



# MORPHIC ASSET MANAGEMENT

Global Responsible Investors

November 2019

*Signatory of:*



*A proud founder of:*





**MORPHIC ETHICAL EQUITIES  
FUND**

**AGM**

# Company Results

## Company Performance

	Year ended 30 September 2018	Year ended 30 September 2019
Pre-Tax Operating Profit	\$ 5.29m	\$ 1.96m
Post-Tax Operating Profit	\$ 3.81m	\$ 1.41m
Pre-Tax NTA per share	\$1.1746	\$1.1491
Post Tax NTA per share	\$1.1543	\$1.1299

NTA per share at 21 November 2019 was \$1.1652 pre-tax and \$1.1414 post-tax

Past performance is not indicative of future performance.

\*As at 30 September 2019.

## Dividends

	Amount
Total Dividend 2019	<b>2 c per share</b>
Interim Dividend (Payment date: 19 July 2019)	1 c per share
Final Dividend (Payment date: 17 December 2019)	1 c per share
Profits reserve*	\$ 5.07m

# AGM Agenda

- Consideration of Financial Statements and Reports
- Resolution 1: Remuneration Report
- Resolution 2: Re-election of JoAnna Fisher as a Director
- Resolution 3: Re-election of Jack Lowenstein as a Director

# Financial Statements

To receive the Financial Report, Directors' Report and Auditor's Report for the Company for the financial year ended 30 September 2019.

There is no requirement for shareholders to approve these reports.

# RESOLUTION 1 – Remuneration report

“That the Remuneration Report of the Company (which forms part of the Directors' Report) for the financial year ended 30 September 2019 be adopted.”

## RESOLUTION 2 – Re-election of JoAnna Fisher

“That Ms JoAnna Fisher, who retires by rotation in accordance with rule 6.7 of the Company’s Constitution and, being eligible, offers herself for re-election, be re-elected as a director of the Company.”

## RESOLUTION 3 – Re-election of Jack Lowenstein

“That Mr Jack Lowenstein, who retires by rotation in accordance with rule 6.7 of the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company.”



The image features a light blue background with a large, semi-transparent white circle on the right side. Inside this circle, the text "INVESTOR UPDATE" is written in a bold, white, sans-serif font. On the left side of the image, there are several maple leaves. One leaf is bright orange and is reflected in a dark, glossy surface below it. Above it, there are several green leaves, some showing signs of being eaten or damaged. A thin, light-colored stem or branch extends from the top left towards the center.

# INVESTOR UPDATE

# Morphic Asset / Ellerston Capital



HIGHLY SUCCESSFUL, AUSTRALIAN BOUTIQUE INVESTMENT MANAGER

WELL-ESTABLISHED BUSINESS	Founded in 2004 Over A\$5 billion in FUM*
DIVERSE CLIENT BASE	Across Sovereign wealth, institutional, private banking, family office and retail
ALIGNED WITH OUR INVESTORS	Majority owned by principals and staff
ROBUST INSTITUTIONAL INFRASTRUCTURE	Best of breed systems and technologies supporting portfolio management, client service and compliance

\*Source: Ellerston Capital as at August 2019.

- Ellerston Capital (ECL) acquired Morphic Asset Management (MAM) in May 2019
- MAM team moved to ECL offices in June 2019
- MAM investment team to continue running Morphic Funds

# Growth of RI Assets by Region 2014-2018

	2014	2016	2018	Growth Per Period		Compound Annual Growth Rate 2014-2018
				Growth 2014-2016	Growth 2016-2018	
Europe	€ 9,885	€ 11,045	€ 12,306	12%	11%	6%
United States	\$ 6,572	\$ 8,723	\$ 11,995	33%	38%	16%
Canada (in CAD)	\$ 1,011	\$ 1,505	\$ 2,132	49%	42%	21%
Australia/New Zealand (in AUD)	\$ 203	\$ 707	\$ 1,033	248%	46%	50%

