

MORPHIC GLOBAL OPPORTUNITIES FUND

Monthly Report
November 2019



Signatory of:



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	3.84%	5.11%	19.46%	10.73%	9.32%	14.68%
Index ¹	4.34%	7.04%	27.28%	15.30%	12.35%	16.81%

* Past Performance is not an indication of future performance.

Ethical Investing in Focus

At the Morpic Ethical Equities Fund AGM in Sydney last month, several investors asked questions about the revolutionary hydrogen powered trains produced by French rail manufacturer Alstom. Are hydrogen trains actually any better for the environment?

Alstom, which has been one of the Morpic Funds' largest investments for nearly five years, has pioneered the commercialisation of the hydrail concept, which first emerged around the turn of the century, as a replacement for diesel on low use regional routes that would be uneconomic to electrify. You can read our thoughts [here](#).

Portfolio review

The Fund rose 3.8% in November, versus global markets which rose 4.3% in AUD terms. Global equities rallied 2.3% in USD terms, led by positive sentiment towards the US-China trade talks, and slightly higher PMIs in some major economies.

In November, Developed Markets rallied while Emerging Markets fell. The US performed best, and Europe (+1.3%) also rallied. Emerging Markets was the worst performing region during the month, followed by Asia Pac ex-Japan (+0.3%) and Japan (+0.6%).

Swiss listed electronic accessory company Logitech was the Fund's best single stock performer, as hopes of a trade deal lifted the stock, as it is a large producer of products manufactured in China for export globally.

The Fund's biggest single stock detractor was US Funeral Home operator Service Corp continuing its falls from the prior month. The stock is de-rating as investors look to cycle out of defensive names into more cyclical exposure. Also detracting was our short position in Qantas which went against us as investors became more confident about the short term outlook for the Australian domestic economy and an upbeat investor day.

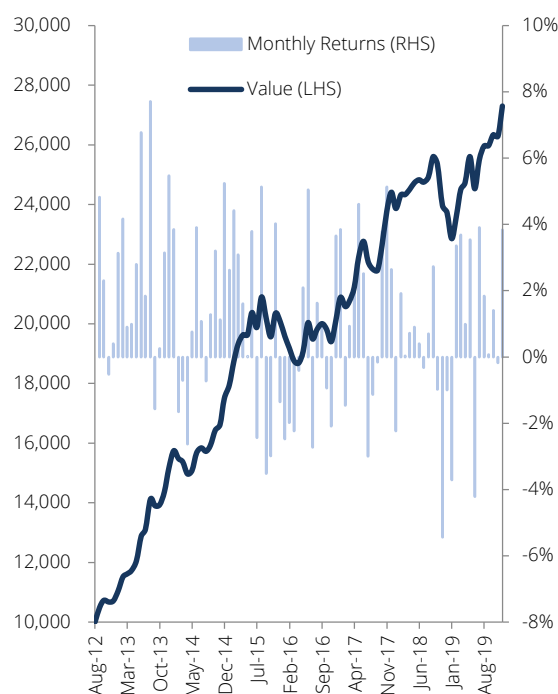
Outlook

Markets have increasingly priced in a lot of the rebound in global cyclical indicators, betting that the backdrop is the mid 1990s "soft landing". It should be noted that real world economic data remains more muted. This will need to improve at some stage for the rally to continue.

Asia has lagged US markets all year, yet economic data and valuations continue to suggest the region does better for investors.

With the Federal Reserve on hold for the foreseeable future, and growth accelerating outside the USA, this would suggest a weakening USD dollar in 2020. This is something to be watched over the coming months.

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	\$ 1.8041
Funds Under Management – Fund (AUD)	\$ 77m
Funds Under Management – Morpic (AUD) ⁶	\$ 170m

Top 10 Active Positions

Stocks (Shorts)	Industry	Region	Position Weighting
Service Corp	US Deathcare	North America	3.3%
Bank Leumi	Israeli Bank	Middle East	2.3%
Alstom	Global Rail Equipment	Europe	1.9%
Kering	Luxury Retailers	Europe	1.9%
Prada	Luxury Retailers	Asia Pacific	(1.9%)
Logitech	Information Technology	Europe	1.8%
Qantas	Australian Airline	Asia Pacific	(1.7%)
Coca-Cola Amatil	Beverages	Asia Pacific	(1.7%)
Sensata Technologies	Industrials	North America	1.6%
Cellnex	Telecom	Europe	1.5%

Risk Measures	
Net Exposure ⁷	100%
Gross Exposure ⁸	128%
VAR ⁹	1.60%
Upside Capture ¹⁰	93%
Downside Capture ¹⁰	84%
Best Month	7.71%
Worst Month	-5.44%
Average Gain in Up Months	2.69%
Average Loss in Down Months	-1.89%
Annual Volatility	9.39%
Index Volatility	9.72%

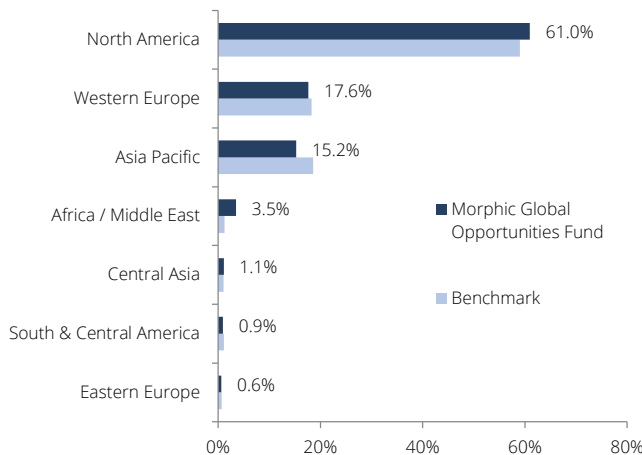
Top three alpha contributors¹² (bps)



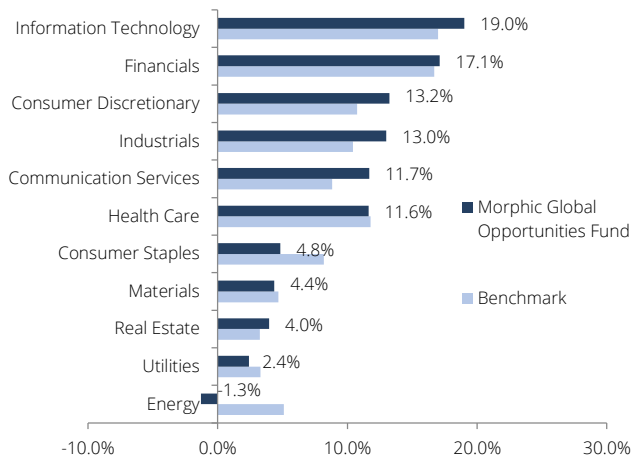
Top three alpha detractors¹² (bps)



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, APIR 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.