception, against its peers and with lower volatility. This forms the basis of Arkaba Advisors' superior risk-adjusted returns assessment.

MEC is yet to commence trading and the company therefore has no performance history.

Investment philosophy

MEC's stance is that ethical investment – predicated on environmental, social and governance (ESG) investing – offers up an under-researched opportunity set, and a focus on midcap stocks that is says is seldom found in other funds. Lowenstein proffers that academic literature “rebutts the widely held view that ethical investing is bad for returns” and that he and MAM co-founder Chad Slater having spent a large part of their careers “in my case most of it”) as ethical investors and generated had great alpha over that period.

Lowenstein explains: “Negative screen funds tend to do badly when the oil price rises, given that they are generally underweight the fossil fuel sector, while positive screen funds do badly when the oil price falls because they are long alternative energy, which tends to struggle when fossil fuels are cheap.”

“We believe that over the long term, the fossil fuel sector is a loser, but we also believe that because we have the commitment to a minimum amount in the positive-screen sectors, which are dominated by alternative energy, we are always going to have good stock ideas ready for that moment when our macro indicators suggest the oil price is starting to rally.”

INVESTMENT STRATEGY/PROCESS

MEC will adopt a long/short process to manage investment risk. Its aim is to remain adaptive, using insights derived from “Value”, “Quality” and “Momentum” styles, wherein:

- value denotes that mispricing relative to value means the market has yet to reflect change;
- quality denotes that earnings revisions (return on equity versus cost of equity) indicates changing fundamentals; and
- momentum denotes confirmation that change is real.

The confluence of these three elements provides MEC with what it calls its primary investment opportunities.

INVESTMENT PROCESS

MEC combines a top-down and bottom-up research and stock assessment, coupling this with a methodology designed to provide an early feedback loop if the investment theses change.

MEC defines itself as “hunters not collectors”, utilising a focused set of idea sources from which to select ethical screening contenders. For the bottom-up element, it undertakes factor and industry screens for new ideas and a ‘machine-learning’ review of previously held stocks. For the top-down element, macro and thematic research is undertaken.

The most-promising candidates are then subject to detailed research based on a desk-level review of publicly available information and materials, and direct contact with their respective executive managements.

Internal, proprietary research reports are then written in standard templates, and a review of the progress of investments against the investment team’s expectations is conducted at least weekly.

Four senior team members from MAM act as the capital allocators, based on:

- approvals following the presentation of research notes at daily team meetings;
- all investment proposals being subject to veto by any of the portfolio managers;
- sizing being based on loss tolerance and value-at-risk (VAR) calculations; and
- position exits being determined by valuation, news flow and stop-losses.

Dividends

MEC has no dividend history, and no dividend forecast currently exists. The board’s current intention is to pay dividends franked to the maximum extent possible (payable after the end of the first full financial year, and thereafter semi-annually) provided that payment is within prudent business practice.

Arkaba Advisors understands that the board’s intention is to maximise total shareholder returns via a combination of capital growth and income. The amount of any future dividend is at the discretion of the board and is dependent on available profit reserves and franking credits, retained earnings, capital requirements, financial conditions and any other factors deemed relevant. Adverse market movements may mean the company has no distributable profits over certain periods.

Fees

As manager, MAM is entitled to receive a management fee of 1.25% (plus GST) per annum of the value of the portfolio (payable monthly in arrears and calculated on the last business day of each month).

Additionally, MAM is entitled to be paid by MEC a performance fee equal to 15% (plus GST) of the portfolio’s outperformance relative to the Morgan Stanley Capital International All Countries World Index (total return daily in Australian dollars) over a 12-month period. This is subject to the portfolio generating absolute gains since inception and the recoupment of prior underperformance. The performance fee is only payable if the MEC portfolio’s value is above the previous high-water mark.

Risk management

Risk management is at the core of MAM’s investment process, and its approach to portfolio construction that allows for rapid responses to changing market and investment scenarios.

