

APPENDIX 4D

FOR THE HALF-YEAR ENDED 31 MARCH 2019

DETAILS OF REPORTING PERIOD

Current: Half-year ended 31 March 2019

Previous: Half-year ended 31 March 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	\$	MOVEMENT (UP/DOWN)	MOVEMENT (%)
Revenue/(loss) from ordinary activities	334,374	down	(93%)
Profit/(loss) from ordinary activities before tax attributable to members	(810,508)	down	(120%)
Profit/(loss) from ordinary activities after tax attributable to members	(498,450)	down	(118%)

DIVIDEND INFORMATION

	CENTS PER SHARE	FRANKED AMOUNT PER SHARE	TAX RATE FOR FRANKING
2019 Interim dividend (cents per share)	1.0	1.0	30.0%

INTERIM DIVIDEND DATES

Ex-dividend date	4 July 2019
Record date	5 July 2019
Last election date for the DRP	12 July 2019
Payment date	19 July 2019
Date for issue of shares under DRP	19 July 2019

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan (DRP) is in operation and the recommended fully franked interim dividend of 1.0 cent per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the issue price. The relevant issue price will be the volume weighted average price (VWAP) of shares sold on the ASX (on an ex-dividend basis) five days from the ex-dividend date inclusive of the ex-dividend date.

NET TANGIBLE ASSETS

	31 MARCH 2019	30 SEPTEMBER 2018
Net Tangible Assets (per share) before tax	1.1073	1.1746
Net Tangible Assets (per share) after tax	1.1050	1.1543

CONTROL GAINED OR LOST OVER ENTITIES DURING THE HALF-YEAR

The Company did not gain or lose control over any entities during the half-year.

DETAIL OF ASSOCIATES AND JOINT VENTURE ENTITIES

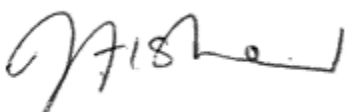
The Company did not have any interests in any associates or joint ventures during the half-year.

REVIEW

This report is based on the financial report which has been reviewed. All the documents comprise the information required by Listing Rule 4.2A.

This information should be read in conjunction with the 30 September 2018 Annual Financial Report.

Signed on behalf of Morphic Ethical Equities Fund Limited



JOANNA FISHER

Chairman
Morphic Ethical Equities Fund Limited

Sydney
28 May 2019



Interim
Financial
Report

MORPHIC
ETHICAL EQUITIES
FUND

Half-Year ended
31 March 2019

MORPHIC ETHICAL EQUITIES FUND LIMITED

ABN 52 617 345 123

INTERIM FINANCIAL REPORT

For the half-year ended 31 March 2019

Morphic Ethical Equities Fund Limited
Level 3
139 Macquarie Street
Sydney NSW 2000
P: (02) 9194 6707
www.morphiccasset.com





**TABLE OF
CONTENTS**

CONTENTS

PAGE

DIRECTORS' REPORT

5

AUDITOR'S INDEPENDENCE DECLARATION

8

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

9

CONDENSED STATEMENT OF FINANCIAL POSITION

10

CONDENSED STATEMENT OF CHANGES IN EQUITY

11

CONDENSED STATEMENT OF CASH FLOWS

12

NOTES TO THE FINANCIAL STATEMENTS

13

DIRECTORS' DECLARATION

22

INDEPENDENT REVIEW REPORT TO THE MEMBERS

23

DIRECTORS' REPORT

The Directors present their Report together with the Financial Report of Morphic Ethical Equities Fund Limited ("Company") for the half-year ended 31 March 2019 ("the Period").

INFORMATION ON DIRECTORS

The following persons were directors of the Company during the half-year and up to the date of this report (unless otherwise indicated):

JOANNA FISHER	INDEPENDENT CHAIRMAN
JACK LOWENSTEIN	NON-INDEPENDENT DIRECTOR
MARK FORSTMANN	INDEPENDENT DIRECTOR
VIRGINIA MALLEY	INDEPENDENT DIRECTOR
CHAD SLATER	ALTERNATE DIRECTOR

PRINCIPAL ACTIVITY

The Company's principal activity is investing in global listed securities screened to exclude entities involved in environmentally damaging activities (including coal and uranium mining and oil and gas), intensive farming and aquaculture, tobacco, armaments, alcohol and gambling.

