

# TRIUM MORPHIC ESG L/S GLOBAL FUND

## Monthly Report

November 2018

### 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

Trium Morphic ESG L/S Global Fund  
(in AUD)<sup>1</sup>

1 Month

-2.63%

Since Inception<sup>2</sup>

-2.87%

Past Performance is not an indication of future performance.

### ESG Action in Focus

November saw the team out meeting investors around Australia and as always it is great to hear from those who are interested in Responsible Investing. Morphic was lucky enough to have Nicolette Boele from the Responsible Investment Association of Australasia (RIAA) address our Sydney event. For those that couldn't attend, a video of the Sydney presentation and a soft copy of the material presented can be found [on our website](#).

One of Morphic's differentiating features is our ability to short companies that we believe have poor ESG practices. We spoke about our short position in Coca-Cola Amatil (CCL) [before](#), and on the last day of November, the firm announced that earnings would not meet market expectations in 2019, whereupon the stock fell 14% on the day. We still don't believe CCL is adjusting quickly enough to changes in consumer preferences against sugar, and it shows investors how ESG views can be incorporated profitably into their personal values on the short side.

### Underlying Fund Review

The Fund fell 2.6% (in AUD) in November, with the Underlying Fund up 0.5% (in USD), the difference being the rise in the AUD.

The 1.3% bounce (USD) in global markets was led by the more cyclically sensitive markets. Asia was up 4.3% in USD terms and Emerging Markets more generally were up 4.1%. Europe (-1.1%) and Japan (+0.4%) were the laggards.

[China Water Affairs Group](#) (CWAG) was the largest contributor over the month, reversing the sharp sell-off in September and October. Company earnings reported at the end of the month suggest business growth remains on track at over 20% a year. CWAG continues to look for ways to monetise legacy non-core assets. It also plans an IPO for its sewerage treatment business to free up capital to focus on water distribution. On nine times next year's earnings, we think the stock is still cheap and it remains in our top five active positions.

One of our largest detractors for the month was our position in Japanese condominium builder, Haseko. The company continues to post record profits, but our ownership period has been a frustrating experience, due to the company's refusal to share these benefits with shareholders through adequate dividends and share buybacks. We have made a number of unsuccessful [attempts to engage with the management](#) on capital management plans. The falls over the month took the position to our stop loss, where we exited. We will continue to engage with other shareholders on ways to unlock value in the business.

### Key Facts<sup>3, 4</sup>

Launch Date	19 October 2018
Minimum Initial Investment	AUD 100,000
Pricing and Liquidity	Daily
Management Fee (Underlying Fund's Management Fee) <sup>5</sup>	0% (1%)
Performance Fee (Underlying Fund's Performance Fee) <sup>6</sup>	0% (15%)
Entry and Exit Fees	Zero
Unit Price (in AUD)	\$ 0.9713
Funds Under Management – Fund (in AUD) (Underlying Fund's FUM, in AUD)	\$ 146k (\$ 28m)
Funds Under Management – Morphic (in AUD) <sup>7</sup>	\$ 155m

### Outlook

After the shock of October, markets found a floor in a volatile November. Investors may recall the proximate cause for the sell-off in October were higher interest rates and fears the Federal Reserve would raise the interest rate by three or more times in 2018. Both higher rates and expectations of three interest rate hikes have been unwound now. When coupled with the large fall in oil prices, it is difficult to see imminent inflation threats in 2019.

Against this, economic data outside the USA has softened and some lead indicators in the USA, such as unemployment claims are creeping higher. With the Trump-Xi summit seeing the "Trade war" put on hold for the next three months at least, the question for 2019, is whether the Federal Reserve engineers a controlled slowdown in the economy like 1995, or whether it has already over-tightened, more like 2007.

Historical records say [pauses in Fed hiking cycles](#) are often good for equities and risk assets – but concerns over whether there have already been too many hikes will be the key focus as we move into 2019.

