



Signatory of:



MORPHIC GLOBAL OPPORTUNITIES FUND

Monthly Report October 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	-0.18%	1.29%	15.04%	10.67%	9.61%	14.27%
Index ¹	0.57%	2.45%	21.99%	15.09%	12.43%	16.33%

* Past Performance is not an indication of future performance.

Ethical Investing in Focus

In October each year we celebrate Ethical Investment Week. Ethical Investment Week is an opportunity for Australians to learn more about investing in line with their ethics. Morphic's Head of Research James Tayler [discussed](#) five important questions you need to ask your ethical fund manager as a simple checklist.

As an active investor and a signatory of the Principles of Responsible Investment we are committed to engage with the companies in which we invest. In October we released the [Morphic Stewardship Report](#), the first of what will be an annual update on our stewardship activities over the preceding twelve months.

Portfolio review

The Fund fell 0.2% in October, underperforming global markets which rose 0.6% in AUD terms. Global equities rallied +2.6% in USD terms fuelled by the third Fed easing in this cycle; progress on "Phase 1" of the US-China trade deal; and a US reporting season that began stronger than consensus was expecting. In October, Japan (+4.8%) and Emerging Markets (+4.1%) led regional performance while the earnings-stable US market (+2.1%) was the worst performing major region despite strong performance from the US Tech sector.

The largest contributor to performance this month was our position in German forklift manufacturer Jungheinrich. The Company is well positioned for two key structural growth drivers. The replacement cycle driving the switch from diesel to electric forklifts remains strong, as does investment into modern warehouses and related logistics infrastructure to serve the growing e-commerce providers. Acknowledging the cyclicity of industrial demand, we believe this is reflected in the current valuation which remains attractive.

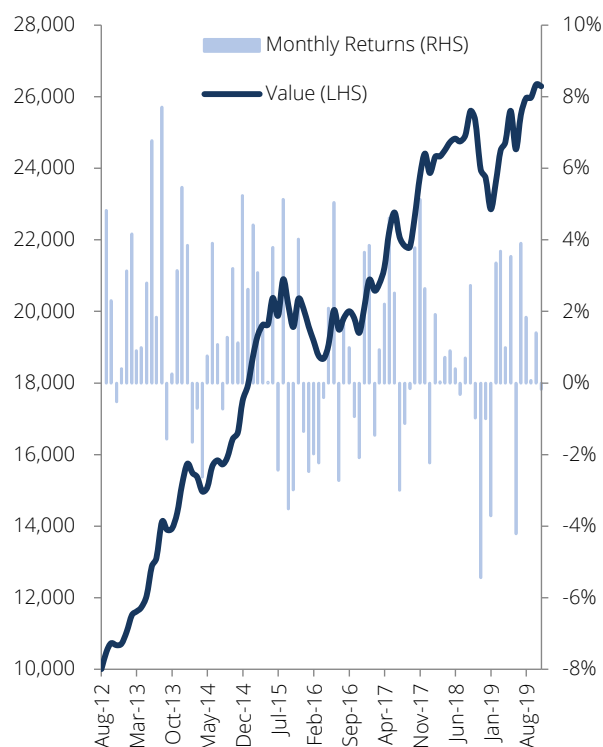
After a strong contribution in the previous month, our position in Service Corp, the largest funeral care provider in the US, was the Fund's largest detractor. We remain confident that the Company has had a solid quarter and expect the forthcoming and subsequent results to continue to confirm the long-term appeal of what is a stable and moderately growing business.

Outlook

Last month we wrote that the market approached "decision time": go with the weakening trade data or look through and believe the rate cuts will be enough. For now, it appears to have been decided – look through and buy. Reflecting the binary nature of these choices, the Fund carried put options, which dragged on performance, but less than the approach of carrying a large cash weighting.

Despite markets at highs, market positioning isn't yet bullish and if this is a mid-cycle soft landing, history says markets keep rallying for some time. The Fund has exposure to interest rates and hedges in place that offers exposure to this effect, along with some FX hedging in place.