The Company's investment objectives are to: deliver investors an ethically screened portfolio; generate superior risk adjusted returns; and provide capital growth and consistent income. No change in this activity took place during the half-year or is likely to in the future.

REVIEW OF OPERATIONS

The Company's investments during the half-year resulted in operating loss of \$810,508 before tax and loss of \$498,450 after tax. This reflects the performance of the investment portfolio over the Period as outlined below.

INVESTMENT RETURNS

	RETURNS OVER THE PERIOD 1 OCTOBER 2018 TO 31 MARCH 2019		RETURNS SINCE INCEPTION 2 MAY 2017 TO 31 MARCH 2019	
	Gross	Net	Gross	Net
Investment Portfolio	(1.50%)	(1.95%)	6.55%	5.73%
MSCI All Countries Total Return Daily Index	(0.19%)	(0.31%)	11.63%	11.04%
Performance Relative to Benchmark	(1.31%)	(1.64%)	(5.08%)	(5.31%)

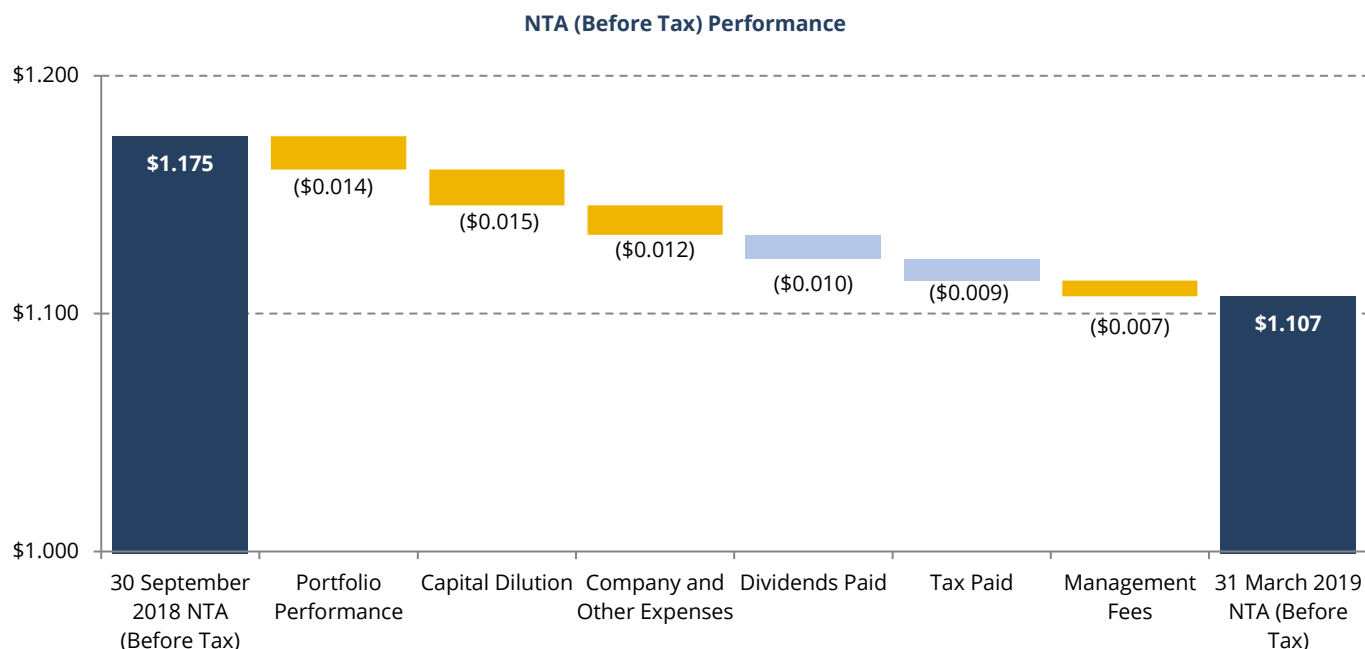
Gross return is before investment management fees, company admin costs and all taxes.

