

**MORPHIC
GLOBAL
OPPORTUNITIES
FUND**

Monthly Report
April 2019

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	3.54%	8.41%	12.05%	10.32%	11.17%	14.96%
Index ¹	4.33%	11.34%	15.99%	14.41%	13.01%	16.77%

* 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 3.5% 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.

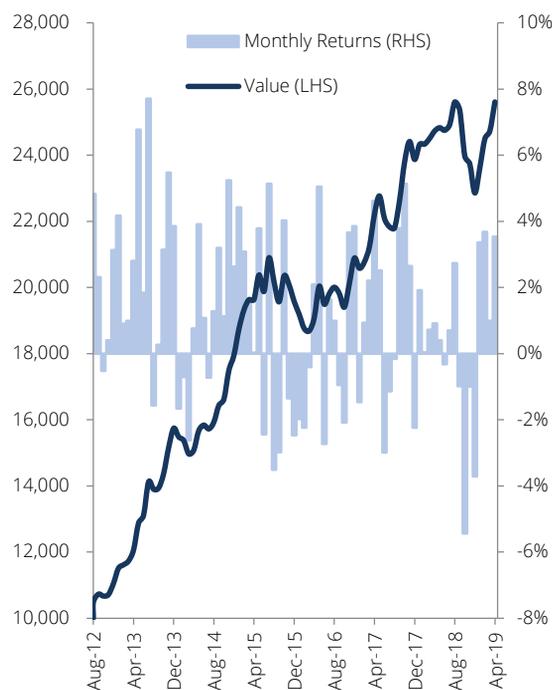
The Fund's largest contributor was the position in freight forwarder Panalpina. On the first day of the month, Panalpina announced that it had agreed to improved terms from its takeover suitor Danish-peer DSV. The share price reacted positively, closing the significant gap to the value of the bid implied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

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.

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	1.35%
Performance Fee ⁵	15.375%
Entry and Exit Fees	Zero
Buy/Sell Spread	0.3% each side
Unit Price	\$ 1.7049
Funds Under Management – Fund (AUD)	\$ 80m
Funds Under Management – Morphic (AUD) ⁶	\$ 171m

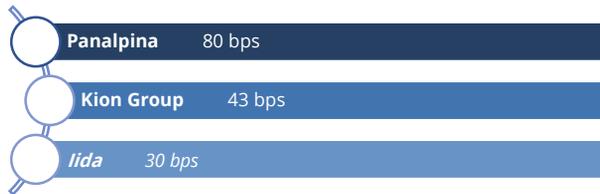
Top 10 Active Positions

Stocks (Shorts)	Industry	Region	Position Weighting
Alstom	Global Rail Equipment	Europe	4.4%
Huadian Power Intl	Power Utility	Asia Pacific	(3.4%)
China Everbright Intl	Waste-to-Energy	Asia Pacific	3.2%
Service Corp	US Deathcare	North America	2.8%
Iida	Japanese Homebuilders	Asia Pacific	(2.8%)
Bank Leumi	Israeli Bank	Middle East	2.6%
Coca-Cola Amatil	Beverages	Asia Pacific	(2.5%)
Axos Financial	US Bank	North America	2.4%
Qantas	Australian Airline	Asia Pacific	(2.3%)
Woolworths	Australian Retail Stores	Asia Pacific	(2.1%)

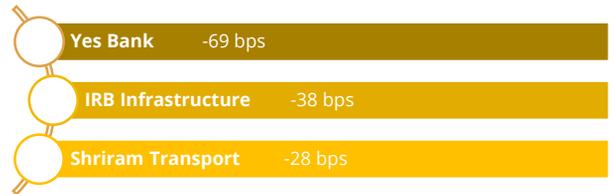
Risk Measures	
Net Exposure ⁷	102%
Gross Exposure ⁸	158%
VAR ⁹	1.44%
Upside Capture ¹⁰	94%
Downside Capture ¹⁰	84%
Best Month	7.71%
Worst Month	-5.44%
Average Gain in Up Months	2.74%
Average Loss in Down Months	-1.87%
Annual Volatility	9.44%
Index Volatility	9.66%

Hedge Positions	Risk Limit Utilisation (%) ¹¹
Long CNH vs USD and EUR	0.7%

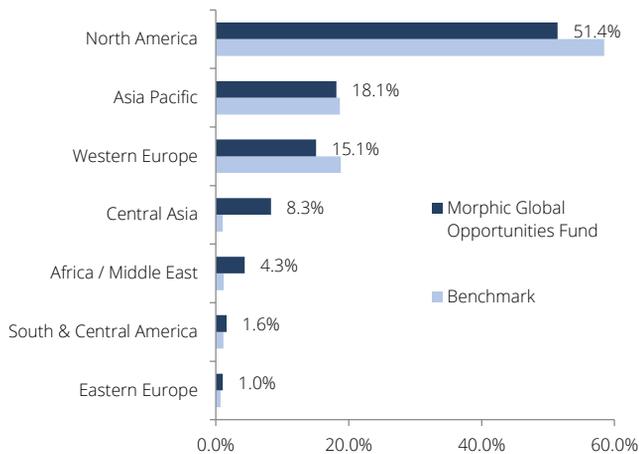
Top three alpha contributors¹² (bps)



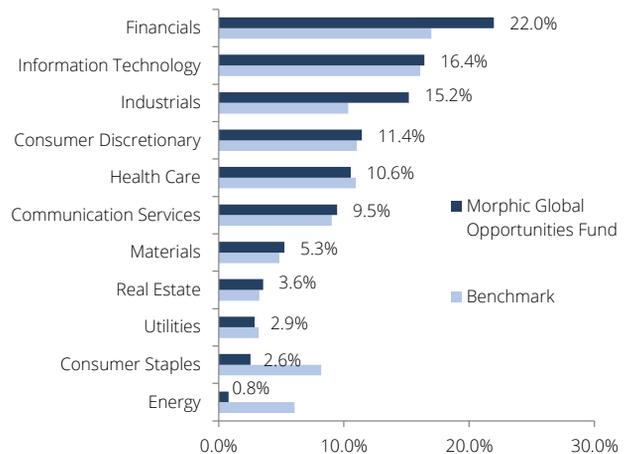
Top three alpha detractors¹² (bps)



Equity Exposure Summary By region



Equity Exposure Summary By sector



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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.