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	\$ 1.7374
Funds Under Management – Fund (AUD)	\$ 75m
Funds Under Management – Morphic (AUD) ⁶	\$ 166m

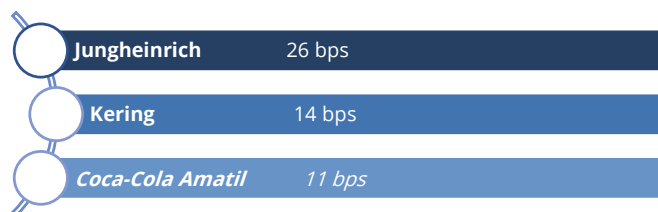
Top 10 Active Positions

Stocks (Shorts)	Industry	Region	Position Weighting
Alstom	Global Rail Equipment	Europe	3.7%
Service Corp	US Deathcare	North America	3.4%
Qantas	Australian Airline	Asia Pacific	(2.4%)
Bank Leumi	Israeli Bank	Middle East	2.3%
Coca-Cola Amatil	Beverages	Asia Pacific	(1.8%)
Kering	Luxury Retailers	Europe	1.8%
Prada	Luxury Retailers	Asia Pacific	(1.8%)
Kion Group	Industrial Equipment	Europe	(1.7%)
Logitech	Information Technology	Europe	1.7%
Jungheinrich	Industrial Equipment	Europe	1.5%

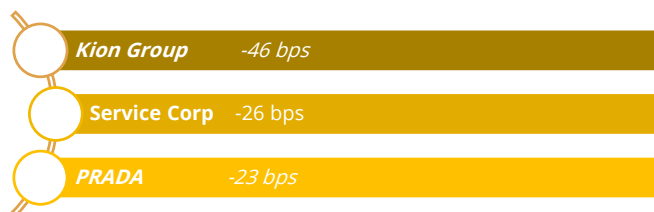
Risk Measures	
Net Exposure ⁷	100%
Gross Exposure ⁸	127%
VAR ⁹	1.60%
Upside Capture ¹⁰	93%
Downside Capture ¹⁰	84%
Best Month	7.71%
Worst Month	-5.44%
Average Gain in Up Months	2.67%
Average Loss in Down Months	-1.89%
Annual Volatility	9.39%
Index Volatility	9.71%

Hedge Positions	Risk Limit Utilisation (%) ¹¹
Short USD vs AUD and CNH	2.0%
Short US Bonds	1.3%
Long S&P 500 Puts	0.3%

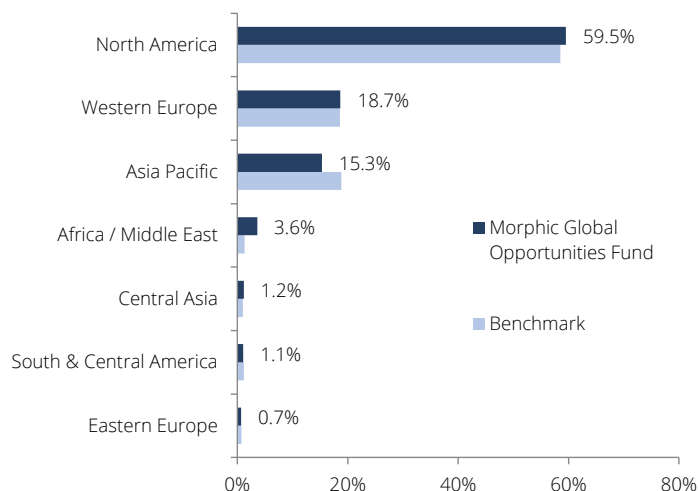
Top three alpha contributors¹² (bps)



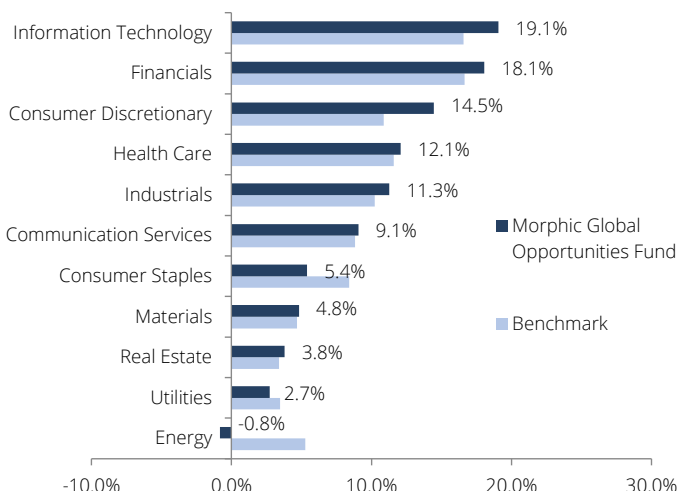
Top three alpha detractors¹² (bps)



Equity Exposure Summary By region



Equity Exposure Summary By sector



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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 Morpic Global Opportunities 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 Morpic Global Opportunities 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 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 Morpic 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.