Annual Report

MORPHIC ETHICAL EQUITIES FUND

Morphic
Ethical Equities

MORPHIC ETHICAL EQUITIES FUND LIMITED

ABN 52 617 345 123

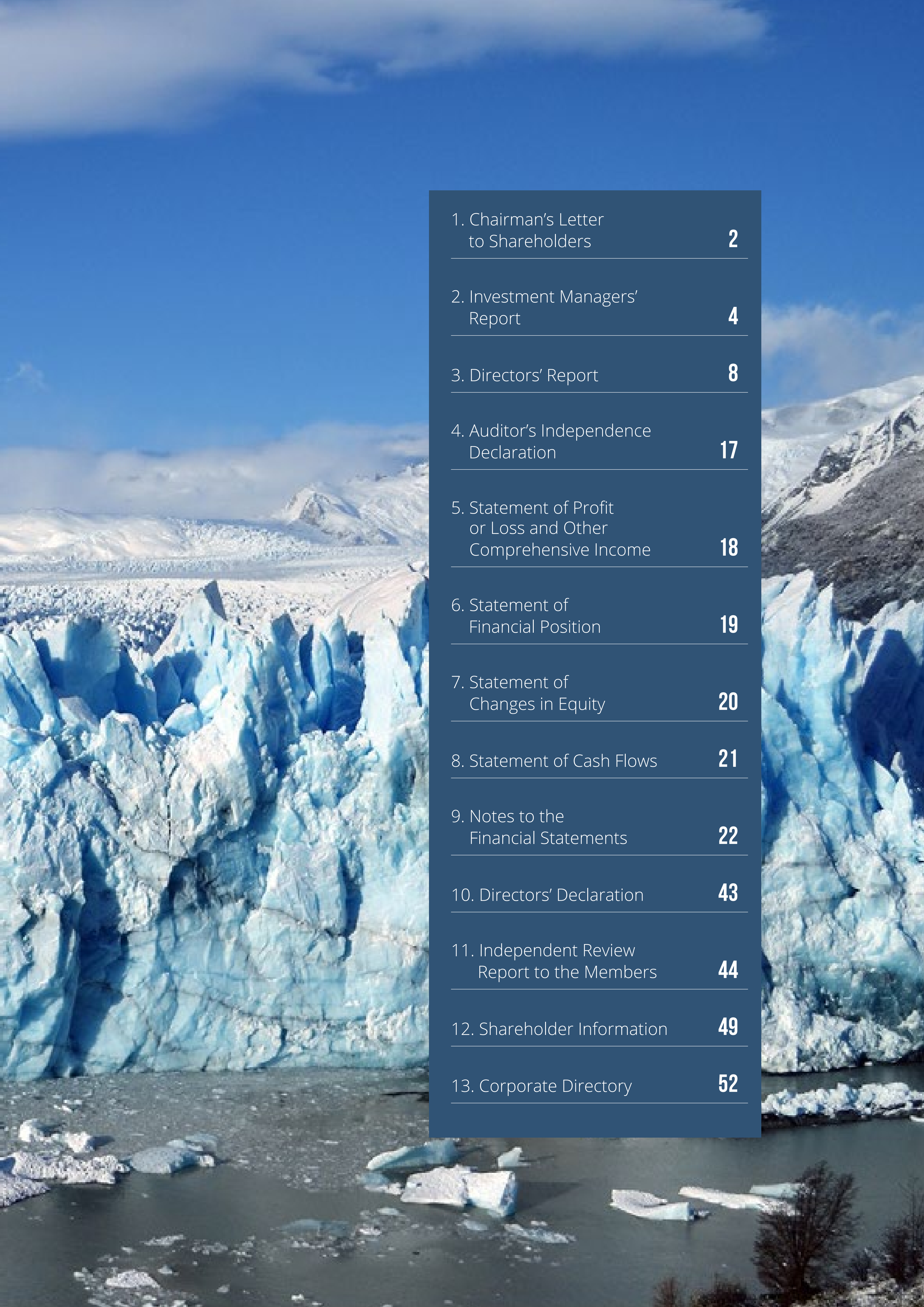
ANNUAL REPORT

For the period from 13 February 2017 to 30 September 2017

Morphic Ethical Equities Fund Limited

Level 3
139 Macquarie Street
Sydney NSW 2000
P: (02) 9194 6707
www.morphicasset.com

TABLE OF CONTENTS



1. CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder

I am pleased to share the company's inaugural results, which is for the short part year from our Australian Securities Exchange listing on May 2nd, 2017 to our financial year end of September 30th, 2017.

I would like to thank all Shareholders for their support in the Company's listing in May and also to welcome shareholders who have joined us since listing.

In the Prospectus for our listing, we foreshadowed our intention to commence paying dividends, subject to availability of distributable profits, after the end of our first full year of operation. The company has only been trading for a short period but we are pleased to disclose that we have generated sufficient profits to transfer 1.56 cents a share, based on the shares on issue at the end of the year, to our quarantined profits reserve.

Our long term ability to pay dividends will always be dependent on having distributable profits, but our intention will be to slowly raise the dividend per share over time, while retaining some profits to make payments in future years.

The company was established to provide shareholders with the opportunity to benefit from an actively managed portfolio of global securities that have been screened to exclude companies involved in environmentally damaging activities (including coal and uranium mining and oil and gas), animal cruelty, tobacco, armaments, alcohol and gambling.

The Morphic Ethical Equities Fund was Australia's first new ethical Listed Investment Company in over a decade, but investor interest in the ethical and sustainable investing area continues to grow. The Global Sustainable Investment Alliance estimates the total value of funds incorporating Environmental, Social and Governance (ESG) factors into their investment process worldwide was $10.4 trillion in 2016, up 38% from 2014.

Investors globally are discovering that if they are good to the planet and to people, they also end up on average benefiting themselves. There is growing evidence that funds that incorporate ESG factors into their strategies tend to outperform those that don't.

The ESG phenomenon has blossomed in spite of an absence of detailed, globally agreed definitions on what constitutes ESG standards. Much thought went into designing the Company's screening rules to ensure that users of our Fund could be confident their investments are managed to maximise returns whilst doing this in an ethical manner. Details of our ethical charter can be found on our website. I do encourage you to read them if you have not done so already.

The Company has since listing been certified by the Responsible Investment Association Australasia (RIAA) and the manager has become a signatory to the Principles of Responsible Investment (formerly UNPRI). This ensures all shareholders know that the Fund complies with the highest standards of sustainable investing.

Company Performance

During the period from May 2nd to September 30th, 2017, the Company achieved a pre tax operating profit of $438,139 and a post tax operating profit of $286,094.

When analysing the Company's results it should be kept in mind that the company has only been in operation for five months. We consider it is also useful to consider performance for a listed investment company from the following perspectives:

1. Investment Performance

The Company's investment portfolio performance shows how the Manager has performed before deducting management fees and taxes, as compared to the Company's investment benchmark, the MSCI All Countries Total Return Daily Index.

In its first part year of performance, the Portfolio achieved pre-fee returns of 1.77% compared to the benchmark which rose 2.93%.

We would remind you that this short period incorporates the costs of placing the Company's cash into the market, and in part reflected certain timing issues related to that process.

2. NTA Performance

From a shareholder perspective it is also useful to consider movements in the Company's NTA per share, which adjusts for the impact of management fees of 1.25% and other company related and capital raising expenses and the options exercised.

At September 30th, 2017 MEC's pre tax NTA was $1.073 and its post tax NTA was $1.081 per share. This compares to the pre tax NTA of $1.06 and post tax NTA of $1.074 at listing.

As at September 30th, 2017 MEC's shares closed at $1.06 and options at 2.2c.

In future years I will also be reporting on a further useful metric, which will be total shareholder returns, which will measure growth in the market value of the Company's shares over the financial year, plus dividends paid in the period.

Annual General Meeting

The inaugural Annual General Meeting will be held at 11.00am on 5 December 2017 at Room 1.17, Level 1, Karstens Conference Centre, 111 Harrington Street, in Sydney. The Directors encourage you to attend the meeting.

At the meeting key personnel of the Manager, Morphic Asset Management will be in attendance to discuss investment activity since the Company's listing, and their views for the year ahead. For more on these issues, I encourage you to visit the Company's website (www.morphicasset.com) where you can download the Managers Monthly Performance Reports for the Company, as well as its regular Half Yearly Reports, including the report for the part-year to 30 June 2017. The next half yearly report, for the period to 31 December 2017, will be published in January.

JoAnna Fisher
Chairman

2. INVESTMENT MANAGER'S REPORT

Investment Manager's Report

	Returns Since Inception (pa)	
	Gross	**Net**
Morphic Ethical Equities Fund	1.77%	1.41%
MSCI All Countries Total Return Daily Index	2.93%	2.93%

Gross return is before fees and taxes.
Net return is net of investment management fees, before company admin costs and taxes.