Risks associated with volatility within the portfolio will be managed through the active management of the portfolio. MAM may use hedging, or adjust the number of positions, the type of positions, the size of positions and leverage to manage risk.

MAM will utilise qualitative and quantitative methods to manage the level of risk within MEC which, in turn, will manage risk by monitoring MAM to ensure that the investment guidelines are appropriately fulfilled. The MEC investment team uses the following investment guidelines as part of the risk management process:

- maximum exposure limits to single stock positions;
- stop-loss guidelines which set maximum loss tolerance for each individual position;
- internal limits for aggregate exposures to individual countries, industries, and asset classes;
- (VAR) calculations; and
- stress and scenario analysis.

Transparency, reporting & compliance

It is expected that MEC will provide its investors and potential investors with ample transparency and reporting via regular end-of-month investment updates, including NTA value announcements and actual and estimated portfolio returns and semi-annual shareholder briefings, in addition to regular ASX compliance and other announcements including investor presentations, financial statements, investor calendar, changes in shareholdings and notices of meetings.

It is anticipated that a *Continuous Disclosure Policy* will provide investors with the opportunity to access externally available information issued by the company.

MAM maintains a company website. Access to all relevant information, such as independent research reports, will be available on www.morethical.com.au It is expected that all recent and current MEC company information will be posted on this site including annual reports, half-yearly reports and corporate governance practices. The website will contain a link to the share registry for shareholders and to the ASX for share price history.

MEC and MAM intend to conduct biannual shareholder briefings, with presentations held in Sydney, Melbourne, Adelaide, Brisbane, Perth and Auckland (New Zealand).

Review ranking (grade 5 = high, 1 = low)

SUMMARY	RANKING	COMMENTARY
Personnel. Quality and experience of senior investment professionals. Depth of investment team.	4	The strength of our view is based on the people, the succession plans, and the depth of the investment team.
Investment platform. The edge: uniqueness and creativity of investment. Process quality, depth of research and quality of trading systems.	4	An ethically aware process that provides an opportunity to outperform locally offered international share funds, and which speaks volumes about the uniqueness and edge of the strategy.
Risk management. Degree of focus on risk in investment process, quality of risk systems and reports, independence of risk oversight.	4	Risk management is pivotally important; we always favour an empowered risk manager equipped with a quality risk-management approach and the attendant tools.
Portfolio construction. Appropriate position sizing and concentration methodology.	3.8	This LIC will invest along the same method as the MGOF open-ended fund which has a history of adhering to strict limits.
Access and transparency. Access to investment professionals, timeliness of reporting. Quality and details of information, availability and timeliness of performance estimates.	N/A	While we cannot score the future transparency elements, Arkaba Advisors has been offered considerable access during the review process. If this is taken as a pointer to how this LIC provides information, then we are more than comfortable. Additionally, MGOF has maintained a very high level of transparency in its monthly and half-yearly reports to investors, and regular weblogs and perspectives articles. MAM has committed to undertaking semi-annual roadshows for MEC investors in all mainland capitals.
Performance. Diversification benefit to portfolio.	N/A	It is anticipated that investment performance, ceteris paribus, will replicate that achieved to date by MGOF.
Assets/investors. Company size, stability and concentration of investor base.	N/A	As a new vehicle we cannot yet score MEC on these elements.
Relationship with Investment Manager.	4	The Investment Manager and its key personnel have significant ties to the LIC: net wealth, IP and reputation.
Liquidity.	N/A	This will be determined by market appetite and broker sponsorship/support following the ASX listing anticipated for May 2017.

Issues to note

The following issues have been assessed by Arkaba Advisors as requiring acknowledgement and/or ongoing monitoring:

- No dividend forecast currently exists (see page 7)
- MEC is yet to commence trading and the company therefore has no performance history. We have reached our "investment grade" conclusion based on people, process and risk management.
- If MEC lists with a market capitalisation of less than A\$100 million combined with thin or limited trading volumes (as is the case for other LICs) it may at times have a share price discount to its NTA. However, our confidence in the Investment Manager supports a view that any discount represents a buying opportunity.
- Ethical investing still remains largely overlooked and/or not well understood by mainstream equity investors.