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

From a shareholder perspective it is useful to consider movement in the Company's Net Tangible Asset Value (NTA) per share, which adjusts for impact of management fees and other company costs. The NTA changes over the Period are outlined below.

NTA PERFORMANCE	31 MARCH 2019	30 SEPTEMBER 2018	2 MAY 2017 (LISTING)	RETURN OVER PERIOD	RETURNS SINCE INCEPTION (PA)
Pre-tax NTA per share	1.1073	1.1746	1.0623	(5.73%)	2.19%
Post-tax NTA per share	1.1050	1.1543	1.0736	(4.27%)	1.52%

The Company's NTA over the Period was affected by portfolio performance, capital inflows from share placement and share purchase plan, and payment of dividends, taxes, management fees and company costs as shown in the following graph.



On 31 October 2018, the Directors declared a fully franked dividend of 1.00 cents per share which amounted to \$455,474 and was paid on 12 December 2018.

DIVIDENDS PAID OR RECOMMENDED

Since the end of the Period, the Directors declared a fully franked interim dividend of 1.0 cents per share to be paid on 19 July 2019.

The Board is committed to paying fully franked dividends to shareholders and raising the dividend over time, provided the Company has distributable profits, franking credits and it is within prudent business practices.

COMPARATIVE INFORMATION

The current reporting period is the half-year ended 31 March 2019. For the Condensed Statement of Profit or Loss and Other Comprehensive Income, Condensed Statement of Changes in Equity and the Condensed Statement of Cash Flows, the previous corresponding period is the period from 1 October 2017 to 31 March 2018. For the Condensed Statement of Financial Position, the previous corresponding date is 30 September 2018.

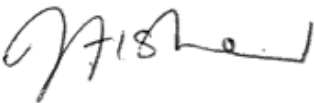
ROUNDING OF AMOUNTS TO NEAREST DOLLAR

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 (unless otherwise indicated).

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 8.

Signed in accordance with a resolution of the directors.



JOANNA FISHER

Chairman
Morphic Ethical Equities Fund Limited
Sydney, 28 May 2019

AUDITOR'S INDEPENDENCE DECLARATION



Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MORPHIC ETHICAL EQUITIES FUND LIMITED
ABN 52 617 345 123**

In relation to the independent auditor's review for the half-year ended 31 March 2019, 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 in relation to the review.

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

SCOTT WHIDDETT

Partner

PITCHER PARTNERS

Sydney

28 May 2019

Adelaide Brisbane Melbourne Newcastle Perth Sydney

Pitcher Partners is an association of independent firms.

An independent New South Wales Partnership. ABN 17 795 780 962. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

 **bakertilly**
NETWORK MEMBER

pitcher.com.au

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 MARCH 2019

	NOTE	HALF-YEAR ENDED 31 MARCH 2019 (\$)	HALF-YEAR ENDED 31 MARCH 2018 (\$)
Investment income			
Interest income		7,071	-
Dividend income		659,972	659,632
Net gains/(losses) on financial instruments at fair value through profit or loss		(464,967)	4,478,574
Net gains/(losses) on foreign exchange		113,707	(120,193)
Other income		18,591	2,609
Total investment income		334,374	5,020,622
Expenses			
Audit and tax expenses		21,728	40,304
Administration and middle office fees		73,340	91,756
Directors' fees		70,000	70,000
Dividends on borrowed stock		141,013	115,021
Interest expense (including on borrowed stock)		158,632	121,670
Performance fees		-	13,047
Management fees		347,060	331,972
Transaction costs		114,975	86,621
Withholding tax expense		109,489	84,208
Other operating expenses		108,645	98,720
Total expenses		1,144,882	1,053,319
Profit/(loss) for the half-year before income tax expense		(810,508)	3,967,303
Income tax (benefit)/expense		(312,058)	1,200,512
Profit/(loss) for the half-year		(498,450)	2,766,791
Other comprehensive income		-	-
Total comprehensive income for the half-year		(498,450)	2,766,791
Basic earnings/(losses) per share	3	(1.00) cents	6.08 cents
Diluted earnings/(losses) per share	3	(1.00) cents	6.08 cents