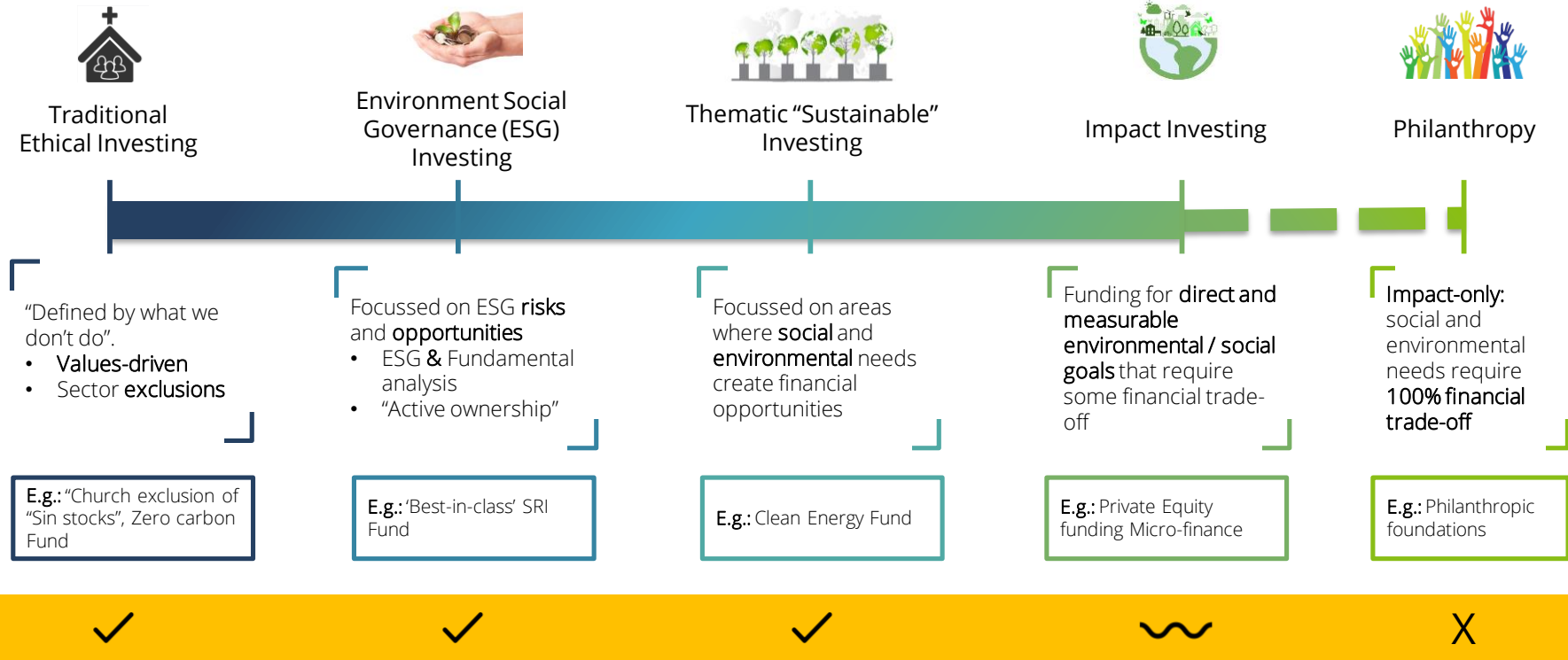
Source: Global Sustainable Investment Review, GSIA, 2018

# The explosion of interest for Responsible Investing



<sup>1</sup> Global Sustainable Investment Review, GSIA, 2018; <sup>2</sup> Morgan Stanley  
<sup>3</sup> T. Verheyden (Arabesque Asset Management & Vrije Universiteit Brussel); Z. Nagy (MSCI Inc.); M. Statman (Santa Clara University); <sup>4</sup> RIAA; <sup>5</sup> Governance & Accountability Institute, Inc., 2018; <sup>6</sup> Australian Council of Superannuation Investors (ACSI), 2018; <sup>7</sup> UBS; <sup>8</sup> Bonds and Climate Change [www.climatebonds.net](http://www.climatebonds.net) September 2018

# Responsible Investing styles



Source: Bridge Ventures, 2012

# Our approach to Responsible Investing

“Negative Screen” excludes buying shares in:



Armaments



Tobacco  
& alcohol



Intensive animal  
farming & aquaculture



Oil & gas



Coal & Uranium  
Mining



Gambling



Rain forest & old  
growth logging

We seek out “positive” investments that support:



Water quality



Air quality



Conservation



Renewable energy

Can **short screened out** stocks and sectors



Ethical compliance check first, before investment research

# Morphic received top rating in Australasia for Responsible Investing



AUM	Module Name	Your Score	Your Score	Median Score
	01. Strategy & Governance	A+		A
<b>Direct &amp; Active Ownership Modules</b>				
>50%	10. Listed Equity - Incorporation	A+		B
>50%	11. Listed Equity - Active Ownership	A+		B

