

# TRIUM MORPHIC ESG L/S GLOBAL FUND

## Monthly Report

February 2019

### 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	Since Inception*
Trium Morphic ESG L/S Global Fund (in AUD) <sup>1</sup>	0.85%	1.12%	-1.78%

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

### ESG Action in Focus

Morphic believes that improving corporate governance can be a catalyst for strong share price performance. Last year, global freight-forwarding company Panalpina announced that its non-independent Chairman would step down. As a trustee of the charitable foundation which is the company's largest shareholder (46%), and as Chairman, he had previously actively defended the company's independence. Panalpina subsequently received a bid from Danish peer DSV which at CHF 180 represented a 30% premium to the prevailing share price. Panalpina's Board appears reluctant to consider this bid.

The company's constitution restricts every shareholder to voting a maximum of 5% of the share capital which would appear to protect minority shareholders from the influence of the largest shareholder. However, to date the Board has exercised a discretion, which we believe is unwarranted, allowing the Foundation to vote its full economic interest whilst restricting other shareholders. We (and other shareholders) object to this so-called “grandfathering” and have engaged with the Board accordingly. Subsequently the Foundation has called for an EGM in order to adopt a “one share, one vote” policy. Ordinarily this may be considered an improvement in governance, however, we interpret this as a tacit acknowledgement that the prior grandfathering was invalid and rather than let the largest shareholder legitimise their prior influence, we will be opposing this move.

### Underlying Fund Review

The Fund rose 0.85% (in AUD) in February, with the Underlying Fund down 1.5% (in USD). A falling AUD offset the fall in the Underlying Fund. The net exposure of the Underlying Fund was unchanged in the mid 20's.

The largest detractor for the month was our long position in freight forwarder Panalpina, giving back some of last month's gains as markets become increasingly worried about the company's defence against the bid. The second and third largest shareholders have publicly backed the bid, however, the charitable foundation which holds the Founders stake (46%), is trying to leverage the company's corporate governance structure in order to support the Management's desire to remain independent. Morphic has engaged with the Board of Directors, urging them to act in the interest of all shareholders and consider all risks. Our exposure to this sector remains largely hedged.

### Key Facts<sup>2, 3</sup>

Launch Date	19 October 2018
Minimum Initial Investment	AUD 100,000
Pricing and Liquidity	Daily
Management Fee (Underlying Fund's Management Fee) <sup>4</sup>	0% (1%)
Performance Fee (Underlying Fund's Performance Fee) <sup>5</sup>	0% (15%)
Entry and Exit Fees	Zero
Unit Price (in AUD)	\$ 0.9822
Funds Under Management – Fund (in AUD) (Underlying Fund's FUM, in AUD)	\$ 2m (\$ 30m)
Funds Under Management – Morphic (in AUD) <sup>6</sup>	\$ 167m

The largest contributor was the position in rail equipment manufacturer Alstom, partially recovering last month's losses. Despite the EU Competition Commissioner blocking Alstom's merger with peer Siemens Mobility, the underlying operating performance of the company has continued to be excellent. We remain holders as we still believe Alstom is attractively valued without the merger and it is now clearly being recognised by other investors who may have waited on the sidelines until the bid uncertainty was resolved.

### Outlook

Our concerns last month about a further rally proved to be unfounded as markets rallied to return to the levels of mid-last year. As such, any insurance carried last month hurt performance. With many market valuation metrics back to where they were before the sell-off, Morphic would note that real world data is still only showing glimpses of improvement. We continue to see markets in a consolidation phase, being currently neither bullish nor overly bearish.

The portfolio is overweight Asia, as well as the USD via a short on the Australian dollar.

# Underlying Fund Portfolio Characteristics

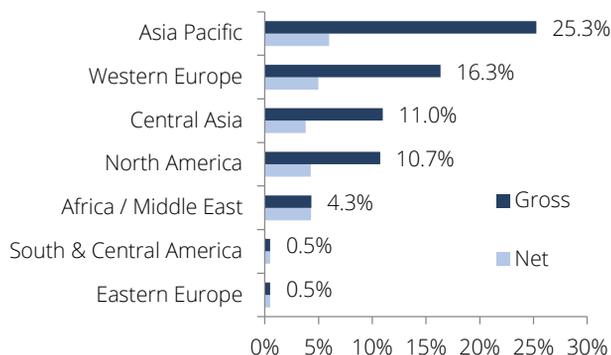
## Top 3 Long Positions

Company	Country	Position Weighting
Alstom	France	6.4%
Panalpina	Switzerland	4.2%
China Water Affairs Group	Hong Kong	4.2%

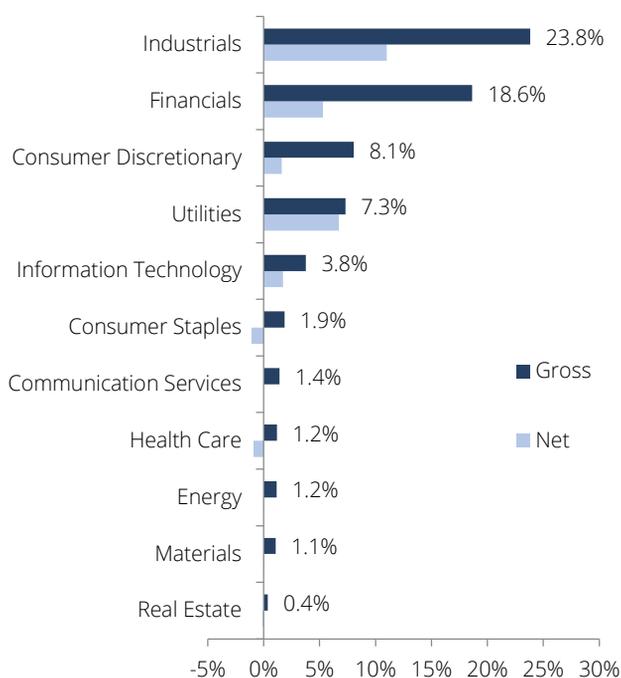
## Top 3 Short Positions

Company	Country	Position Weighting
ICICI Bank	India	(3.6%)
Qantas Airways Ltd	Australia	(2.7%)
DSV A/S	Denmark	(2.3%)

## Equity Exposure Summary By region



## Equity Exposure Summary By sector



## Risk Measures

Net Exposure <sup>7</sup>	24.4%
Gross Exposure <sup>8</sup>	68.7%
Long Exposure	46.5%
Short Exposure	-22.2%
VAR <sup>9</sup>	3.34%

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