



AsiaHedge
2018 Finalist
"New Fund of
the Year"



A proud founder of:
Climate Action 100+

Signatory of:
PRI Principles for
Responsible
Investment

Fund Objective

The Morphic Ethical Equities Fund Limited (the Fund) seeks to provide investors a way to grow their wealth and feel confident they do so without investing in businesses that harm the environment, people, and society.

The Fund excludes direct investments in entities involved in environmental destruction, including coal and uranium mining, oil and gas, intensive animal farming and aquaculture, tobacco and alcohol, armaments, gambling and rainforest and old growth logging.

Investment returns*

	1 Month	3 Months	6 Months	CYTD	ITD (p.a.)
Morphic Ethical Equities Fund ¹	2.99%	7.29%	6.75%	10.74%	7.06%
Index ²	4.33%	11.34%	10.13%	15.99%	12.94%

* Past Performance is not an indication of future performance.

Ethical Investing in Focus

The fight against climate change has never been more critical and every Earth Day on 22nd of April reminds us that we all share in the responsibility to protect and preserve the planet. This year's focus was the protection of threatened and endangered species. Wherever natural resources are exploited, one can observe [a deteriorating natural environment](#). Aside from the moral implications of destroying the home of our fellow species, this will have real financial consequences: lower crop yields equal higher food prices; and a loss of protein source for much of Asia as fish stocks collapse.

One of our charitable partnerships, [The Rainforest Alliance](#), works to preserve at-risk rainforests by funding the local community to work sustainably in their local environment. We would encourage you to consider supporting their work.

Portfolio review

The Fund rose 3.0% in April, underperforming global markets which went up 4.3% in AUD terms. The rally in global equities continued as they returned 3.0% in USD terms, a broad-based rally across all major regions and most global sectors.

The US continued to lead regional performance in April, cyclical sectors outperformed defensives and tech remains the best performing sector YTD. All regions rallied in April with Japan (+1.4%) the worst performing region during the month, lagging global markets by 8.0% this year.

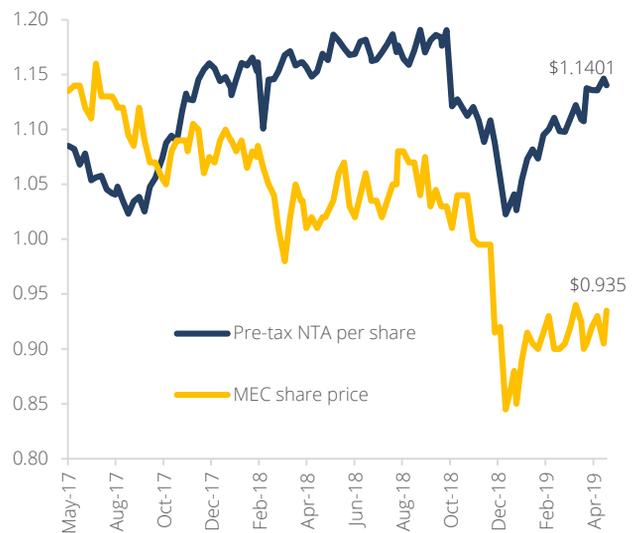
The largest detractor for the month was our long position in Indian bank Yes Bank. The company reported poor quarter results with the bank's first-ever quarterly loss driving the stock down almost 30%. Multiple pressures – bigger than expected provisioning, slower overall growth, bearish guidance on future credit cost, weaker asset quality and capital - resulted in the bank's biggest decline on record. The position was stopped out according to the Fund's stop loss rules.

The Fund's largest contributor was the position in freight forwarder Panalpina. On the first day of the month, Panalpina announced that it had agreed to improved terms from its takeover suitor Danish-peer DSV. The share price reacted positively, closing the significant gap to the value of the bid implied by DSV share price. Over subsequent days, we closed this pair trade and took profits.

Net Tangible Assets (NTA)

NTA value before tax ³	\$ 1.1401
NTA value after tax ³	\$ 1.1213

MEC share price and Pre-tax NTA performance⁴



Outlook

The "about-turn" of the Federal Reserve has delivered the desired effect of stabilising financial market conditions, lowering volatility and reassuring equity investors. At the moment, equity investors are enjoying the benefit of lower interest rates, yet with earnings forecasts intact. This is unlikely to continue.

Bond investors are pricing interest rate cuts by year end, but worsening data would seem to be the hurdle for the Federal Reserve (Fed). If this occurs, earnings are unlikely to hold up. On the other hand, if the data improves, the Fed is unlikely to cut rates, which will tighten financial conditions and be a headwind to stocks. We retain a "cautiously optimistic" outlook with a preference for non-US stocks.

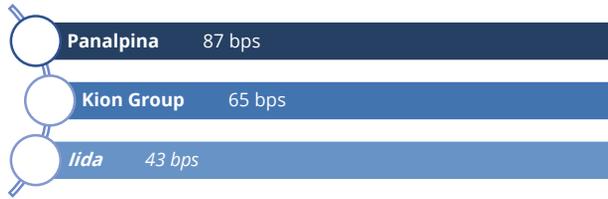
Top 10 Active Positions

Stocks (Shorts)	Industry	Region	Position Weighting
Huadian Power Intl	Power Utility	Asia Pacific	(4.9%)
China Everbright Intl	Waste-to-Energy	Asia Pacific	4.6%
Alstom	Global Rail Equipment	Europe	4.4%
Iida	Japanese Homebuilders	Asia Pacific	(4.2%)
Service Corp	US Deathcare	North America	4.2%
Bank Leumi	Israeli Bank	Middle East	3.9%
Coca-Cola Amatil	Beverages	Asia Pacific	(3.8%)
Axos Financial	US Bank	North America	3.6%
Qantas	Australian Airline	Asia Pacific	(3.4%)
Woolworths	Australian Retail Stores	Asia Pacific	(3.2%)