Source: PRI 2019 Assessment Report for Morphic

# OUR COMMITMENT TO CHARITABLE GIVING

IN 2015-2019

+\$792K

TO YOUTH MENTAL HEALTH

**SANE**  
AUSTRALIA



THE UNIVERSITY OF  
SYDNEY

 **headspace**



**Black Dog**  
Institute

**REACH**  
**OUT.COM**

**Orygen**  
The National Centre of Excellence  
in Youth Mental Health

 **Butterfly**  
Foundation for Eating Disorders

IN 2017-2019

+\$42K

TO AUSTRALIAN BIODIVERSITY



**BUSH HERITAGE**  
AUSTRALIA

IN 2019

FIRST DONATION FROM  
MANAGING THE TRIUM  
MORPHIC ESG L/S FUND

**tearfund**

**Rainforest**  
**Alliance**





**PORTFOLIO POSITIONING**

# Portfolio positioning

As at October 2019 by country, sector and stock

Stocks ( <i>Shorts</i> )	Theme	Region	Weighting
Service Corp	US Deathcare	North America	5.1%
Alstom	Global Rail Equipment	Europe	5.0%
<i>Qantas</i>	<i>Australian Airline</i>	<i>Asia Pacific</i>	<i>(3.6%)</i>
Bank Leumi	Israeli Bank	Middle East	3.3%
Kering	Luxury Retailers	Europe	2.6%
<i>Coca-Cola Amatil</i>	<i>Beverages</i>	<i>Asia Pacific</i>	<i>(2.6%)</i>
<i>Prada</i>	<i>Luxury Retailers</i>	<i>Asia Pacific</i>	<i>(2.5%)</i>
<i>Kion Group</i>	<i>Industrial Equipment</i>	<i>Europe</i>	<i>(2.5%)</i>
Logitech	Information Technology	Europe	2.4%
Jungheinrich	Industrial Equipment	Europe	2.3%

Positions weighting are as at October 2019 in the Morpic Ethical Equities Fund

# The Big Train that will: Alstom (France)



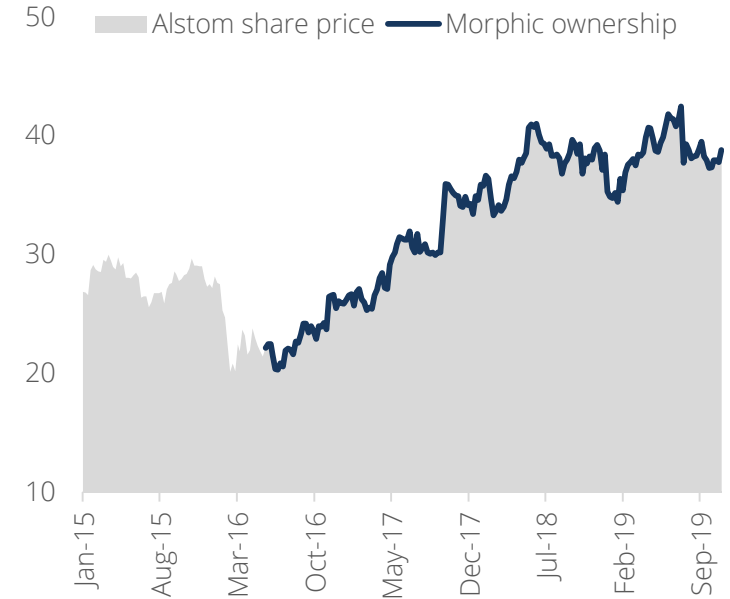
## Alstom (ALO)

- World leader in train technology.
- Cheaply priced for its growth prospects.
- Pioneer of hydrogen fuel-powered, zero-emission regional train.
- Member of Dow Jones Sustainability Indices.



## Alstom share price performance

EUR, January 2015 – October 2019



Source: Bloomberg, Team Analysis

# When Investor Engagement Bears Fruit: Panalpina (Switzerland)



## Panalpina (PWTN SW)

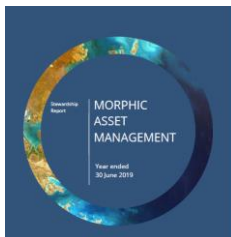
- Global logistics provider with low margins but improving performance.
- Non-independent Chairman steps aside to improve corporate governance. This resolved a “flag” and suggested improvement.
- Engagement with Management, BoD & other shareholders via letters.