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

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019	NOTE	AS AT 31 MARCH 2019 (\$)	AS AT 30 SEPTEMBER 2018 (\$)
Assets			
Current assets			
Cash and cash equivalents	6	21,625,557	10,299,591
Receivables		138,504	534,308
Prepayments		45,962	16,486
Investments	2	86,920,897	60,806,780
Current tax asset		12,498	-
Total current assets		108,743,418	71,657,165
Non-current assets			
Deferred tax asset		1,150,216	926,933
Total non-current assets		1,150,216	926,933
Total assets		109,893,634	72,584,098
Liabilities			
Current liabilities			
Borrowings		21,852,229	10,392,308
Payables		770,461	141,310
Investments	2	27,856,837	7,652,057
Current tax liability		-	590,361
Total current liabilities		50,479,527	18,776,036
Non-current liabilities			
Deferred tax liability		1,268,838	1,260,834
Total non-current liabilities		1,268,838	1,260,834
Total liabilities		51,748,365	20,036,870
Net assets		58,145,269	52,547,228
Equity			
Issued capital	4(a)	55,455,866	48,903,901
Retained losses	5(a)	(1,325,545)	(827,095)
Profits reserve	5(b)	4,014,948	4,470,422
Total equity		58,145,269	52,547,228

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

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 MARCH 2019

	NOTE	ISSUED CAPITAL (\$)	RETAINED EARNINGS/ (LOSSES) (\$)	PROFITS RESERVE (\$)	TOTAL EQUITY (\$)
Balance at 30 September 2017		48,828,646	(422,299)	708,393	49,114,740
Profit for the half-year		-	2,766,791	-	2,766,791
Total comprehensive income for the half-year		-	2,766,791	-	2,766,791
Other					
Transfer to profits reserve	5(a)(b)	-	(2,778,498)	2,778,498	-
		-	(2,778,498)	2,778,498	-
Transactions with owners in their capacity as owners					
Options exercised during the half-year	4(a)	25,300	-	-	25,300
		25,300	-	-	25,300
Balance at 31 March 2018		48,853,946	(434,006)	3,486,891	51,906,831
Balance at 30 September 2018		48,903,901	(827,095)	4,470,422	52,547,228
Loss for the half-year		-	(498,450)	-	(498,450)
Total comprehensive income for the half-year		-	(498,450)	-	(498,450)
Other					
Transfer to profits reserve	5(a)(b)	-	-	-	-
		-	-	-	-
Transactions with owners in their capacity as owners					
Shares issued during the half-year	4(a)	6,577,769	-	-	6,577,769
Options exercised during the half-year	4(a)	24,750	-	-	24,750
Dividends provided for or paid	4(a)	-	-	(455,474)	(455,474)
Costs of issued capital, net of tax	4(a)	(50,554)	-	-	(50,554)
		6,551,965	-	(455,474)	6,096,491
Balance at 31 March 2019		55,455,866	(1,325,545)	4,014,948	58,145,269

