

MORPHIC GLOBAL OPPORTUNITIES FUND

Monthly Report
May 2020



Signatory of:



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	3.84%	-2.05%	-0.79%	5.73%	5.71%	13.46%
Index ¹	2.92%	-2.94%	-3.80%	9.29%	8.33%	15.01%

* Past Performance is not an indication of future performance.

Ethical Investing in Focus

During the month, The Australian Centre for Corporate Responsibility (ACCR) released a report that found that eight members of the Investor Group on Climate Change supported less than 50% of climate related proposals between 2017 and 2019. A number of funds also don't release their voting records.

As both an active manager and an ethical investor, we believe your active shareholdings should be voted and where there is an issue that we disagree with management that we vote against that and let you, the investor, know why. If the world is to change the behaviour of companies, not voting or simply voting along Chair recommendations won't see companies face any pressure. As a reminder, your Fund votes its shareholdings and investors can read our voting instructions on our website

Portfolio review

The Fund rose 3.8% in May, outperforming global markets which rose 2.9% in AUD terms. Global equities rose 4.1% in USD terms, as markets continued their strong April performance through May with signs of re-openings driving more cyclical stocks. The strong rise in the AUD dampened returns.

The Japanese market performed best (+5.9%) with the USA (+5.0%) not far behind. Asia Ex Japan (-0.6%) lagged as fears over a China-USA escalation over Hong Kong sovereignty rose. The Technology sector resumed its leadership (7.4%), though industrials (+5.8%) rose reflecting increased confidence in the economic recovery. Defensives, such as Staples (1.8%), lagged.

Reflective of the strong performance of Software and Tech for the month, Logitech, our Swiss based technology hardware provider, was one of the largest contributors. Reporting earnings during the month, the "Working from Home" demand for their peripherals drove strong sales and the company gave margin guidance that was ahead of expectations.

The largest detractor for the month was our position in Tencent. Despite reporting an excellent result with upgrades to sell-side forecasts, the stock lagged in a strong up market, its weight in the Hong Kong market which fell being the primary issue. The Fund remains a holder.

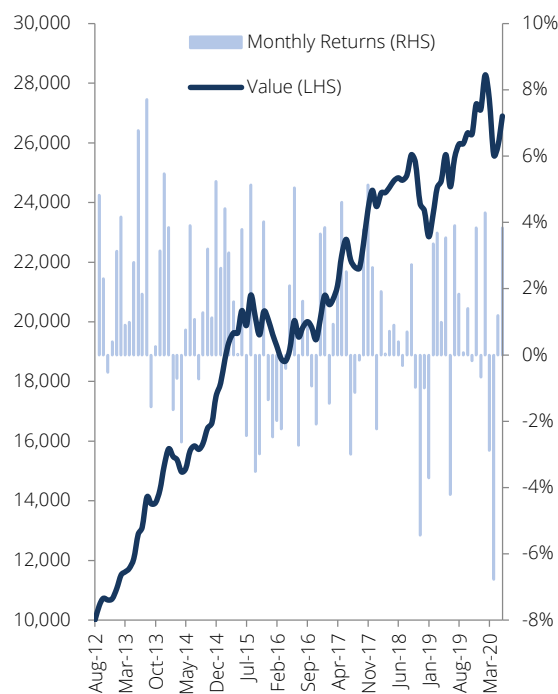
Outlook

As discussed last month, the Fund had a number of "walk always" levels where it would reinvest back in markets. The rally of last month saw these hit, returning the Fund to fully invested in Mid-May. This limited the damage from a high cash weighting. The Fund finished the month with minimal cash holdings.

We posited last month that markets were moving to price a reflationary outcome and the market was stuck in a range. With markets now back where they started the year, our call of new highs being unlikely, could well be tested in the coming months. But for now we hold to that call.

