

TRIUM MORPHIC ESG L/S GLOBAL FUND

Monthly Report

May 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	CYTD	Since Inception*
Trium Morphic ESG L/S Global Fund (in AUD) ¹	1.50%	1.61%	0.42%	-0.20%

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

ESG Action in Focus

The whole Morphic Team would like to thank the many people who attended our Funds' presentations across Australia in May (and early June). We were very pleased to see the genuine interest in Responsible Investing and the momentum happening in the industry. The video, as well as the slides, are now available [on our website](#).

During our roadshow, we were also pleased to announce that Ellerston Capital Ltd (Ellerston) has acquired a [controlling interest](#) in Morphic Asset Management (Morphic). On completion Morphic will become a subsidiary of Ellerston. Morphic's founders, Jack Lowenstein and Chad Slater will continue running the Morphic Funds, with access to Ellerston's wider analyst pool and infrastructure.

Underlying Fund Review

The Fund rose 1.5% (AUD) in May, with the Underlying Fund flat (0.0%) in USD terms. Renewed trade war concerns were the main cause of global markets falling 6.2% in USD terms last month. Net exposure management was effective, falling to -2.2% whilst the gross exposure was decreased to 65.9% over the course of the month as part of our risk management which sees gross often fall with net exposure.

All regions and global sectors posted a negative return during the month. In Europe (-6.3%), Sweden (-9.8%) and Italy (-9.6%) fell the most during the month. Asia Pacific ex-Japan (-7.4%), markets was weighed down by China (-13.5%) and Korea (-9.3%).

The largest positive contributor for the month was the short position in HK-listed Chinese coal-powered generator Huadian Power. The position did well as trade tensions with the US increased. While Huadian may gain from falling domestic coal prices, this is likely to be more than offset by losses from steadily reducing operating hours in the face of a slowing economy and higher competition from renewables.

On the other hand, the largest detractor for the month was our long position in US Bank, Axos Financial. Axos fell amidst market concerns the company may struggle to integrate its recent acquisitions, which may in turn mar its industry-leading cost-to-income ratio and return on equity. While not fully sharing this anxiety, we have trimmed our position until we get greater clarity.

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)	\$ 0.9980
Funds Under Management – Fund (in AUD) (Underlying Fund's FUM, in AUD)	\$ 4m (\$ 33m)
Funds Under Management – Morphic (in AUD) ⁶	\$ 165m

Outlook

With the poor May US jobs data released, it seems highly likely the US Federal Reserve will be cutting interest rates within the next few months. Indeed, interest rate markets currently forecast two to three cuts by year-end. There are two dominating schools of thought: the first being the view in rates markets, that the world is heading into recession in 2020. Sell everything as it's 2008, buy bonds. The other view is this is more like 1998, which saw some "pre-emptive cuts" but no recession and equities traded substantially higher.

Reflective of this great uncertainty, the Underlying Fund is carrying more short stocks, which will add value if markets fall. A reduction in the long positions in Asia has been the driver of the fall in the net exposure (and gross). Incoming data will resolve this in coming months, with the Underlying Fund able to adjust accordingly.

Underlying Fund Portfolio Characteristics

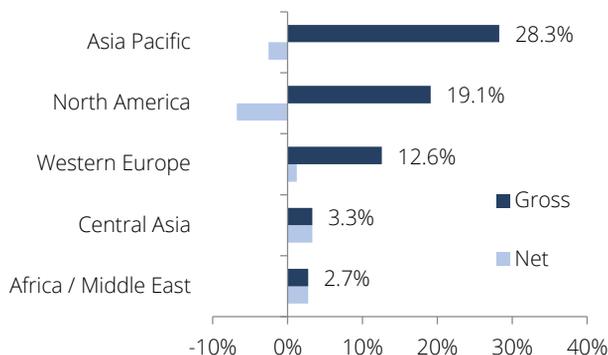
Top 3 Long Positions

Company	Country	Position Weighting
Alstom	France	6.5%
China Everbright Intl Ltd	Hong Kong	5.5%
Service Corp International	United States	4.7%

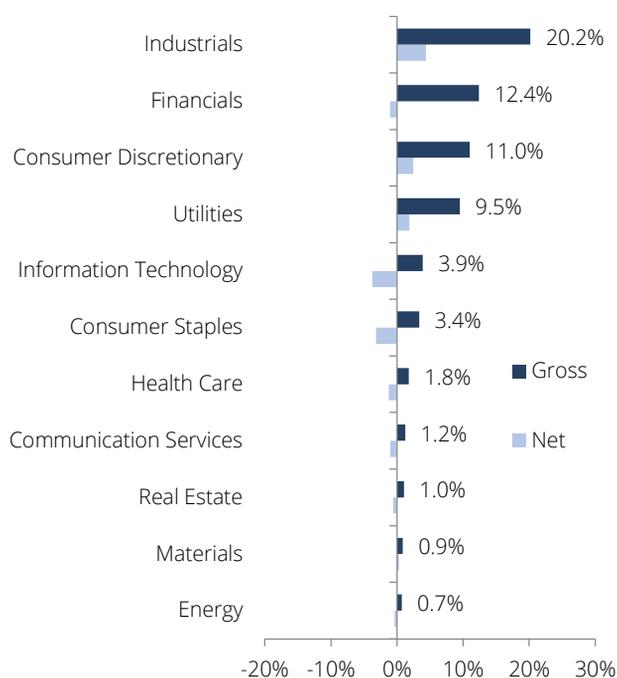
Top 3 Short Positions

Company	Country	Position Weighting
Huadian Power Intl	Hong Kong	(3.9%)
Qantas Airways	Australia	(3.9%)
Platinum Asset Management	Australia	(2.8%)

Equity Exposure Summary By region



Equity Exposure Summary By sector



Risk Measures

Net Exposure ⁷	-2.2%
Gross Exposure ⁸	65.9%
Long Exposure	31.9%
Short Exposure	-34.0%
VAR ⁹	2.26%

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](#).**

Contact details

Irene Kardasis

Business Development Manager, Morphic Asset Management

Phone: +61 2 9021 7726

Email: ikardasis@morphicasset.com

Sue Petrie

Sales Director, Trium Capital

Phone: +44 20 3819 5904

Email: 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 Morphic Asset Management Pty Ltd ("Morphic") (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 Morphic 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. Morphic 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 Morphic believes to be reliable, but Morphic does not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions and estimates included in this report constitute Morphic's judgement as at the date of this communication and are subject to change without notice.

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.