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

CONDENSED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 MARCH 2019

	NOTE	HALF-YEAR ENDED 31 MARCH 2019 (\$)	HALF-YEAR ENDED 31 MARCH 2018 (\$)
Cash flows from operating activities			
Dividends received		781,230	651,941
Other income received		18,591	2,609
Interest paid		(150,009)	(136,428)
Dividends on borrowed stock		(128,150)	(115,021)
Management fees paid		(340,336)	(324,490)
Directors' fees paid		(76,835)	(70,000)
Withholding tax paid		(109,489)	(84,208)
Other operating expenses paid		(288,252)	(241,474)
Transaction costs paid		(114,975)	(86,621)
Income tax paid		(484,413)	-
Net cash outflow from operating activities		(892,638)	(403,692)
Cash flows from investing activities			
Proceeds from sale of investments		2,863,888	15,633,702
Payments for purchase of investments		(8,316,980)	(13,108,333)
Net cash inflow/(outflow) from investing activities		(5,453,092)	2,525,369
Cash flows from financing activities			
Dividends paid net of dividend reinvestment		(419,565)	-
Net proceeds from shares issued under Share Purchase Plan (SPP)	4(a)	188,100	-
Net proceeds from shares issued - placement	4(a)	6,353,760	-
Net proceeds from exercise of options		24,750	25,300
Costs of issued capital paid		(72,221)	-
Net cash inflow/(outflow) from financing activities		6,074,824	25,300
Net increase/(decrease) in cash and cash equivalents		(270,906)	2,146,977
Effect of exchange rate fluctuations on cash		136,951	(15,661)
Cash and cash equivalents at beginning of the half- year		(92,717)	(3,560,308)
Cash and cash equivalents at end of the half-year	6	(226,672)	(1,428,992)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 MARCH 2019

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 condensed interim financial statements are for the half-year ended 31 March 2019, and were authorised for issue by the Directors on 28 May 2019.

The Company's principal objectives are to:

- deliver investors an ethically screened portfolio;
- generate 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.

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

a) Basis of preparation

These condensed interim financial statements for the half-year ended 31 March 2019 have been prepared in accordance with accounting standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001* in Australia. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standard.

These condensed interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the 30 September 2018 annual financial report and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The condensed interim 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.

Where required by the Accounting Standards and / or for improved presentation purposes, certain comparative figures have been adjusted to conform to changes in presentation for the current period.

Except as disclosed below, the accounting policies adopted are consistent with those applied to the Company's financial statement for the year ended 30 September 2018.

Standards and Interpretations affecting the reported results or financial position

The Company had to change some of its accounting policies as a result of new and revised accounting standards which became effective for the first time in the current reporting period. The affected policies are:

- AASB 9 Financial Instruments (and applicable amendments)

AASB 9 became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139. The derecognition rules have not changed from the previous requirements, and the Company does not apply hedge accounting.

Financial Instruments

i. Classification

• Financial assets

The Company classifies its investments based on its business model for managing those financial assets. The Company's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Company's investment strategy. The Company's policy is to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

• Financial liabilities

The Company makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

Due from/to brokers

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Company shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

Investment income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

- AASB 15 Revenue from Contracts with Customers

AASB 15 replaces 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 at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a material impact on the Company's accounting policies or the amounts recognised in the interim financial statements.

b) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published by the AASB that are not mandatory for the interim period ended 31 March 2019 and have not been early adopted by the Company. The directors have considered these standards and interpretations and have concluded that they will not have a material impact on the financial report of the Company.

c) Rounding amounts

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, unless otherwise indicated.

d) Comparative period

The current reporting period is the half-year ended 31 March 2019. For the Condensed Statement of Profit or Loss and Other Comprehensive Income, Condensed Statement of Changes in Equity and the Condensed Statement of Cash Flows, the previous corresponding period is the period from 1 October 2017 to 31 March 2018. For the Condensed Statement of Financial Position, the previous corresponding date is 30 September 2018.

2. FAIR VALUE MEASUREMENT

The Company measures and recognises financial assets and liabilities 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.

a) Recognised fair value measurements

The following table presents the Company's assets measured and recognised at fair value as at 31 March 2019.