What could de-rail things? Our view is the data to stop improving. Whilst participants can argue over the size of the moves, as long as the data gets better, it's difficult to argue over the direction. If (when) the data fails to improve, markets are likely to struggle. But that would seem to be a post July/August timeframe

Performance of AUD \$10,000



Key Facts^{2,3}

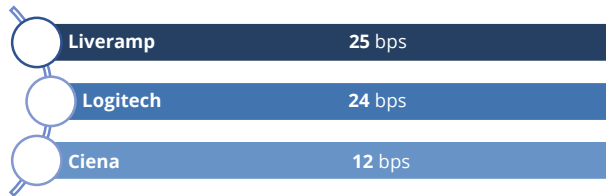
Launch Date	August 2 nd , 2012
Minimum Initial Investment	AUD 10,000
Pricing and Liquidity	Daily
Distributions	January and July
Management Fee ⁴	1.05%
Performance Fee ⁵	15%
Entry and Exit Fees	Zero
Buy/Sell Spread	0.25% each side
Unit Price	\$ 1.7777
Funds Under Management – Fund (AUD)	\$ 51m
Funds Under Management – Morphic (AUD) ⁶	\$ 112m

Top 10 Active Positions

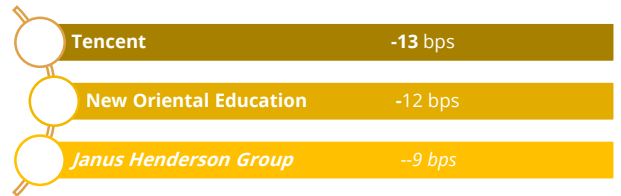
Stocks (Shorts)	Industry	Region	Position Weighting
Tencent	Information Technology	Asia Pacific	2.1%
Cellnex	Telecom	Europe	2.0%
Alstom	Industrials	Europe	1.8%
Keysight Technologies	Industrials	North America	1.5%
Service Corp	Consumer Staples	North America	1.4%
Graphic Packaging	Industrials	North America	1.4%
Liveramp	Information Technology	North America	1.2%
New Oriental Education	Consumer Services	North America	1.1%
Techtronic Industries	Information Technology	Asia Pacific	1.1%
Anima	Financials	Europe	1.0%

Risk Measures	
Net Exposure ⁷	100%
Gross Exposure ⁸	117%
VAR ⁹	2.62%
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	10.40%

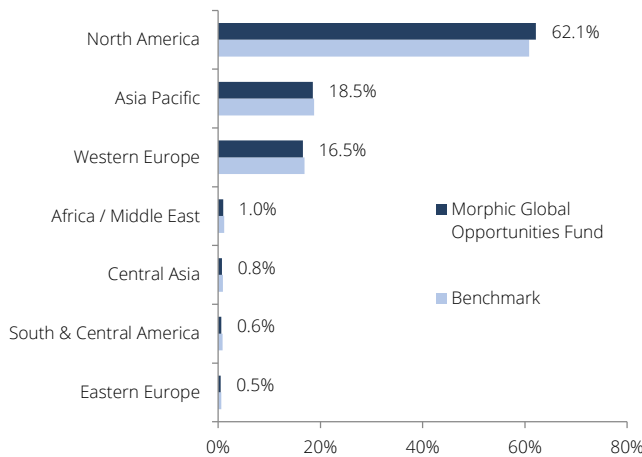
Top three alpha contributors¹² (bps)



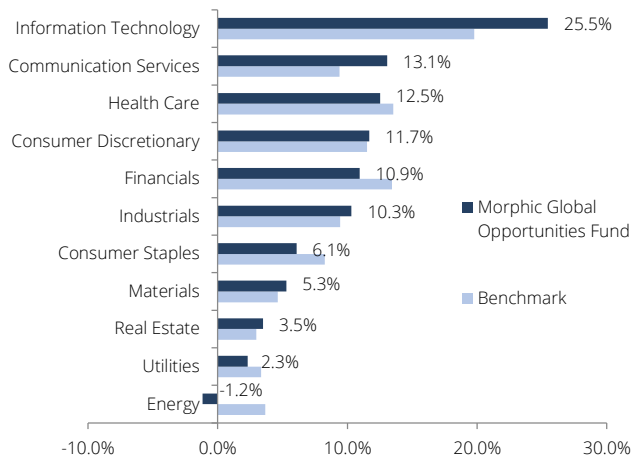
Top three alpha detractors¹² (bps)



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, APRI 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.