

TRIUM MORPHIC ESG L/S GLOBAL FUND

Monthly Report

December 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	1 Month	Since Inception*
Trium Morphic ESG L/S Global Fund (in AUD) ¹	2.32%	-0.62%

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

ESG Action in Focus

The momentum behind Ethical Investing continued throughout 2018 both here in Australia and globally. As more asset owners demand such an approach from their asset managers, taking account of ESG risks in addition to traditional financial aspects of investments will continue to have an ever greater influence on company share prices. An example of this has been the decision of various large investors (including AMP Capital) to divest of all tobacco stocks. [We expect to see even bigger movements](#) around other negative activities such as coal, oil and gas exploration and production.

Underlying Fund Review

The Fund rose 2.3% (in AUD) in December, with the Underlying Fund down 1.7% (in USD). A falling AUD over the month offset the fall in the Underlying Fund. The gross exposure of the Underlying Fund, whilst lower than historical averages, was somewhat higher over the month than November, whilst net exposure was unchanged in the mid 20's.

Somewhat unusually, the USA fell the most (-9.2% in USD) with Asia down 3.0% and Europe down 4.7%. In contrast to cyclical regions outperforming, the worst sectors were cyclical, with Energy (-9.2%) and Tech Hardware (-9.0%). Unsurprisingly, Utilities dropped the least (-2.2%).

Service Corp International (SCI) and Axos Financial (formerly Bank of Internet), were the largest detractors over the month as Financial sector stocks came under pressure in a falling market about fears of bad debts and lower lending. SCI, being a large issuer of debt also came under pressure in down months as credit spreads widen. The other detractor of note was Alstom as fears about cyclical stocks were combined with worries that the proposed merger with Siemens may be knocked back by the European Commission.

The largest contributor was Power Grid of India, as the capital flowed in defensive utility stocks. Also contributing over the month was the freight forwarders market neutral pair in Europe. Panalpina, a stock the Fund has been short before, as there are signs that governance may be improving – this improvement being part of what is looked for through the ESG lens. Sector risk is hedged through a short on Kuehne + Nagel and DSV.

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)	\$ 0.9938
Funds Under Management – Fund (in AUD) (Underlying Fund's FUM, in AUD)	\$ 1m (\$ 29m)
Funds Under Management – Morphic (in AUD) ⁶	\$ 157m

Outlook

The bullish outlook after the falls of the year proved to be incorrect. Normally the seasonality is the opposite – markets tend to rally.

With the caveat that our predictions of markets reactions to news has not been in sync with the market, the Underlying Fund is somewhat positioned for a rebound from here with risk not being reduced but rather added at the margin.

Sentiment indicators are extremely negative, as is positioning data. This combination has historically seen positive returns over the coming months. A recession in the USA seems unlikely considering job and wage growth with a Federal Reserve going on hold. Our Half Yearly Outlook due out later this month will expand further on these thoughts.

Some small hedges against this occurring are in place by hedging back to USD some non-USD exposure.

Underlying Fund Portfolio Characteristics

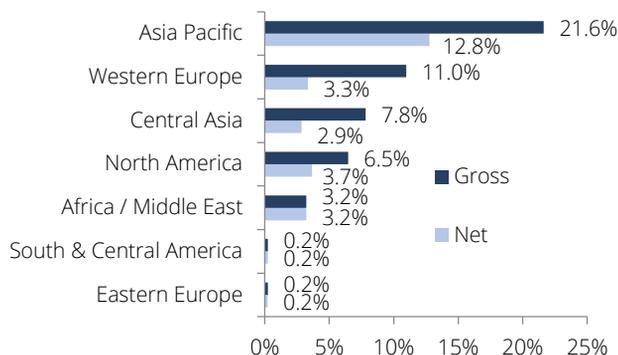
Top 3 Long Positions

Company	Country	Position Weighting
Alstom	France	4.6%
China Everbright Intl	Hong Kong	4.6%
China Water Affairs Group	Hong Kong	3.6%

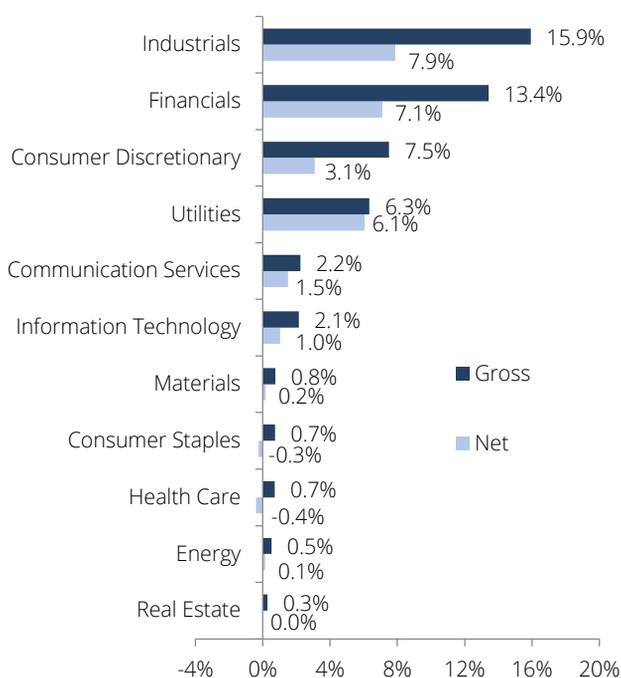
Top 3 Short Positions

Company	Country	Position Weighting
ICICI Bank	India	(2.5%)
Mazda Motor	Japan	(1.6%)
Kuehne + Nagel Intl	Switzerland	(1.2%)

Equity Exposure Summary By region



Equity Exposure Summary By sector



Risk Measures

Net Exposure ⁷	26.3%
Gross Exposure ⁸	50.6%
Long Exposure	38.4%
Short Exposure	-12.1%
VAR ⁹	2.7%

The Trium Morphic ESG L/S Global Fund is an open-ended Unit Trust and seeks to achieve its objective through investing in the Trium Morphic 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](#).

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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; 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.