AS AT 31 MARCH 2019	LEVEL 1 (\$)	LEVEL 2 (\$)	LEVEL 3 (\$)	TOTAL (\$)
Financial assets				
Designated at fair value through profit or loss				
Listed equities	21,840,097	-	-	21,840,097
Listed unit trusts	58,194,747	-	-	58,194,747
Options	77,071	-	-	77,071
Forward currency contracts	-	24,001	-	24,001
Swap contracts	-	6,784,981	-	6,784,981
Total financial assets at fair value through profit or loss	80,111,915	6,808,982	-	86,920,897
Financial liabilities				
Designated at fair value through profit or loss				
Listed equities	17,214,214	-	-	17,214,214
Listed unit trusts	4,226,331	-	-	4,226,331
Futures	127,848	-	-	127,848
Forward currency contracts	-	-	-	-
Swap contracts	-	6,288,444	-	6,288,444
Total financial assets at fair value through profit or loss	21,568,393	6,288,444	-	27,856,837

AS AT 30 SEPTEMBER 2018	LEVEL 1 (\$)	LEVEL 2 (\$)	LEVEL 3 (\$)	TOTAL (\$)
Financial assets				
Designated at fair value through profit or loss				
Listed equities	11,544,549	-	-	11,544,549
Listed unit trusts	44,481,291	-	-	44,481,291
Futures	21,102	-	-	21,102
Options	20,821	-	-	20,821
Forward currency contracts	-	8,291	-	8,291
Swap contracts	-	4,730,726	-	4,730,726
Total financial assets at fair value through profit or loss	56,067,763	4,739,017	-	60,806,780
Financial liabilities				
Designated at fair value through profit or loss				
Listed equities	2,169,399	-	-	2,169,399
Listed unit trusts	439,922	-	-	439,922
Swap contracts	-	5,042,736	-	5,042,736
Total financial liabilities at fair value through profit or loss	2,609,321	5,042,736	-	7,652,057

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise derivative financial instruments.

b) 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.

c) 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.

3. EARNINGS PER SHARE

	HALF-YEAR ENDED 31 MARCH 2019 (\$)	HALF-YEAR ENDED 31 MARCH 2018 (\$)
Basic earnings/(losses) per share	(1.00) cents	6.08 cents
Diluted earnings/(losses) per share	(1.00) cents	6.08 cents
Profit/(loss) used in calculating basic earnings/(losses) per share	(498,450)	2,766,791
Profit/(loss) used in calculating diluted earnings/(losses) per share	(498,450)	2,766,791
Weighted average number of ordinary shares used in the calculation of basic earnings/(losses) per share	49,709,571	45,470,652
Weighted average number of shares used in the calculation of diluted earnings/(losses) per share	49,709,571	45,470,652

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 1 October 2018 to 31 March 2019.

4. ISSUED CAPITAL

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.

Options

During the Period 22,500 options issued pursuant to the terms contained in the Company's Prospectus dated 13 March 2017 were exercised in line with the exercise terms. Options not exercised lapsed on 30 November 2018.

Capital risk management

The Company's strategy 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 regularly monitor 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.

	HALF-YEAR ENDED 31 MARCH 2019		YEAR ENDED 30 SEPTEMBER 2018	
	Shares	\$	Shares	\$
(a) Movements in ordinary share capital				
Opening balance	45,524,927	48,903,901	45,456,227	48,828,646
Ordinary shares issued - placement	6,832,000	6,353,760	-	-
Ordinary shares issued under Share Purchase Plan (SPP)	202,251	188,100	-	-
Ordinary shares issued under dividend reinvestment plan	38,309	35,909	25,700	27,955
Options exercised - issue of shares	22,500	24,750	43,000	47,300
Costs of issued capital, net of tax	-	(50,554)	-	-
Closing balance	52,619,987	55,455,866	45,524,927	48,903,901
(b) Movements in options				
Opening balance	43,382,026	-	43,425,026	-
Options exercised, and related transfer to share capital	(22,500)	-	(43,000)	-
Options lapsed	(43,359,526)	-	-	-
Closing balance	0	-	43,382,026	-

On 5 December 2018, the Company announced its Share Purchase Plan (SPP) and capital raising through a placement of shares to sophisticated and professional investors (Placement) to raise additional funds for capital growth.