Morphic Asset Management, the Manager of the Morphic Ethical Equities Fund (the Fund), publishes detailed reports on the performance of the Fund every six months. The first of these was sent to shareholders in July, and contained commentary on actions taken by the Manager since the Fund's inception on May 2nd and our views on the investment outlook for the six months ahead. A copy of this report can be downloaded at www.morphicasset.com. The next detailed report will be published in January and will naturally include a detailed performance commentary for the period.

This update covers the Fund from its inception on May 2nd to the end of its financial year on September 30th. We are pleased that the Fund ended its financial year on a high, with its net asset backing rising to $49,114,740. It reached its highest level since listing after September saw the Fund beat the market by 3.44% net of management fee, before company administration costs and taxes. In future we will prepare a single update in the Fund's Annual Report to cover our full financial year to augment the longer half yearly reports.

Principles of Responsible Investment (formerly UNPRI)

As you will be aware the manager of the Fund, Morphic Asset Management, is a signatory to the UNPRI which entails an explicit commitment and the adoption of six principles which we believe will improve our ability to meet commitments to our investors as well as better align our investment activities with the broader interests of society.

These six principles are as follows:

1. We will incorporate ESG issues into investment analysis and decision-making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest
4. We will promote acceptance and implementation of the principles within the investment management industry
5. We will work together to enhance our effectiveness in implementing the principles
6. We will report on our activities and progress towards implementing the principles

In the context of the last principle, going forward we will use the publication of the Fund's semi-annual and annual reports as an opportunity to report to you on our ongoing efforts to apply these principles.

Portfolio Composition

Investment Portfolio at 30 September 2017	Ticker	Fair Value ($)
Asia		
Hazama Ando Corp	1719 JP	714,611
Macromill Inc	3978 JP	1,233,273
Haseko Corp	1808 JP	648,747
Open House Co Ltd	3288 JP	1,357,104
Ateam Inc	3662 JP	969,577
Kusuri No Aoki Holding Co L	3549 JP	945,382
Investors Cloud Co Ltd	1435 JP	590,801
Tsuruha Holdings Inc	3391 JP	1,020,276
Samsung Electronics	005930 KS	1,266,738
IRB InvIT Fund	IRBINVIT IN	1,106,267
Power Grid Corporation of India	PWGR IN	864,101
Australia		
Pinnacle Investment Management	PNI AU	86,366
Europe		
Alstom	ALO FP	1,987,166
SES	SESG FP	1,196,128
DSV A/S	DSV DC	1,194,604
US		
SPDR S&P 500 ETF Trust	SPY US	16,280,882
Service Corp International	SCI US	1,207,907
Bofi Holdings Inc	BOFI US	791,710
Western Alliance Bancorp	WAL US	1,253,450
Bank of the Ozarks Inc	OZRK US	937,975
Global		
Vanguard FTSE Developed ETF	VEA US	13,258,459
Ishares MSCI ACWI ETF	ACWI US	9,217,574
Ishares MSCI Emerging Market Index	EEM US	4,234,407
Derivatives Held for Trading		574,261
Total Fair Value Long Portfolio		**$62,937,766**
Total Fair Value Short Portfolio		**($11,334,656)**

Outlook

Economic indicators from the developed world in particular continue to improve. On the other hand global stock markets continue to reach new highs. And, led by the US Federal Reserve, central banks around the world are signalling the days of post global financial crisis easy monetary policy are coming to an end.

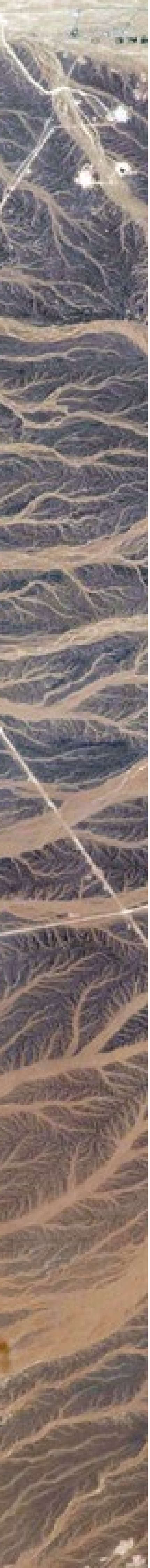
Eight years in, we are probably closer to the end of what has been one of the world's greatest ever bull markets. But we don't think we are there yet.

Reflecting this, at the time of writing the Fund remains fully invested. As the US dollar is likely to strengthen as the Federal Reserve raises interest rates and shrinks its balance sheet, we are largely unhedged. At an asset allocation level our biggest overweight is now to Japan.

Jack Lowenstein
Joint Chief Investment Officer

Chad Slater
Joint Chief Investment Officer

3. DIRECTORS' REPORT



Directors' Report

The Directors present their Report together with the Financial Report of Morphic Ethical Equities Fund Limited ("Company") for the reporting period from 13 February 2017 to 30 September 2017.

Information on directors

The following persons were directors of the Company from registration date and up to the date of this report (unless otherwise indicated):

JoAnna Fisher
Independent Chairman

Experience and Expertise

JoAnna has a long-standing and international career in the financial sector in investment management, wholesale banking and capital markets. Her more than 20 years of experience encompasses business performance improvement, governance, compliance and risk management.

JoAnna spent 12 years at Bankers Trust Corporation in the USA, Japan, the UK and Australia, managing funds and developing the institutional funds management businesses. She is also a former General Manager - Strategy and Marketing for the Commonwealth Bank.

She is presently a Member of the Investment Committee Australian Catholic Superannuation and Retirement Fund, a Member of the Finance Audit and Risk Committee of the Australian Chamber Orchestra and a Non Executive Director of Quantum Funds Management.

Other Current Directorships

Other than acting as Non Executive Director of Quantum Funds Management, JoAnna is not currently serving a directorship for any other listed companies.

Former directorships in the last 3 years

Nil.

Special responsibilities

Chairman of the Board and member of the Audit & Risk Committee.

Interests in shares and options

Details of JoAnna's interests in shares of the Company are included later in this report.

Interest in contracts

JoAnna has no interests in contracts of the Company.

Jack Lowenstein
Non-Independent Chairman

Experience and Expertise

Jack had careers in corporate finance and as an international financial journalist and has been involved in the research and investment of global equities and other Securities for more than 30 years. Jack has a BA and a MA from Oxford University and in 2009 he completed the three year part time Owner/President Management Course at Harvard Business School.

He was the Deputy Chief Investment Officer at Hunter Hall, responsible for risk management and portfolio construction. He joined Hunter Hall when it had just $13m under management in 1997 and played a key role in building it to a peak of just under $3 billion in FUM. In his ten years as a Portfolio Manager with Hunter Hall he generated substantial out-performance.

Other Current Directorships

Jack is the joint CIO and Managing Director of Morphic which was established in 2012.

Former directorships in the last 3 years

Jack was a director of Calliden Group Limited from March 2000 to December 2014.

Special responsibilities

Nil.

Interests in shares and options

Details of Jack's interests in shares of the Company are included later in this report.

Interest in contracts

Jack has no interests in contracts of the Company.

Mark Forstmann
Independent Director

Experience and Expertise

Mark has 27 years' experience in investment markets including equities, currencies and fixed interest. His career spans investment markets and film and television production. He holds a B.Sc. from Sydney University, a Graduate Diploma from AFTRS, and has studied B.A.Communications at University of Technology.

Mark worked at BankAmerica in Sydney, Banque Indosuez in both Sydney and Paris. He was also a director at Hunter Hall International for 15 years.

Mark served on the Board of the Nature Conservation Trust of NSW between December 2009 and May 2015.

He currently works as a portfolio manager at Future Super Group, which offers a range of retail superannuation funds.

Other Current Directorships

None

Former directorships in the last 3 years

Mark was a Non-executive Director of Hunter Hall International Limited from 2001 until September 2016.

Special responsibilities

Mark is a member of the Audit & Risk Committee.

Interests in shares and options

Details of Mark's interests in shares of the Company are included later in this report.

Interest in contracts

Mark has no interests in contracts of the Company.

Virginia Malley
Independent Director

Experience and Expertise

Virginia has worked in the financial services sector for 30 years. Virginia is a Fellow of the Australian Institute of Company Directors and completed the Company Director Course in 2007. She holds a Bachelor of Arts and a Master of Applied Finance from Macquarie University, a Juris Doctor from the University of Technology Sydney, and a Graduate Diploma of Environmental Law and a Master of Law from the University of Sydney. In November 2016, she was recognised with a Faculty Award for excellence and ongoing contribution to the gold standard in governance education by the Australian Institute of Company Directors.