Risk Measures	
Net Exposure ⁵	101%
Gross Exposure ⁶	171%
VAR ⁷	1.32%
Upside Capture ⁸	66%
Downside Capture ⁸	82%
Best Month	5.51%
Worst Month	-5.41%
Average Gain in Up Months	2.10%
Average Loss in Down Months	-1.90%
Annual Volatility	8.79%
Index Volatility	9.54%

Hedge Positions	Risk Limit Utilisation (%) ⁹
Long CNH vs USD and EUR	0.9%

Top three alpha contributors¹⁰ (bps)

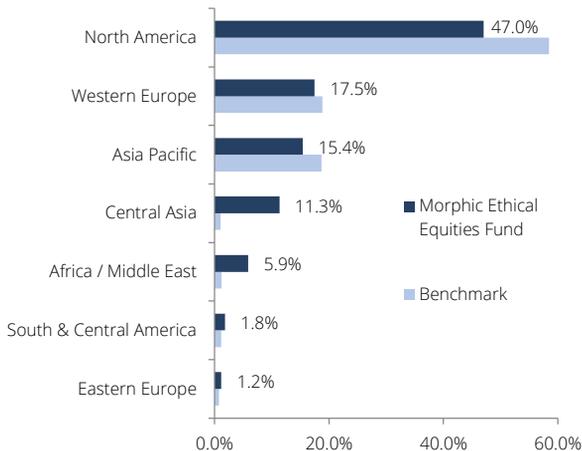


Top three alpha detractors¹⁰ (bps)

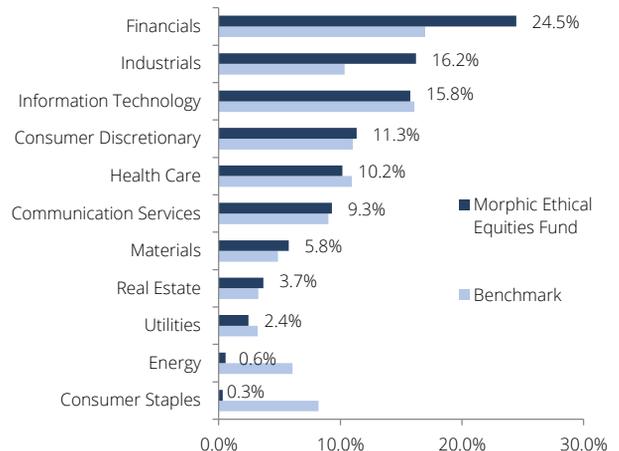


Key Facts	
ASX code / share price	MEC / 0.935
Listing Date	3 May 2017
Management Fee	1.25%
Performance Fee ¹¹	15%
Market Capitalisation	\$ 49m
Shares Outstanding	52,619,987
Dividend per share ¹²	\$ 0.02

Equity Exposure Summary By region



Equity Exposure Summary By sector



Contact us

Morphic Asset Management Pty Ltd
Level 3, 139 Macquarie St
Sydney 2000
New South Wales
Australia
www.morphicasset.com



Irene Kardasis
Business Development Manager
Phone: +61 2 9194 6707
Email: ikardasis@morphicasset.com

This communication has been prepared by Morphic Ethical Equities Fund Limited ("MEC") (ACN 617 345 123) and its Manager, Morphic Asset Management Pty Ltd ("Morphic") (ACN 155 937 901) (AFSL 419916). The information contained in this communication is for information purposes only and is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. Please note that, in providing this communication, MEC and Morphic have not considered the objectives, financial position or needs of any particular recipient. MEC and Morphic strongly suggest that investors consult a financial advisor prior to making an investment decision. No warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this communication. To the maximum extent permitted by law, none of MEC, its related bodies corporate, shareholders or respective directors, officers, employees, agents or advisors, nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence for any loss arising from the use of information contained in this communication. If this communication includes "forward looking statements", such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of MEC and its officers, employees, agents or associates that may cause actual results to differ materially from those expressed or implied in such statement. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. MEC and Morphic assume no obligation to update such information. This communication is not, and does not constitute, an offer to sell or the solicitation, invitation or recommendation to purchase any securities and neither this communication nor anything contained in it forms the basis of any contract or commitment.

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 Ethical Equities 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 Ethical Equities 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 Performance is net of investment management fees, before company admin costs and taxes; ² The Index is the MSCI All Countries World Daily Total Return Net Index (Bloomberg code NDUEACWF) in AUD; ³ The figures are unaudited; ⁴ The pre-tax net tangible asset value is after the deduction of fees and costs. Fund listing on the ASX 3 May 2017. Past performance is not an indication of future performance; ⁵ Includes Equities and Commodities - longs and shorts are netted; ⁶ Includes Equities, Commodities and 10 year equivalent Credit and Bonds - longs and shorts are not netted; ⁷ Based on gross returns since Fund's inception; ⁸ As a percentage of the Fund's Value at Risk (VaR) Limit; ⁹ As a percentage of the Fund's Value at Risk (VaR) Limit; ¹⁰ Attribution; relative returns against the Index excluding the effect of hedges; ¹¹ The Performance Fee is payable 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; ¹² Dividend per share includes the final dividend for FY18 payable on 12 December 2018.