

TRIUM MORPHIC ESG L/S GLOBAL FUND

Monthly Report

January 2020

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	1 Year	Since Inception*
Trium Morphic ESG L/S Global Fund (in AUD) ¹	4.78%	8.98%	6.04%	8.20%	5.38%

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

ESG Action in Focus

Just how much consideration should guardians of your pensions and savings put on ethical and environmental concerns, if any at all? What responsibility do they have to consider climate change in investment decisions?

There is a landmark court case winding its way through the Australian courts that will have momentous consequences for how these questions are considered. [Mark McVeigh](#) is suing his Super Fund in the Federal Court for not acting in his best interests as he won't be able to access his savings until 2055, and argues that climate risks for that date should affect decisions now.

This shows the increasingly engaged stance from investors and members as the effects of climate change become more severe and are demanding more action for those entrusted with their money.

Underlying Fund Review

The Trium Morphic ESG L/S Fund (“Fund”) rose 4.8% in January, with the Underlying Fund up 0.36%. The Fund returned 5.4% since inception and 8.2% in the last year. Global equities fell 1.2% in USD terms in January, as fears of the contagion effects from the Coronavirus drove share markets down.

Our long held position in French train manufacturer performed best, despite being a cyclical stock, as rumours of a merger with competitor Bombardier circulated. Also contributing was our position in Spanish listed Mobile phone tower operator, Cellnex. Investors flocked to the certainty of earnings provided by these stable cashflow businesses.

The largest detractor of performance for the month was Sensata Technologies. As a provider of sensor equipment into trucks and autos, the stock was sold off, particularly with some changes in senior management announced.

As part of moving to close the Fund, by the end of January all equity positions had been closed down and the Fund was invested 100% in cash and short dated US Government Bonds, to fund redemptions in an orderly manner and remove risks to clients.

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)	\$ 1.0538
Funds Under Management – Fund (in AUD) (Underlying Fund's FUM, in AUD)	\$ 0.5m (\$ 22m)
Funds Under Management – Morphic (in AUD) ⁶	\$ 164m

Outlook/Manager Comments

You should have received a letter announcing the impending closing of this Fund and as such this will be the final monthly newsletter to investors.

This Fund broke new ground within hedge fund investing, bringing the principles of ethical investing and ESG into the hedge fund community. The approach to shorting of “unethical” stocks was innovative and commented on by [many](#) in the financial markets community with intense interest and we had meetings with many of the top fund allocators in the world.

In the end, however, the interest and meetings were unable to be translated into fund inflows. [Harvard Business School](#) had an interesting statistic that “new” products are 35% more difficult to sell than existing ones and take substantially longer to market.

This was our experience. When coupled with a more challenging year for our investing focus (Asia) compared to what is in vogue (US tech), these added together to make it difficult to raise assets.

We thank those clients who supported the Fund and hope that you continue to support other ESG and ethical funds.



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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;