In 1987, she joined Macquarie Bank as a credit analyst and became Chief Risk Officer of the Funds Management Group in 2003. During this period, she developed and implemented risk management frameworks for the domestic and Asian joint venture funds management businesses. Following her executive career at Macquarie, Virginia served as a non-executive director on a number of subsidiary boards including Macquarie Investment Management Limited until 2012.

Other Current Directorships

Virginia is currently a director of Perpetual Superannuation Limited and Perpetual Equity Investment Company Limited, and is a member of the Clean Energy Regulator and the Deputy Chairperson of the Biodiversity Conservation Trust of NSW (the successor of the Nature Conservation Trust of New South Wales).

Former directorships in the last 3 years

Nil.

Special responsibilities

Chairman of the Audit & Risk Committee.

Interests in shares and options

Details of Virginia's interests in shares of the Company are included later in this report.

Interest in contracts

Virginia has no interests in contracts of the Company.

Justin O'Donnell
Company Secretary

Experience and Expertise

Justin holds a Bachelor of Business from the University of Technology, Sydney. He is a Chartered Accountant in Australia and a Certified Public Accountant in the USA. He is currently the Chief Financial Officer/Chief Operating Officer of Mainstream Group Holdings Limited (the parent company of the Company's administrator) and was previously Company Secretary for the group. Prior to joining Mainstream, Justin was the SEC Reporting Manager at Cyan, a NYSE listed provider of software defined networking solutions, and also worked for PwC for 7 years in both their Sydney and Silicon Valley offices.

Other Current Directorships

Justin is currently a Director for FundBPO (HK) Limited.

Former directorships in the last 3 years

Nil.

Special responsibilities

Nil.

Interests in shares and options

Nil

Interest in contracts

Justin has no interests in contracts of the Company.

Attendance at Meetings

Board of Directors Meetings	Meetings Held and Entitled to Attend	Meetings Attended
Director		
JoAnna Fisher	5	4
Jack Lowenstein	5	5
Mark Forstmann	5	4
Virginia Malley	5	5

Audit & Risk Committee Meetings	Meetings Held and Entitled to Attend	Meetings Attended
Director		
JoAnna Fisher	-	-
Mark Forstmann	-	-
Virginia Malley	-	-

The Audit and Risk Committee was formed during the course of the year-end on 12 September 2017 comprising the board members listed above. The Audit and Risk Committee held its inaugural meeting on 26 October 2017.

Principal activity

Morphic Ethical Equities Fund Limited ("the Company") is a publicly listed company, incorporated and domiciled in Australia. The Company was incorporated with the Australian Securities and Investments Commission ("ASIC") on 13 February 2017. The registered office and principal place of business of the Company is Level 3, 139 Macquarie Street, Sydney NSW 2000.

Review of Operations

The Company's closing pre-tax Net Asset Value (NAV) on 30 September 2017 was $48,763,983 resulting in lift in gross assets of $350,757 pre-tax but after performance fees and all other expenses.

Net Tangible Assets (NTA) per share before tax were 1.0728 cents per share at 30 September 2017.

At 30 September 2017, 100% of the Company's capital had been deployed in financial instruments.

The Directors are conscious of shareholders interest in not only the performance of the portfolio but also its ongoing construction. The Company releases its Net Tangible Asset position (NTA Statement) within fourteen days of the conclusion of each calendar month. It addition to value changes per share, it also outlines the portfolio weightings.

In addition to the Monthly NTA Statements the Directors have determined that the Company will provide a report from the Portfolio Manager including the investment holdings and associated commentary every January and July.

The directors are mindful of any investment activity disclosure that may disadvantage the Company and as such there is no commitment to the extent of such disclosure, its completeness or continuance except as required by the ASX or the Corporations Law.

Dividends

No dividends were declared or paid during the period.

Net Assets

As at 30 September 2017 the net assets of the Company were $49,114,740. Please refer to the Statement of Financial Position for further details.

State of Affairs

During the financial period there was no significant change in the state of affairs of the Company.

Events Subsequent to Balance Date

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

Likely Developments

The Company will be managed in accordance with the Constitution and investment objectives as detailed in the Prospectus dated 13 March 2017. Please refer to the Chairman's and Investment Manager's reports for further guidance.

Insurance of officers

During the financial period, the Company paid a premium for an insurance policy insuring all directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Environmental Regulations

The Company's operations are not subject to any significant environmental regulations.

Comparative information

The Company was constituted on 13 February 2017, registered with the Australian Securities and Investments Commission on 13 February 2017 and commenced operations on 27 April 2017. The reporting period covers the period from 13 February 2017 to 30 September 2017 hence there is no comparative information.

Rounding of amounts to nearest dollar

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar (where indicated).

Remuneration Report

This remuneration report sets out information about the remuneration of the Company's directors for the period ended 30 September 2017, under the requirements of Section 300A of the Corporations Act.

Key Management Personnel

The directors and other key management personnel of the Company during the whole of the financial period, and up to the date of this report are (unless otherwise indicated):

– JoAnna Fisher
– Jack Lowenstein
– Mark Forstmann
– Virginia Malley

Remuneration Report

This report details the nature and amount of remuneration for each Director of the Company in accordance with the Corporations Act and the Company's Constitution.

Three of the four directors of the Company are Independent Directors and one is a Non-Independent Director. The Board from time to time determines remuneration of Directors within the maximum amount approved by the Company at general meetings.

The Directors Remuneration reflects the demands that are made on them and their responsibilities. The performance of Directors is reviewed by the board annually. The Board determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced directors.

The maximum total remuneration of the Directors has been set at $140,000 per annum. The amount paid for Financial Year ended 30 September 2017 was $58,013 to reflect a pro-rata amount from date of listing to the end of the Financial Year.

Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration is not directly linked to the Company's performance.

The following table shows details of the remuneration received or receivable by the Directors of the Company for the current year.

		Short-term employee benefits	Post-employement benefits	
Period ended 30 September 2017		**Cash Salary**	**Superannuation**	**Total**
Director	**Position**	**$**	**$**	**$**
JoAnna Fisher	Independent Chairman	22,706	2,157	24,863
Jack Lowenstein	Non-Independent Director	-	-	-
Mark Forstmann	Independent Director	15,137	1,438	16,575
Virginia Malley	Independent Director	9,430	7,145	16,575
		47,273	**10,740**	**58,013**

The Company has no employees other than the Directors and therefore does not have a remuneration policy for employees.

The Directors are the only people considered to be key management personnel of the Company.

Director Related Entity Remuneration

Morphic Asset Management Pty Limited (Morphic) (ABN 33 155 937 901, AFSL 419916) has been appointed as the Investment Manager of the Company. The Manager is privately owned and incorporated in 2012. The Managing Director, Jack Lowenstein holds (together with his investment entities) 30% of the ordinary capital of the Manager.

(a) Management fee

The Manager is entitled to be paid monthly a Management Fee equal to 1.25% (plus GST) per annum of the Value of the Portfolio (payable monthly in arrears and calculated on the last business day of each month).

(b) Performance fee

The Manager is entitled to be paid by the Company a fee (Performance Fee) equal to 15% (plus GST) of the Portfolio's outperformance relative to the MSCI All Countries Total Return Daily Index ("the Index") in Australian dollars (Benchmark) over the 12 month period, subject to the Portfolio generating absolute gains since inception and the recoupment of prior underperformance.

Management and performance fees paid to the Manager during the period were as follows:

	Period from 13 February 2017 to 30 September 2017
	$
Management fees paid and payable during the period	255,901
Management fees payable at period end	50,004
There were no performance fees earned or paid during the period.	-

Equity Instrument Disclosures Relating to Directors

The relevant interests of the Directors and their related entities in the Securities of the Company were:

Shares as at 30 September 2017

Director	Opening Balance	Acquisitions/Options Exercised	Disposals	Number of shares
JoAnna Fisher	-	100,000	-	100,000
Jack Lowenstein	-	500,001	-	500,001
Mark Forstmann	-	40,000	-	40,000
Virginia Malley	-	52,300	-	52,300
	-	**692,301**	**-**	**692,301**

Options as at 30 September 2017

Director	Opening Balance	Acquisitions	Disposals	Number of options
JoAnna Fisher	-	100,000	-	100,000
Jack Lowenstein	-	700,000	-	700,000
Mark Forstmann	-	40,000	-	40,000
Virginia Malley	-	52,300	-	52,300
	-	**892,300**	**-**	**892,300**

Issued shares and options

Investors received, for no additional consideration, one initial option for every one share subscribed for, exercisable at $1.10 on or before 30 November 2018. The Company issued 1,015,600 shares by way of exercise of options during the financial period and since the end of the reporting period.