- The Prime Broking Agreement with Morgan Stanley & Co is such that in an event of insolvency of the Prime Broker, MEC will rank as an unsecured creditor and may not be able to recover its assets in full. This is, however, a typical Prime Broking Agreement.

Third-party advisors & service providers

Lead arranger	Taylor Collison Ltd
Joint lead managers	Taylor Collison Ltd, Morgans Financial Ltd
Co-manager	Macquarie Equities Ltd
Solicitor	KardosScanlan Pty Ltd
Investigating accountant	Pitcher Partners Sydney Corporate Finance Pty Ltd
Prime Broker and Custodian	Morgan Stanley & Co International plc
Administrator	FundBPO Pty Ltd
Share registry	Computershare Investor Services Pty Ltd

Meeting information

Type	One-on-one interview with MEC Executive Director Jack Lowenstein
Purpose	Investment management assessment
Date	9 March 2017, Daniel Liptak, Melbourne-Sydney teleconference

Information sources

One-on-one interview MEC Executive Director Jack Lowenstein
 Morpic Ethical Equities Ltd Draft investor presentation, March 2017
 Morpic Ethical Equities Ltd Draft Prospectus, 6 March 2017
 Morpic Ethical Equities Ltd Prospectus, March 2017
 MAM website (<http://www.morphicasset.com/>)
 Website log [Geoff Wood, Head of Risk & Macro] head of risk and macro] <http://www.morphicasset.com/blog/top-5-risk-management-tips>
 Internet-based desktop research by Arkaba Advisors

Rating Score

Arkaba Advisors only provides an opinion as to an investment grade or not, we believe that if we concentrate on a smaller number of offerings after a rigorous pre-review filter process investors are able to select from a concentrated list.



Disclaimer

This report has been prepared by Daniel Liptak (trading as Arkaba Advisors), an authorised representative of Minerva Capital Partners Pty Ltd, ACN 607 233 929, authorised representative number 001234642 under Australian Financial Services Licence number 287730 (Licensee). Except to the extent that any liability under statute cannot be excluded, the Licensee, its employees and authorised representatives do not accept any liability for any error or omission in this report or for any resulting loss or damage suffered by the recipient or any other person. This report is for information purposes only. It is neither an offer to sell nor a solicitation of any offer to purchase any securities in any company, in particular Morphic Ethical Equities Fund Ltd as described herein. Such an offer is being made pursuant to the formal offering via the Morphic Ethical Equities Fund Ltd Prospectus dated 13 March 2017 to be furnished to prospective investors. This document contains more complete information necessary to make an investment decision, including the risks associated with investing in the company, loss of the entire investment monies and/or lack of liquidity. A prospective investor considering a direct investment in Morphic Ethical Equities Fund Ltd should rely on this document. Any investment involves a high degree of risk. All opinions and views expressed constitute judgment as of the date of writing and may change at any time without notice and without obligation. Such information may be based on certain assumptions and involve elements of subjective judgment and analysis. Actual results may differ.

This material is intended for information purposes only and does not constitute investment advice, or a recommendation or an offer or solicitation to purchase any fund or company securities, in particular those of Morphic Ethical Equities Fund Ltd. There has been no independent review of the information presented in this report. This report is private and confidential and is intended exclusively for the use of the person to whom it has been delivered by Arkaba Advisors. This report does not constitute an offer to sell or a solicitation to invest in any jurisdiction where the offer or sale would be prohibited or to any person not possessing the appropriate qualifications.

This report is not to be reproduced or redistributed to any other person without the prior written consent of Arkaba Advisors. Arkaba Advisors receives payment consideration to undertake research reports. Arkaba Advisors does not have an interest in the securities of Morphic Ethical Equities Fund Ltd discussed in this report.