On 13 December 2018, 6,832,000 ASX placement shares were issued which raised \$6,353,760. On 29 January 2019, 202,251 fully paid ordinary shares were issued under the SPP at \$0.93 per share, raising \$188,100.

The placement shares and shares issued under the SPP rank equally with existing ordinary shares.

5. RESERVES AND RETAINED LOSSES

	HALF-YEAR ENDED 31 MARCH 2019 (\$)	HALF-YEAR ENDED 31 MARCH 2018 (\$)
(a) Retained losses		
Balance at the beginning of the half-year	(827,095)	(422,299)
Net profit/(loss) attributable to members of the Company	(498,450)	2,766,791
Transfer to profit reserve	-	(2,778,498)
Balance at 31 March	(1,325,545)	(434,006)
(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 half-year	4,470,422	708,393
Transfer from retained earnings/(losses)	-	2,778,498
Dividends provided for or paid	(455,474)	-
Balance at 31 March	4,014,948	3,486,891

The Company undertakes the transfer of profits to the Profit Reserve on a monthly basis to preserve for future dividend payments. Where however, there is a loss in a month, it is recouped before making additional transfers of profit to the Profit Reserve within each financial year.

6. CASH FLOW INFORMATION

	AS AT 31 MARCH 2019 (\$)	AS AT 30 SEPTEMBER 2018 (\$)
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	21,625,557	10,299,591
Prime broker funding facility	(21,852,229)	(10,392,308)
	(226,672)	(92,717)

7. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 March 2019, the Company had no contingent liabilities or commitments.

8. SEGMENT 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 2 Fair Value Measurement.

9. EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the half-year, the Directors declared a fully franked interim dividend of 1.0 cents per share to be paid on 19 July 2019.

No other matters or circumstances have arisen since the end of the half-year 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.

DIRECTORS' DECLARATION

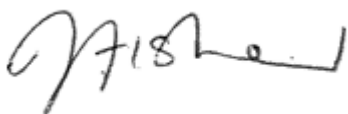
FOR THE HALF-YEAR ENDED 31 MARCH 2019

THE DIRECTORS DECLARE THAT:

- a. the financial statements and notes set out on pages 9 to 21 are in accordance with the *Corporations Act 2001*, and:
 - i. complying with Australian Accounting Standard *AASB134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - ii. giving a true and fair view of the financial position of the Company as at 31 March 2019 and of its performance for the financial half-year ended on that date.
- 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.

Signed in accordance with a resolution of the directors of the Company.

On behalf of the Directors



JOANNA FISHER

Chairman
Morphic Ethical Equities Fund Limited

Sydney, 28 May 2019

INDEPENDENT REVIEW REPORT TO THE MEMBERS



Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MORPHIC ETHICAL EQUITIES FUND LIMITED ABN 52 617 345 123

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Morphic Ethical Equities Fund Limited ("the company") which comprises the statement of financial position as at 31 March 2019, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the company.

Directors' Responsibility for the Interim Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the entity's financial position as at 31 March 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of Morphic Ethical Equities Fund Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Adelaide Brisbane Melbourne Newcastle Perth Sydney

Pitcher Partners is an association of independent firms.

An independent New South Wales Partnership. ABN 17 795 780 962. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.



pitcher.com.au



**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MORPHIC ETHICAL EQUITIES FUND LIMITED
ABN 52 617 345 123**

A review of the interim financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Morhic Ethical Equities Fund Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 31 March 2019 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

SCOTT WHIDDETT
Partner

28 May 2019

PITCHER PARTNERS
Sydney

Pitcher Partners is an association of independent firms.

ABN 17 795 780 962.
An independent New South Wales Partnership.

CORPORATE DIRECTORY

DIRECTORS

JoAnna Fisher (Chairman)
Jack Lowenstein
Mark Forstmann
Virginia Malley
Chad Slater (Alternate Director)

COMPANY SECRETARY

Josephine Jang

REGISTERED OFFICE

Level 3
139 Macquarie Street
Sydney NSW 2000

CONTACT DETAILS

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 16, Tower 2 Darling Park
201 Sussex Street
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



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