Shares in issue:	45,456,227
Options in issue:	43,425,026

End of remuneration report.

Proceedings on behalf of the company

There are no proceedings that the directors have brought, or intervened in, on behalf of the Company.

Non-Audit services

The Board of Directors, in accordance with Advice from the Audit Committee, is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 13 did not compromise the external auditor's independence for the following reasons:

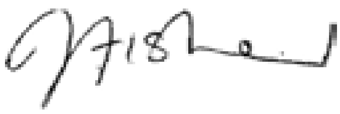
(a) all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor;

(b) none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

Signed in accordance with a resolution of the directors.



JoAnna Fisher
Chairman
Morphic Ethical Equities Fund Limited

Sydney, 3 November 2017

4. AUDITOR'S INDEPENDENCE DECLARATION

PITCHER PARTNERS
ACCOUNTANTS + AUDITORS + ADVISORS

Auditor's Independence Declaration
To the Directors of Morphic Ethical Equities Fund Limited
A.B.N 52 617 345 123

In relation to the independent audit for the period ended 30 September 2017, I declare that to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the Corporations Act 2001; and

(ii) no contraventions of any applicable code of professional conduct.

This declaration is in respect of Morphic Ethical Equities Fund Limited.

S M WHIDDETT
Partner
PITCHER PARTNERS

Sydney, 3 November 2017

5. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Period from 13 February 2017 to 30 September 2017
Investment income		**$**
Interest income		1,406
Dividend income		500,435
Net gains on financial instruments held at fair value through profit or loss		1,585,693
Net losses on financial instruments held for trading		(1,020,524)
Net gains on foreign exchange		418,505
Other income		820
Total investment income		**1,486,335**
Expenses		
Audit and tax		34,025
Admin and Middle office fees		57,137
Directors' fees	15	58,013
Dividends on borrowed stock		142,876
Interest expense (including on borrowed stock)		178,271
Management fees		255,901
Transaction costs		169,848
Withholding tax expense		66,196
Other operating expenses		85,929
Total expenses		**1,048,196**
Profit for the period before income tax expense		**438,139**
Income tax expense	4 (a)	152,045
Profit for the period		**286,094**
Other comprehensive income		-
Total comprehensive income for the period		**286,094**
Basic earnings per share	5	**0.64 cents**
Diluted earnings per share	5	**0.64 cents**

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements which follow.

6. STATEMENT OF FINANCIAL POSITION

Assets	Note	As at 30 September 2017
Current assets		**$**
Cash and cash equivalents	14(a)	**7,909,720**
Receivables	6	805,413
Prepayments		44,777
Investments	7	62,937,766
Total current assets		**71,697,676**
Non-current assets		
Deferred tax asset	4(c)	944,248
Total non-current assets		**944,248**
Total assets		**72,641,924**
Liabilities		
Current liabilities		
Borrowings	14(a)	11,470,028
Payables	10	129,009
Investments	7	11,334,656
Total current liabilities		**22,933,693**
Non-current liabilities		
Deferred tax liability	4(c)	593,491
Total non-current liabilities		593,491
Total liabilities		**23,527,184**
Net assets		**49,114,740**
Equity		
Issued capital	11(a)	48,828,646
Retained losses	12(a)	(422,299)
Profits reserve	12(b)	708,393
Total equity		**49,114,740**

The above Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements which follow.

7. STATEMENT OF CHANGES IN EQUITY

	Note	Issued capital	Retained Profits	Profits reserve	Total equity
		$	$		$
Balance on date of registration (13 February 2017)		-	-	-	-
Profit for the period		-	286,094	-	286,094
Total comprehensive income for the period		-	**286,094**	-	**286,094**
Other					
Transfer to profits reserve	12(a)(b)	-	(708,393)	708,393	-
		-	(708,393)	708,393	-
Transactions with owners in their capacity as owners					
Shares issued during the period	11(a)	48,884,690	-	-	48,884,690
Options exercised during the period	11(a)	1,117,160	-	-	1,117,160
Initial public offering costs, net of deferred tax impact	11(a)	(1,173,204)	-	-	(1,173,204)
		48,828,646	-	-	**48,828,646**
Balance at 30 September 2017		**48,828,646**	**(422,299)**	**708,393**	**49,114,740**

The above Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements which follow.

8. STATEMENT OF CASH FLOWS

	Note	Period from 13 February 2017 to 30 September 2017
Cash flows from operating activities		**$**
Interest received		(6,106)
Dividends received		423,225
Net receipts from foreign exchange transactions		-
Other income received		820
Interest paid		(178,271)
Dividends on borrowed stock		(142,876)
Management fees paid		(205,897)
Directors' fees paid		(58,013)
Withholding tax paid		(66,196)
Other operating expenses paid		(187,450)
Transaction costs paid		(169,848)
Income tax paid		-
Net cash outflow from operating activities	14(b)	**(590,612)**
Cash flows from investing activities		
Proceeds from sale of investments		10,674,845
Payments for purchase of investments		(62,053,627)
Net cash outflow from investing activities		**(51,378,782)**
Cash flows from financing activities		
Proceeds from shares issued under initial public offering		48,884,690
Net proceeds from exercise of options		1,117,160
Issue costs paid		(1,676,006)
Net cash inflow from financing activities		**48,325,844**
Net decrease in cash and cash equivalents		**(3,643,550)**
Effect of exchange rate fluctuations on cash		83,242
Cash and cash equivalents at beginning of the financial period		-
Cash and cash equivalents at end of the financial period	14(a)	**(3,560,308)**

The above Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements which follow.

9. NOTES TO THE FINANCIAL STATEMENTS

1. General information and summary of significant accounting policies

Morphic Ethical Equities Fund Limited ("the Company") is a publicly listed company, incorporated and domiciled in Australia. The Company was incorporated with the Australian Securities and Investments Commission ("ASIC") on 13 February 2017. The registered office and principal place of business of the Company is Level 3, 139 Macquarie Street, Sydney NSW 2000.

These general purpose financial statements are for the period ended 30 September 2017, and were authorised for issue by the Directors on 3 November 2017.

The Company's principal activity is to:

- deliver investors an ethically screened portfolio;
- deliver investors superior risk adjusted returns; and
- provide capital growth and consistent income.

The Manager achieves this through a long and short equity strategy focusing on global securities.

The Company primarily invests in global listed securities. It may also invest in cash, unlisted global securities, fixed interest instruments, commodities, credit instruments and currencies through assets, exchange traded funds or other derivatives, including futures, options, forwards and swaps.

The material accounting policies adopted by the Company in the preparation of the financial statements is set out below:

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards, issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standard.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement of fair value of selected assets and liabilities.

(b) Statement of Compliance

The financial statements and notes thereto comply with Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(c) Investments

i) Recognition/derecognition

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

ii) Classification and Measurement

The Company's investments are classified as held at fair value through profit or loss. They comprise:

Financial instruments held at fair value through profit or loss (financial instruments held for trading)

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of profit or loss.

Derivative financial instruments such as futures, foreign exchange forward contracts, options and interest rates swaps are included under this classification. The Company does not designate any derivatives as hedges against any specific assets or liabilities.

Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These are investments in listed equity securities. The fair value through profit or loss classification is available for the majority of financial assets held by the Company and the financial liabilities arising from the units must be fair valued.

Financial assets and liabilities designated at fair value through profit or loss at inception are those managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy as outlined in the Prospectus. The Company's policy is for the Investment Manager to evaluate information about these financial instruments on a fair value basis together with other related financial information.

iii) Fair Value

The Company determines the fair value of listed investments at the last quoted price. The fair value of investments that are not traded in an active market are determined using valuation techniques. These include the use of arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

iv) Impairment of financial assets

The Company assesses whether the credit risk on a financial asset has increased significantly based on the change in the risk of default since initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Such information includes:

- contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that indicates otherwise;

The Company considers the following to represent default events for the purpose of measuring expected credit losses:

- contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that indicates a more lagging default criterion is more appropriate;

The foregoing indicators of default have been selected based on the Company's historical experience.

v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Foreign currency translation

i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Company competes for funds and is regulated. The Australian dollar is also the Company's presentation currency.

ii) Transactions and balances

Transactions during the period denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and currency, together with any accrued income, are translated at the exchange rate prevailing at the balance date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss. Net exchange gains and losses arising on the revaluation of investments are included in gains on investments.

