

TRIUM MORPHIC ESG L/S GLOBAL FUND

Monthly Report
June 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	-2.31%	-0.43%	-1.90%	-2.51%

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

ESG Action in Focus

June marked the start of the Atlantic hurricane season in the Northern hemisphere with 15 major weather events predicted (between 1980 and 2015, the average was five events a year!). To put it in context, the three consecutive major hurricanes in 2017, Harvey, Irma and Maria were among the ten most costly insured natural catastrophes globally, with total economic costs surpassing \$270 billion. In Europe, you would have been warned of the European heatwave with temperatures reaching a record of 45.9C in France, making 2019 on track to be among the hottest years ever.

The United Nations' World Meteorological Organization states that this is consistent with climate change and the World Economic Forum named extreme weather events as "[the risk of greatest concern](#)" earlier this year, with the [impact](#) to be experienced globally.

Underlying Fund Review

As May's selloff was reversed, all regions of the world posted positive returns in June. The Tech sector continues to lead global sector performance, while defensive sectors have lagged. The US (+6.9%) and Europe (+6.5%) outperformed global markets, while Japan (+3.6%) lagged the most. Asia Pac ex-Japan (+5.9%) and Emerging Markets (+5.7%) marginally underperformed.

The Fund fell 2.3% (AUD) in June, with the Underlying Fund down 1.1% in USD terms. Hedging was a substantial detractor over the month. Towards the end of May, net exposure was taken below zero, protecting capital in the strong down period of May. However, the strongest June on record saw these profits unwind and the Underlying Fund covered the net short market positions.

The largest contributor to performance was the position in Power Grid of India (PWGR). Indian stocks, and PWGR in particular, benefitted from the lower interest rates, which makes their government-guaranteed cash flows more valuable with a lower discount rate, having recently locked in rates for the next five years.

On the other hand, the short position in Australian fund manager Platinum Asset Management was the largest detractor for the month. With markets rallying nearly 6% over the month, long-biased fund managers are naturally levered to rising markets as costs are largely unchanged, seeing the higher revenue go straight to the bottom line. But at a stock-specific level, outflows from their funds have actually accelerated despite the rising market.

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) (CUM)	\$ 0.9749
Funds Under Management – Fund (in AUD) (Underlying Fund's FUM, in AUD)	\$ 4m (\$ 30m)
Funds Under Management – Morphic (in AUD) ⁶	\$ 166m

Outlook

With a Federal Reserve cutting rates soon and Trade War tensions put on hold, history says markets stay at elevated levels until the data deteriorates to such an extent that earnings are revised down, and GDP decelerates to a recession level. Whether investors favour Emerging Markets over Developed is less clear, as the path of the US Dollar determines that to some degree. Morphic will publish soon a Half Year Report that delves deeper into our views on the coming six months.

Reflective of this uncertainty the Underlying Fund has some upside call options in place which should add value if the data doesn't collapse.

Underlying Fund Portfolio Characteristics

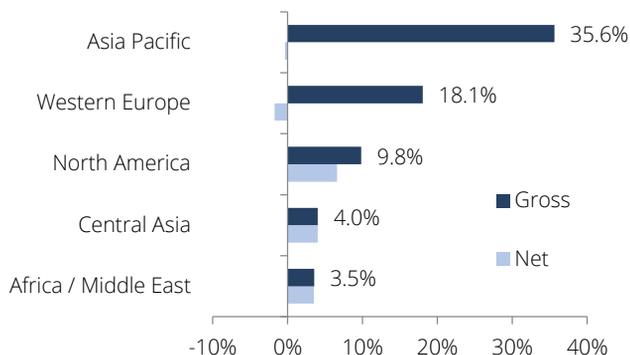
Top 3 Long Positions

Company	Country	Position Weighting
China Everbright Intl Ltd	Hong Kong	5.8%
Service Corp International	United States	5.4%
Alstom	France	5.1%

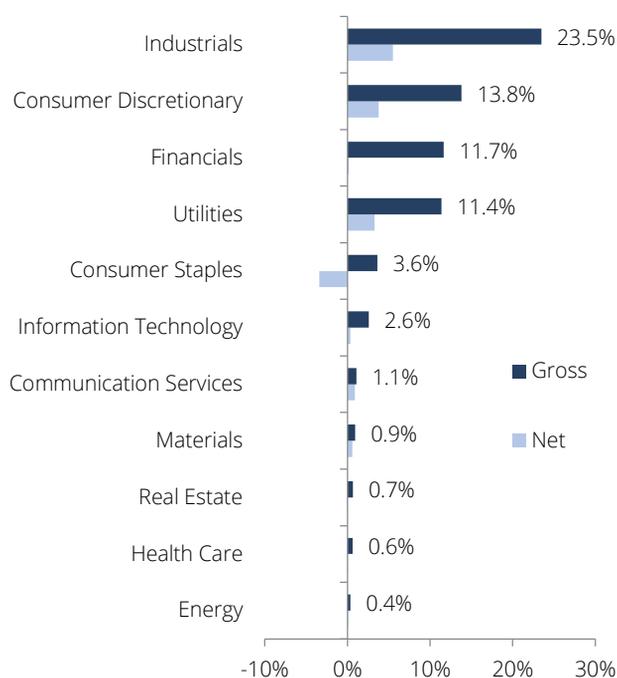
Top 3 Short Positions

Company	Country	Position Weighting
Qantas Airways	Australia	(4.1%)
Huadian Power Intl	Hong Kong	(4.0%)
Harvey Norman Holdings	Australia	(3.3%)

Equity Exposure Summary By region



Equity Exposure Summary By sector



Risk Measures

Net Exposure ⁷	12.0%
Gross Exposure ⁸	71.1%
Long Exposure	41.5%
Short Exposure	-29.5%
VAR ⁹	2.68%

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.