### Swiss Regulator Reviewing Panalpina EGM Invitation Complaint (1)

By Albertina Torsoli

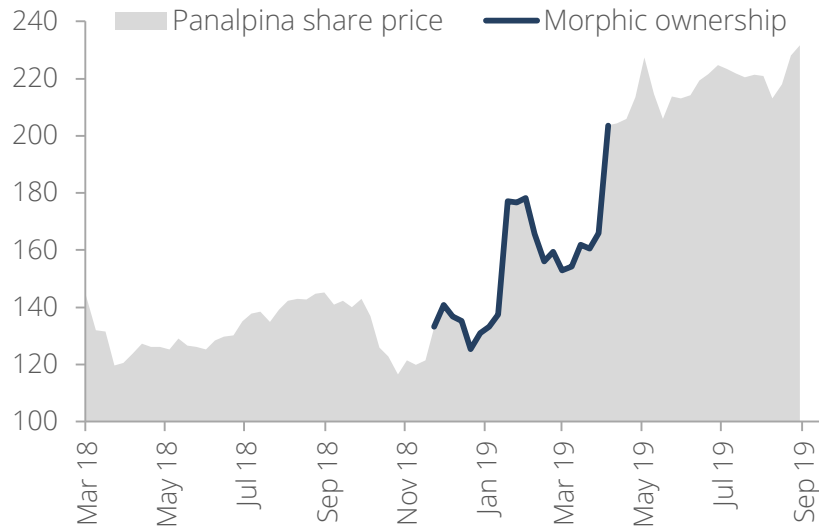
(Bloomberg) -- Switzerland's SIX Exchange says its regulatory board is reviewing a letter by Morphic Asset Management, a Sydney-based investor in Panalpina, complaining about the Swiss logistics company's invitation to an EGM next week.

• NOTE: Morphic sent a letter to SIX saying the EGM invite is “misleading” as it doesn't make clear Panalpina's biggest holder, the Ernst Goehner Foundation, wants to secure control of the company without paying a premium to minority holders, Finanz und Wirtschaft reported yesterday on its website



## Panalpina share price performance

CHF, March 2018 - September 2019



Source: Bloomberg, Team Analysis

# Prada's Devilish Governance Is Out Of Fashion

## Kering (KER FP)

- Strong, well managed Gucci brand
- Reasonably priced on 21x 2019 EPS
- Low gearing, good governance



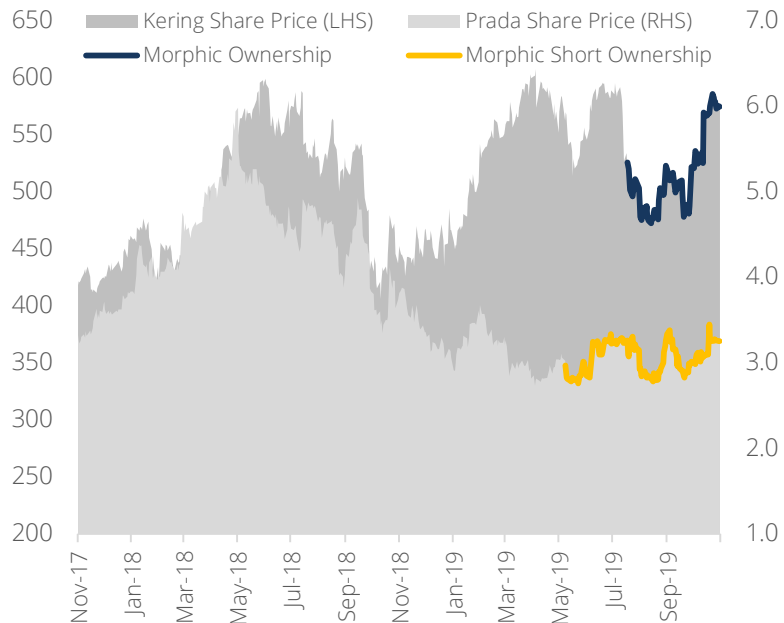
## Prada (1913 HK)

- Struggling brand
- Expensive at over 30x 2019 EPS
- High gearing, poor governance