(e) Income tax

The charge for current income tax expense is based on the taxable income for the period. It is calculated using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Current and deferred taxes are recognised in profit or loss except where they relate to items that may be recognised directly in equity, such as unrealised gains and losses on long-term equity, in which case they are adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as being part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(g) Income

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Dividend income is recognised in profit or loss on the day on which the relevant investment is first quoted on an "ex-dividend" basis. Interest revenue is recognised as it accrues using the effective interest method, taking into account the effective yield on the financial asset.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. This may also include foreign exchange gains and losses when applicable.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(i) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

(j) Receivables

Receivables may include amounts for dividends, interest and securities sold. Dividends are receivable when they have been declared and are legally payable. Interest is accrued at the balance date from the time of last payment. Amounts receivable for securities sold are recorded when a sale has occurred.

(k) Payables

These amounts represent liabilities for amounts owing by the Company at period end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Amounts payable for securities purchased are recorded when the purchase has occurred.

(l) Derivative financial instruments

The Company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to financial derivatives are included in profit or loss as part of gains/(losses) on investments.

(m) Amounts due/to from brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by period end. Trades are recorded on trade date, and normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Company will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, and the probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

(n) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Earnings per share

i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease the loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

(p) Dividends

Provisions for dividends payable are recognised in the reporting period in which they are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(q) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of some assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant, and reasonable under the circumstance. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The methods used in the valuation of investments are set out in Note 1(c) to these financial statements.

(r) New and revised accounting requirements applicable to the current reporting period

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 13 February 2017 that have a material impact on the Company.

(s) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2017 reporting period and have not been early adopted by the Company. The directors' assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations is set out below:

- AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition and measurement of the Company's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Company does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Company's investments are held at fair value through profit or loss, the change in impairment rules will not impact the Company. The Company has not yet decided when to adopt AASB 9.

Under AASB 9 there is no recycling of the realised gains and losses to the income statement as was previously required by AASB 139. There is also no requirement to test the Company's investments for impairment so there is no transfer of unrealised impairment losses from the asset revaluation reserve to the income statement.

– AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

AASB 15 will replace AASB 118 Revenue which covers contracts for goods and services and AASB 111 Construction Contracts which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Company's main sources of income are interest, dividends and distributions, and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of AASB 15 to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements. The Company has not yet decided when to adopt AASB 15.

(t) Rounding of amounts to nearest dollar

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar (where indicated).

(u) Comparative period

The Company was constituted on 13 February 2017, registered with the Australian Securities and Investments Commission on 13 February 2017 and commenced operations on 27 April 2017. The reporting period covers the period from 13 February 2017 to 30 September 2017 hence there is no comparative information.

2. Financial Risk Management

(a) Objectives, strategies, policies and processes

The Company's Investment Strategy is to construct a portfolio of ethically screened global Securities and Derivatives, designed to provide superior risk adjusted returns to Shareholders. This return will comprise a combination of capital growth and income, thus allowing franked dividends to be paid to Shareholders when prudent, and provided the Company has sufficient profit reserves and franking credits available.

The Company will primarily invest in global listed Securities and Derivatives. The Company may also invest in unlisted Securities, fixed interest instruments, commodities, credit instruments and currencies, all of which may be invested through assets, Exchange Traded Funds or other Derivatives, including futures, options, forwards and swaps.

The portfolio excludes direct investments in entities involved in environmental destruction, including coal and uranium mining, oil and gas, intensive animal farming and aquaculture, tobacco and alcohol, armaments, gambling and rainforest and old growth logging. A minimum of 5% of the portfolio will be invested in the Securities of entities that the Manager believes are working to make a positive future for the world we live in.

The Company is managed from an Australian investor's perspective with tax and currency exposures forming important considerations in the daily management of the Company, whilst complying with the Company's Prospectus dated 13 March 2017. Financial risk management is carried out by the Investment Manager under the guidance of its Chief Investment Officer.

The Company's activities are exposed to different types of financial risks. These risks include credit risk, liquidity risk and market risk (including price risk, foreign currency risk and interest rate risk). The Company may employ derivative financial instruments to hedge these risk exposures in order to minimise the effects of these risks.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market prices generally incorporate credit risk assessments into valuations and risk of loss is implicitly provided for in the carrying value of assets and liabilities as they are marked to market at balance date.

The total credit risk for assets is therefore limited to the amount carried in the Statement of Financial Position.

The Manager is responsible for ensuring there is appropriate diversification across counterparties and that they are of a sufficient quality rating. The Manager minimises the Company's concentration of credit risk by undertaking transactions in global listed securities with a number of approved brokers. Payment is only made once a broker has received securities and delivery of securities only occurs once the broker received payment.

Cash - The majority of the Company's cash balances are held with financial institutions that have a Standard and Poor's credit rating of BBB+. The majority of maturities are within three months. The weighted average interest rate of the Company's cash and cash equivalents at 30 September 2017 is (0.12%).

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Company's investment in financial instruments, which under market conditions are readily convertible to cash. In addition, the Company maintains sufficient cash and cash equivalents to meet normal operating requirements.

Maturity analysis for financial liabilities

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month	1-6 months	6-12 months	6-12 months	Total
As at 30 September 2017	**$**	**$**	**$**	**$**	**$**
Borrowings	11,470,028	-	-	-	11,470,028
Payables	129,009	-	-	-	129,009
Financial liabilities held at fair value through profit or loss					
	6,716,301	-	-	-	6,716,301
Contractual cash flows (excluding gross settled derivatives)	**18,315,338**	-	-	-	**18,315,338**

(c) Liquidity risk (continued)

The table below analyses the Fund's derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month	1-6 months	6-12 months	6-12 months	Total
As at 30 September 2017	**$**	**$**	**$**	**$**	**$**
Foreign currency forward contracts	12,441,540	-	-	-	12,441,540
Futures	(2,637,078)	-	-	-	(2,637,078)
Total	**9,804,462**				**9,804,462**

(d) Market risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Company is exposed to market risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets and liabilities at fair value through profit and loss.

The Company employs qualitative and quantitative methods to manage the level of risk in the Company. The following investment guidelines are used as part of the risk management process:

- Maximum exposure limits to single security positions.
- Stop-loss guidelines which set maximum loss tolerance for each individual position.
- Internal limits for aggregate exposures to individual countries, industries and asset classes
- Value at Risk (VAR) calculations

VAR calculations are monitored daily by the Manager to ensure compliance with set limits. The Manager will also conduct stress and scenario analysis of price movements of the Portfolio to monitor the impact of such movements on the Portfolio valuation. Portfolio risk limits are monitored daily and any breaches are to be fixed as soon as possible by adjusting the interests in the Portfolio.

(i) Interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows, the risk is measured using sensitivity analysis on page 31.

The table below summarises the Company's exposure to interest rates risk. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity date.

	Weighted Average Effective Interest Rate	Floating Interest Rate	Non Interest Bearing	Fixed Interest Rate	Total
As at 30 September 2017	**$**	**$**	**$**	**$**	**$**
Financial Assets					
Cash and cash equivalents	0.12%	7,909,720	-	-	7,909,720
Receivables		-	805,413	-	805,413
Prepayments		-	44,777	-	44,777
Financial assets designated at fair value through profit or loss		-	58,755,527	-	58,755,527
Financial assets held for trading		-	4,182,239	-	4,182,239
Total Financial Assets		**7,909,720**	**63,787,956**	**-**	**71,697,676**
Financial Liabilities					
Borrowings	1.02%	11,470,028	-	-	11,470,028
Payables		-	129,009	-	129,009
Financial liabilities held for trading		-	11,334,656	-	11,334,656
Total Financial Liabilities		**11,470,028**	**11,463,665**	**-**	**22,933,693**

(d) Market risk (continued)

(ii) Other Price Risk

Other Price Risk is the risk that fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting the broader market. Other price risk exposure arises from the Company's investment portfolio.

(iii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Company holds assets denominated in currencies other than the Australian dollar (being the functional currency) and is therefore exposed to foreign currency risk when the value of assets denominated in other currencies fluctuates due to movements in exchange rates.

The Company may enter into foreign exchange forward contracts both to hedge the foreign exchange risk implicit in the value of portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities.

The Company uses forward foreign exchange contracts to reduce currency risk on specific investments within the portfolio.

The following table summarises the Fund's assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar as per below.