# Underlying Fund Portfolio Characteristics

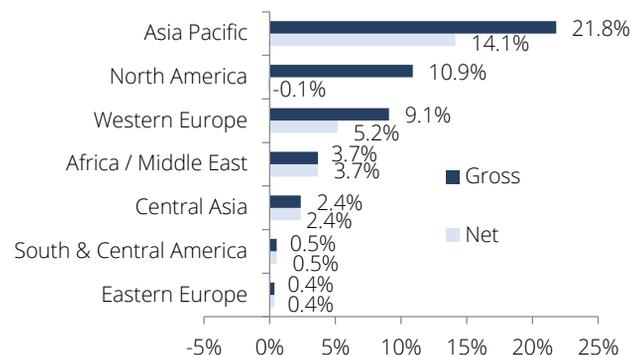
## Top 3 Long Positions

Company	Country	Position Weighting
Alstom	France	5.1%
China Everbright Intl	Hong Kong	4.5%
China Water Affairs Group	Hong Kong	3.8%

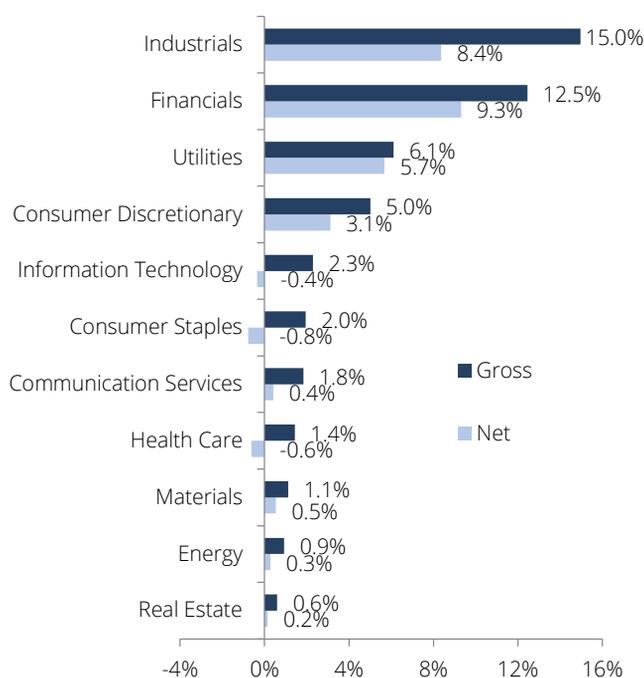
## Top 3 Short Positions

Company	Country	Position Weighting
Kuehne + Nagel Intl	Switzerland	(1.4%)
Qantas Airways	Australia	(0.9%)
Coca-Cola Amatil	Australia	(0.8%)

## Equity Exposure Summary By region



## Equity Exposure Summary By sector



## Risk Measures

Net Exposure <sup>8</sup>	26.1%
Gross Exposure <sup>9</sup>	48.7%
Long Exposure	37.4%
Short Exposure	-11.3%
VAR <sup>10</sup>	2.6%

The Trium Morpheic ESG L/S Global Fund is an open-ended Unit Trust and seeks to achieve its objective through investing in the Trium Morpheic ESG L/S Fund ("the Underlying Fund"). The Underlying Fund is an Undertakings for Collective Investment in Transferable Securities (UCITS) fund on the Trium UCITS platform with the same investment objectives as the Unit Trust. You can download the Underlying Fund's latest monthly factsheet [here](#).

## Contact details

**Irene Kardasis**

*Business Development Manager, Morpheic Asset Management*

Phone: +61 2 9194 6707

Email: [ikardasis@morphicasset.com](mailto:ikardasis@morphicasset.com)

**Sue Petrie**

*Sales Director, Trium Capital*

Phone: +44 20 3819 5904

Email: [sue.petrie@trium-capital.com](mailto:sue.petrie@trium-capital.com)

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 Morpheic Asset Management Pty Ltd ("Morpheic") (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 investment in the Trium Morpheic ESG L/S Global Fund ("the Fund") should first review the Product Disclosure Statement (PDS) for the Fund issued by Perpetual Trust Services Ltd dated 15/08/2018. Initial Applications for units in the Fund can only be made pursuant to the application form in the PDS. Morpheic does not guarantee repayment of capital or any particular rate of return from the Fund. 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 Morpheic believes to be reliable, but Morpheic does not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions and estimates included in this report constitute Morpheic's judgement as at the date of this communication and are subject to change without notice.

<sup>1</sup> Performance is after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable); <sup>2</sup> Fund inception: 19 October 2018; <sup>3</sup> ISIN AU60PER64163, APIR PER6416AU; <sup>4</sup> All fees shown are inclusive of GST; <sup>5</sup> The Underlying Fund's expense recoveries are capped at maximum 1.0% p.a.; <sup>6</sup> 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; <sup>7</sup> Total funds under management of Morpheic Asset Management; <sup>8</sup> Includes Equities and Commodities - longs and shorts are netted; <sup>9</sup> Includes Equities, Commodities and 10 year equivalent Credit and Bonds - longs and shorts are not netted; <sup>10</sup> VAR is Value at Risk based upon the 95th percentile with a 1 day holding period using a 1 year look back.