As at 30 September 2017	USD	JPY	Euro	DKK	Other Currencies	Total
	$	$	$	$	$	$
Cash and cash equivalents	2,090,193	456,788	203,252	-	290,003	3,040,236
Receivables	307,781	471,192	-	-	-	778,973
Investments	50,889,253	7,499,246	2,762,686	1,194,604	-	62,345,789
Borrowings	(5,031,345)	(1,011,152)	(17,736)	(330)	(149,746)	(6,210,309)
Payables	-	(28,048)	-	-	-	(28,048)
Investments	(5,961,801)	(3,211,644)	16,272	-	(1,602,112)	(10,759,285)
	42,294,081	4,176,382	2,964,474	1,194,274	(1,461,855)	49,167,356
Net increase/(decrease) in exposure from foreign currency forward contracts - sell foreign currency	887,459	424,573	(185,319)	-	(1,275,028)	(148,315)
Net exposure	**43,181,540**	**4,600,955**	**2,779,155**	**1,194,274**	**(2,736,883)**	**49,019,041**

(iv) Sensitivity analysis

The following tables show the sensitivity of the Company's operating profit/(loss) to price risk, interest rate risk and foreign exchange risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Company's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the securities in which the Company invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price risk		Interest rate risk		Foreign exchange risk	
	Impact on operating profit/(loss)		Impact on operating profit/(loss)		Impact on operating profit/(loss)	
	-10%	+10%	-100 bps	+100 bps	-10%	+10%
30 September 2017	(5,160,311)	5,160,311	1,075	(1,075)	(4,901,904)	4,901,904

3. FAIR VALUE MEASUREMENT

The Company measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis. The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

Fair value hierarchy

AASB 13: Fair value measurement requires disclosure of fair value measurements by level of the fair value hierarchy:

Level 1 - measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - measurements based on inputs other than quoted prices included in level 1 that are observable for the asset or liability; and
Level 3 - measurements based on unobservable inputs from the asset or liability.

(i) Recognised fair value measurements

The following table presents the Company's assets measured and recognised at fair value as at 30 September 2017.

As at 30 September 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Designated at fair value through profit or loss				
Listed equities	15,764,206	-	-	15,764,206
Listed unit trusts	42,991,321	-	-	42,991,321
Total financial assets designated at fair value through profit or loss	**58,755,527**	**-**	**-**	**58,755,527**
Held for trading				
Futures	30,544	-	-	30,544
Options	20,044	-	-	20,044
Forward currency exchange contracts	13,684	-	-	13,684
Swap contracts	-	4,117,967	-	4,117,967
Total financial assets held for trading	**64,272**	**4,117,967**	**-**	**4,182,239**
Total financial assets	**58,819,799**	**4,117,967**	**-**	**62,937,766**
Financial liabilities				
Designated at fair value through profit or loss				
Listed equities	6,716,301	-	-	6,716,301
Total financial liabilities designated at fair value through profit or loss	**6,716,301**	**-**	**-**	**6,716,301**
Held for trading				
Futures	53,313	-	-	53,313
Options	7,246	-	-	7,246
Swap contracts	-	4,557,796	-	4,557,796
Total financial liabilities held for trading	**60,559**	**4,557,796**	**-**	**4,618,355**
Total financial liabilities	**6,776,860**	**4,557,796**	**-**	**11,334,656**

(ii) Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

(iii) Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables approximate their fair value because of the short-term nature of the instruments and low credit risk.

4. Taxation

		Period from 13 February 2017 to 30 September 2017
(a)	**Numerical reconciliation of income tax (benefit)/expense**	
	Prima facie tax payable on profit before income tax at 30%	131,442
	Adjusted for tax effect of amounts which are not deductible (taxable) in calculating taxable income:	
	Imputation gross up on dividends received	-
	Franking credits on dividends received	254
	Withholding tax on dividends received	19,859
	Other differences	490
	Permanent differences	-
	Income tax (benefit)/expense	152,045
	Applicable weighted average effective tax rate	34.7%
	The income tax (benefit)/expense results in a:	
	Current tax asset	-
	Current tax liability	-
	Deferred tax asset	(441,446)
	Deferred tax liability	593,491
	Income tax (benefit)/expense	152,045
(b)	**Movement in current tax liability**	
	Opening balance	-
	Income tax payment made	-
	Charged / credited to profit or loss	
	to profit or loss	-
	Closing balance	**-**

		As at 30 September 2017
(c)	**Net deferred tax assets/(liabilities)**	
	Deferred tax liabilities	**$**
	Deferred income tax comprises the estimated tax payable at the current income tax rate of 30% on the following items:	
	Tax on unrealised gains on investment portfolio	(558,278)
	Accrued interest	(2,253)
	Dividends receivable	(32,960)
	Net deferred tax liabilities	**(593,491)**
	Movements:	
	Opening balance	-
	Charged / credited to profit or loss	
	to profit or loss	(593,491)
	to equity	-
	Closing balance	**(593,491)**

4. Taxation (Continued)

(c)	Net deferred tax assets/(liabilities) (continued)	As at 30 September 2017
	Deferred tax assets	**$**
	Deferred tax assets comprises the estimated tax deductible at the current income tax rate of 30% on the following items:	
	Transaction costs on equity issue	502,802
	Reduction in transaction costs on equity issue	(100,560)
	Other	44,327
	Tax losses for the period	497,679
	Net deferred tax assets	**944,248**
	Movements:	
	Opening balance	-
	Charged / credited	
	to profit or loss	441,446
	to equity	502,802
	Closing balance	**944,248**

5. Earnings per share

	Period from 13 February 2017 to 30 September 2017
Earnings per share	**$**
Basic earnings per share	**0.64 cents**
Diluted earnings per share	**0.64 cents**
Profit used in calculating basic earnings per share	286,094
Profit used in calculating diluted earnings per share	286,094
Weighted average number of ordinary shares used in the calculation of basic earnings per share	45,005,248
Weighted average number of shares used in the calculation of diluted earnings per share	45,005,248

The weighted average number of shares used as a denominator in calculating basic and diluted earnings per share is based on the weighted average number of shares from 27 April 2017 to 30 September 2017.

6. Receivables

	As at 30 September 2017
Receivables	**$**
Dividends receivable	77,210
Interest receivable	7,512
GST receivable	16,538
Due from brokers - receivable for securities sold	704,153
Total receivables	**805,413**

7. Investments

Investments	As at 30 September 2017 $
Financial assets	
Designated at fair value through profit or loss	
Listed equities	15,764,206
Listed unit trusts	42,991,321
Total financial assets designated at fair value through profit or loss	**58,755,527**
Held for trading	
Futures	30,544
Options	20,044
Forward currency exchange contracts	13,684
Swap contracts	4,117,967
Total financial assets held for trading	**4,182,239**
Total financial assets designated at fair value through profit or loss	**62,937,766**
Financial liabilities	
Designated at fair value through profit or loss	
Listed equities	6,716,301
Total financial liabilities designated at fair value through profit or loss	**6,716,301**
Held for trading	
Futures	53,313
Options	7,246
Swap contracts	4,557,796
Total financial liabilities held for trading	**4,618,355**
Total financial liabilities held at fair value through profit or loss	**11,334,656**

8. Derivative financial instruments

In the normal course of business the Company enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Company's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Company against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

The Company holds the following derivative instrument:

(a) Forward currency contracts

Forward currency contracts are primarily used by the Company to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Company agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing closing price at the end of each reporting period. The Company recognises a gain or loss equal to the change in fair value at the end of each reporting period.

(b) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts values are usually settled net daily with the exchange.

(c) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Company are exchange-traded. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

(d) Swaps

The fair value of interest rate swaps is the estimated amount that the Fund would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

The Company's derivative financial instruments at 30 September 2017 are detailed below.

		As at 30 September 2017	
	Contractual/ notional	Fair Values	
	Value	Assets	(Liabilities)
	$	$	$
Futures	(2,637,078)	30,544	(53,313)
Options	3,635,833	20,044	(7,246)
Forward currency exchange contracts	12,441,540	13,684	-
Swap contracts	-	4,117,967	(4,557,796)
	13,440,296	**4,182,239**	**(4,618,355)**

9. Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the following table:

	Effects of offsetting on the statement of financial position			Related amounts not offset	
As at 30 September 2017	Gross amounts of financial instrument	Gross amounts set off in the statement of financial position	Net amount of financial assets/ (liabilities) presented in the statement of financial position	Amounts subject to master netting arrangement	Net amount
Financial assets	$	$	$	$	$
Forward contracts	12,488,214	12,474,530	13,684	-	13,684
Futures	102,089	102,089	-	-	-
Swap contracts	4,319,489	3,809,499	509,990	-	509,990
Options	20,044	7,246	12,798	-	12,798
Total	**16,929,836**	**16,393,364**	**536,472**	**-**	**536,472**
Financial liabilities					
Forward contracts	(12,474,530)	(12,474,530)	-	-	-
Futures	(124,858)	(102,089)	(22,769)	-	(22,769)
Swap contracts	(3,809,499)	(3,809,499)	-	-	-
Options	(7,246)	(7,246)	-	-	-
Total	**(16,416,133)**	**(16,393,364)**	**(22,769)**	**-**	**(22,769)**

10. Payables

	As at 30 September 2017
	$
Other accruals	39,708
Management fees payable	50,004
Administration fees payable	11,248
Due to brokers - payable for securities purchased	28,049
Total	**129,009**

11. Issued captial

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Shares and Options under IPO

The Company issued a Prospectus on 13 February 2017 for the offer of up to 200,000,000 fully paid ordinary shares at an Application price of $1.10 per share to raise up to $220,000,000, together with an entitlement to 1 option, exercisable into one fully paid ordinary share at $1.10 per Option on or before 30 November 2018 for every 1 share subscribed for under the offer. On 27 April 2017, the Company issued 44,440,626 fully paid ordinary shares under this initial public offering at $1.10 per share.

Capital risk management

The Company's policy is to maintain a strong capital base so as to maintain investor and market confidence. The overall strategy remains unchanged. To achieve this, the Board of Directors monitor the monthly NTA results, investment performance and share price movements. The Board is focused on maximising returns to shareholders with capital management a key objective of the Company. The Company is not subject to any externally imposed capital requirements.

		Period from 13 February 2017 to 30 September 2017	
(a)	**Movements in ordinary share capital**	**Shares**	**$**
	Balance on incorporation date	1	1
	Ordinary shares issued under the initial public offering	44,440,626	48,884,689
	Options exercised - issue of shares	1,015,600	1,117,160
	Costs of issued capital, net of tax	-	(1,173,204)
	Closing balance	**45,456,227**	**48,828,646**

(b)	**Movements in options**		
	Opening balance	-	-
	Options issued under the initial public offering	44,440,626	-
	Options exercised, and related transfer to share capital	(1,015,600)	-
	Closing balance	**43,425,026**	**-**

12. Reserves and retained losses

		Period from 13 February 2017 to 30 September 2017
(a)	**Retained losses**	**$**
	Balance at the beginning of the period	-
	Net profit attributable to members of the Company	286,094
	Transfer to profit reserve	(708,393)
	Balance at 30 September	**(422,299)**
(b)	**Profits reserve**	
	The reserve is made of amounts transferred from current and retained earnings that are preserved for future dividend payments.	
	Balance at the beginning of the period	-
	Transfer from retained earnings/(losses)	708,393
	Balance at 30 September	**708,393**

13. Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:	**Period from 13 February 2017 to 30 September 2017**
Pitcher Partners	**$**
Audit and other assurance services	25,025
Audit of financial statements	
Other assurance services	40,040
Other assurance - Investigating accountant on Prospectus	
Total remuneration for audit and other assurance services	65,065
Taxation services	
Taxation services	9,000
Total remuneration of Pitcher Partners	**74,065**

The Company's Audit Committee oversees the relationship with the Company's External Auditors. The Audit Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other audit-related tax compliance services provided by the audit firm, to ensure that they do no compromise independence.

14. Cash flow information

		As at 30 September 2017
(a)	**Components of cash and cash equivalents**	
	Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:	
	Cash at bank	7,909,720
	Prime broker funding facility	(11,470,028)
		(3,560,308)

		Period from 13 February 2017 to 30 September 2017
(b)	**Reconciliation of net profit attributable to members of the Company to net cash outflow from operating activities**	**$**
	Profit/(loss) attributable to members of the Company	438,139
	Net (gains) on financial instruments held at fair value through profit or loss	(1,585,693)
	Net (losses) on financial instruments held for trading	1,020,524
	Net (gains) on foreign exchange	(418,505)
	Income tax benefit	(152,045)
	Net change in prepayments	(44,777)
	Net change in receivables	(101,260)
	(Increase) in deferred tax assets	(441,446)
	Increase in deferred tax liabilities	593,491
	Net change in payables	100,960
	Net cash outflow from operating activities	**(590,612)**

15. Related party transactions

All transactions with related entities were made on normal commercial terms and conditions no more favourable than transactions with other parties unless otherwise stated.

(a) Management and Performance Fees

Morphic Asset Management Pty Limited (Morphic) (ABN 33 155 937 901, AFSL 419916) has been appointed as the Investment Manager of the Company. The Manager is privately owned and incorporated in 2012. The Managing Director, Jack Lowenstein holds (together with his investment entities) 30% of the ordinary capital of the Manager.

(i) Management fee

the Manager is entitled to be paid monthly a Management Fee equal to 1.25% (plus GST) per annum of the Value of the Portfolio (payable monthly in arrears and calculated on the last business day of each month).

(ii) Performance fee

the Manager is entitled to be paid by the Company a fee (Performance Fee) equal to 15% (plus GST) of the Portfolio's outperformance relative to the MSCI All Countries Total Return Daily Index ("the Index") in Australian dollars (Benchmark) over the 12 month period, subject to the Portfolio generating absolute gains since inception and the recoupment of prior underperformance.

Management fees paid to the Manager during the period were as follows:

	Period from 13 February 2017 to 30 September 2017
Management fees paid and payable during the period	255,901
Management fees payable at period end	50,004
There were no performance fees earned or paid during the period.	

(b) Remuneration of Directors and Other Key Management Personnel

In accordance with Section 300A of the Corporations Act 2001, all detailed information regarding the remuneration of Directors and other key management personnel has been included in the Remuneration Report in the Directors' Report of the Annual Report.

A summary of the remuneration of Directors and other key management personnel for the period is set out below:

	Period from 13 February 2017 to 30 September 2017
Cash salary, fees and commissions	47,273
Short-term employee benefits	**47,273**
Superannuation	10,740
Post-employment benefits	**10,740**
Total employment benefits	**58,013**

(c) Shareholdings

2017	Opening balance	Acquisitions	Disposals	Balance at 30 September 2017
Ordinary Shares				
JoAnna Fisher	-	100,000	-	100,000
Jack Lowenstein	-	500,001	-	500,001
Mark Forstmann	-	40,000	-	40,000
Virginia Malley	-	52,300	-	52,300
	-	**692,301**	**-**	**692,301**

(d) Options to acquire shares

2017	Opening balance	Acquisitions	Disposals	Balance at 30 September 2017
Options				
JoAnna Fisher	-	100,000	-	100,000
Jack Lowenstein	-	700,000	-	700,000
Mark Forstmann	-	40,000	-	40,000
Virginia Malley	-	52,300	-	52,300
	-	**892,300**	**-**	**892,300**

16. Contingent liabilities and commitments

As at 30 September 2017, the Company had no contingent liabilities or commitments.

17. Dividends

No dividends were paid for the period ended 30 September 2017.

	Period from 13 February 2017 to 30 September 2017
Dividend franking account	**$**
Opening balance of franking account	-
Franking credits on dividends received	847
Closing balance of franking account	847

The Company's ability to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

18. Segement information

The Company has only one reportable segment and one industry. It operates predominantly in Australia and in the securities industry. It earns revenue from dividend income, interest income and other returns from the investment portfolio. The Company invests in different types of securities, as detailed at Note 7 Investments, and Note 3 Fair Value Measurement.

19. Segement information

No matters or circumstances have arisen since the end of the period which significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

10. DIRECTORS' DECLARATION

The Directors declare that:

(a) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards, and giving a true and fair view of the financial position as at 30 September 2017 and performance of the Company, for the period ended 30 September 2017;

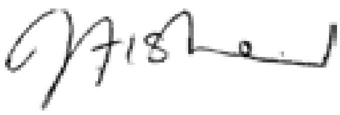
(b) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(c) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated on Note 1(b) of the financial statements;

(d) The Directors have been given the declarations required by S.295A of the Corporations Act 2001; and

(e) The remuneration disclosures contained in the Remuneration Report comply with S300A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to S.295(5) of the Corporations Act 2001. On behalf of the Directors



JoAnna Fisher
Chairman
Morphic Ethical Equities Fund Limited

Sydney, 3 November 2017

11. INDEPENDENT REVIEW REPORT TO THE MEMBERS

Independent Auditor's Report
to the Members of Morphic Ethical Equities Fund Limited
A.B.N. 52 617 345 123

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Morphic Ethical Equities Fund Limited (the Company), which comprises the statement of financial position as at 30 September 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from incorporation to 30 September 2017, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Opinion

In our opinion

a) the financial report of Morphic Ethical Equities Fund Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's financial position as at 30 September 2017 and of its performance for the period ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 Basis of preparation.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. We have communicated the key audit matters to the Board of Directors, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Board of Directors. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
Financial Assets and Financial Liabilities ***Refer to Note 7: Investments, Note 8: Derivative Financial Instruments and Note 9: Offsetting Financial Assets and Liabilities***	
We focused our audit effort on the valuation, existence and completeness of the Company's financial assets and financial liabilities as they are one of its largest asset and liability and represent the most significant driver of the Company's net tangible assets and profits. The quantum of investments held inherently makes financial assets and financial liabilities a key audit matter, in addition however, there may be judgements involved in determining the fair value of the investments. We therefore identified the valuation, existence and completeness of investments as an area of focus.	Our procedures included, amongst others: – We obtained an understanding of the investment management process and controls; – We reviewed the latest independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for both Custodians and Administrator; – We made enquiries as to whether there had been any changes to their controls or their effectiveness; – For the period since the last internal controls audit we undertook additional procedures in order to satisfy ourselves of the ability to rely upon the internal controls of the Custodians and their reports; – We agreed the investment holdings to a confirmation obtained directly from the Custodians; – We assessed the Company's valuation of individual investment holdings to independent sources where readily observable data was available. For investments where there was little or less observable market data, we obtained and assessed other relevant valuation data; – We evaluated the appropriateness of the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and realised/unrealised gains or losses; – We assessed the adequacy of disclosures in the financial statements.

Key audit matter	*How our audit addressed the matter*
Management and Performance Fees ***Refer to Note 10: Payables, Note 15: Related party transactions and Remuneration Report***	
We focused our audit effort on the accuracy and completeness of management and performance fees as they are significant expenses of the Company and their calculation may require adjustments for events in accordance with the Investment Management Agreement between the Company and the Investment Manager. In addition to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favorable than if they had been with an independent third-party. We therefore identified the accuracy and completeness of management and performance fees as an area of focus.	Our procedures included, amongst others: – Making enquiries with the Investment Manager and the Directors with respect to any significant events during the period and associated adjustments made as a result, in addition to having reviewed ASX announcements; – In order to verify the Company's calculation, we recalculated management and performance fees in accordance with our understanding of the Investment Management Agreement; – Considered the treatment of events that may be significant to the calculation of management and performance fees; – Tested key inputs used in the calculation of the management and performance fees and performed a reasonableness test; – Considered the appropriateness of the current methodology in relation to calculation of the management and performance fees; – We also assessed the adequacy of disclosures made in the financial statements in relation to these related party transactions.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Company's annual report for the period ended 30 September 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of Morphic Ethical Equities Fund Limited are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

PITCHER PARTNERS
ACCOUNTANTS · AUDITORS · ADVISORS

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 15 of the directors' report for the period ended 30 September 2017. In our opinion, the Remuneration Report of Morphic Ethical Equities Fund Limited for the period ended 30 September 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of Morphic Ethical Equities Fund Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

S M WHIDDETT
Partner

3 November 2017

PITCHER PARTNERS
Sydney

12. SHAREHOLDER INFORMATION

The Shareholder information set out below was applicable at 30 September 2017.

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report, is listed below.

A. Distribution of securities

Distribution of equity securities

Holding Ranges	Investors	Shares	Percentage %
1 to 1000	20	13,815	0.33
1001 to 5000	452	1,467,751	3.23
5001 to 10000	282	2,573,438	5.66
10001 to 100000	616	20,225,827	44.50
100001 and Over	45	21,175,396	46.58
Total	**1,415**	**45,456,227**	**100**

Distribution of options

Holding Ranges	Investors	Shares	Percentage %
1 to 1000	1	100	0.00
1001 to 5000	436	1,419,753	3.27
5001 to 10000	262	2,400,948	5.53
10001 to 100000	544	18,381,958	42.33
100001 and Over	44	21,222,267	48.87
Total	**1,287**	**43,425,026**	**100**

B. Equity security holders

Twenty largest equity security holders

Name	Shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,126,462	13.48
SYSHA PTY LTD <SYDNEY GOODMAN FAMILY A/C>	2,000,000	4.40
LEKK PTY LTD <HILTON GORDON FAMILY A/C>	1,800,000	3.96
MISS JUNE MARY SPEED <ETHICAL INVESTMENT A/C>	909,090	2.00
JORLYN PTY LTD <ROBERT JORDAN FAMILY A/C>	900,000	1.98
GRANNETTE PTY LTD <GRAEME WOOD FOUNDATION A/C>	584,270	1.29
MR JACK THESEUS LOWENSTEIN	500,001	1.10
GEAT INCORPORATED <GEAT-PRESERVATION FUND A/C>	480,000	1.06
BOND STREET CUSTODIANS LIMITED <DFK - V02392	454,545	1.00
FAY FULLER FOUNDATION PTY LTD <FAY FULLER FOUNDATION A/C>	454,545	1.00
JAMES & DIANA RAMSAY FOUNDATION PTY LTD <J & D RAMSAY FOUNDATION A/C>	454,545	1.00
FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	330,000	0.73
MR CAMERON ALAN GILLIES	300,000	0.66
MILESTONE NOMINEES PTY LTD <J COCHRANE SUPER FUND A/C>	300,000	0.66
BNP PARIBAS NOMINEES PTY LTD HUB24	291,493	0.64
THE WYATT BENEVOLENT INSTITUTION INC	273,000	0.60
SAXON ACQUISITIONS PTY LTD <DON'T PANIC DISC A/C>	268,962	0.59
MRS PHILIPPA BLOMFIELD	250,000	0.55
BOND STREET CUSTODIANS LIMITED <DFK - V02720 A/C>	227,273	0.50
CAANA HOLDINGS PTY LTD	227,273	0.50

Twenty largest options security holders

Name	Options	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,117,742	14.09
SYSHA PTY LTD <SYDNEY GOODMAN FAMILY A/C>	2,000,000	4.61
LEKK PTY LTD <HILTON GORDON FAMILY A/C>	1,800,000	4.15
MISS JUNE MARY SPEED <ETHICAL INVESTMENT A/C>	909,090	2.09
JORLYN PTY LTD <ROBERT JORDAN FAMILY A/C>	900,000	2.07
MR JACK THESEUS LOWENSTEIN	700,000	1.61
GRANNETTE PTY LTD <GRAEME WOOD FOUNDATION A/C>	584,270	1.35
GEAT INCORPORATED <GEAT-PRESERVATION FUND A/C>	480,000	1.11
BOND STREET CUSTODIANS LIMITED <DFK - V02392	454,545	1.05
FAY FULLER FOUNDATION PTY LTD <FAY FULLER FOUNDATION A/C>	454,545	1.05
JAMES & DIANA RAMSAY FOUNDATION PTY LTD <J & D RAMSAY FOUNDATION A/C>	454,545	1.05
SAXON ACQUISITIONS PTY LTD <DON'T PANIC DISC A/C>	363,637	0.84
GASEOUS PTY LTD <LIQUID SUPER A/C>	342,000	0.79
PW AND VJ COOPER PTY LIMITED <P W & V J COOPER S/F A/C>	327,273	0.75
MR CAMERON ALAN GILLIES	300,000	0.69
THE WYATT BENEVOLENT INSTITUTION INC	273,000	0.63
FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	265,200	0.61
MRS PHILIPPA BLOMFIELD	250,000	0.58
HS CAPITAL PTY LTD <WPB SMSF A/C>	250,000	0.58
BOND STREET CUSTODIANS LIMITED <DFK - V02720 A/C>	227,273	0.52

SHAREHOLDER INFORMATION (CONTINUED)

C. Substantial shareholders

	%
Westpac Banking Corporation and its associated entities	10.10%

D. Voting rights

The voting rights attaching to each class of equity security are set our below:

Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. Options do not have any voting rights until they vest and are exercised.

E. Stock exchange listing

Quotation has been granted for all of the ordinary shares and options of the Company on all Member exchanges of the ASX Limited.

F. Unquoted securities

There are no unquoted securities.

G. Securities subject to voluntary escrow

There are no securities subject to voluntary escrow.

H. Investment transactions

There were 1,184 investment transactions during the period, total brokerage paid on these transactions was $169,848.

13. CORPORATE DIRECTORY

MORPHIC ETHICAL EQUITIES FUND LIMITED

ABN 52 617 345 123

Directors

JoAnna Fisher (Chairman)
Jack Lowenstein
Mark Forstmann
Virginia Malley

Company Secretary
Registered Office

Justin O' Donnell

Contact Details

Level 3
139 Macquarie Street
Sydney NSW 2000
P: (02) 9194 6707
www.morphicasset.com

Share Registry

Computershare
Level 4, 60 Carrington Street,
Sydney NSW 2000
P: (02) 8234 5000
F: (02) 8234 5050

Auditor

Pitcher Partners
Level 22, MLC Centre
19 Martin Place
Sydney NSW 2000

P: (02) 9221 2099

Stock Exchange Listings

Morphic Ethical Equities Limited securities are listed on the Australian Stock Exchange under the following exchange codes:

Shares MEC
Options MECO

Morphic Ethical Equities Fund Limited
Level 3, 139 Macquarie Street, Sydney, NSW Australia 2000
www.morphicasset.com