## Kering and Prada share price performance

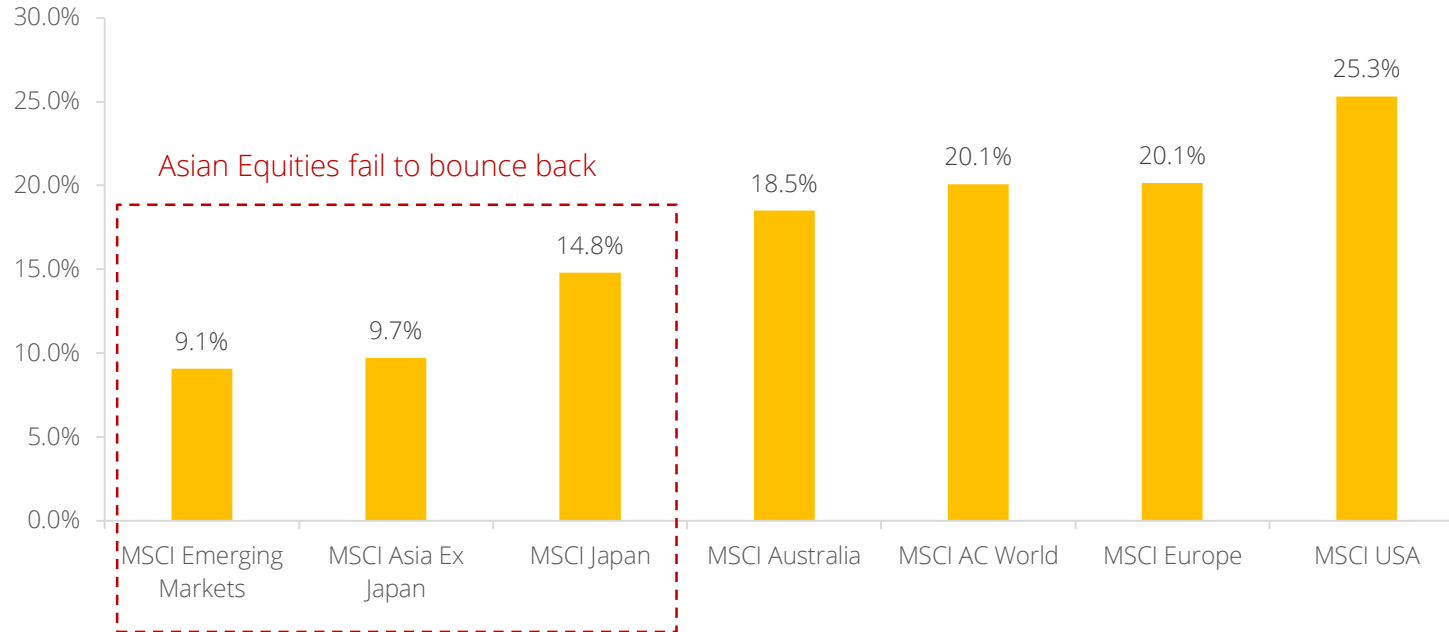
USD, November 2017 - October 2019



Source: Bloomberg, Team Analysis

# 2019 Thus far – Markets rebound but Asia lags






Markets returns by region USD, January 2019 – 25 November 2019



Sources: Bloomberg, Morphic Asset Management



# Outlook – Updates on July Anti-predictions

<b>Anti-Predictions</b> As at 1 July 2019	<b>How are we going?</b> As at 25 November 2019	<b>Status</b>
The Federal Reserve will <b>NOT</b> cut interest rates three times (or 75bps) in 2019	The Federal Reserve cut interest rates in October for the <b>third</b> time this year.	
Indian long-term bond rates will <b>NOT</b> end above 7%	Currently at 6.5%. Low inflation is the good news reason for getting this right, sluggish growth is the bad news	
Reported Chinese Growth will <b>NOT</b> fall below 6%	Latest YoY growth at 6.2%. Central government has retained enough levers to offset impacts of trade antagonism with the US	
Brexit will <b>NOT</b> matter	With no proposal for Brexit likely to be put before the UK parliament in 2019, this one looks safe.	
The Australian dollar will <b>NOT</b> finish below the current low of 2019 (67.4c)	Currently at 68c.	

An aerial photograph of a rural landscape. The top half of the image shows a large, vibrant green field, possibly a pasture or agricultural field, with some yellow patches. A road or path runs horizontally across the middle of the field. To the right of the road, there is a dark, rectangular pond or reservoir. The bottom half of the image shows a dark, wooded area with a small white building and a road leading to it. A large, semi-transparent grey circle is overlaid on the right side of the image, containing the text "FUNDS UPDATES".

# **FUNDS UPDATES**



# Morphic Global Opportunities Fund

AsiaHedge  
2018 Finalist  
"Best Global Equity  
Fund of the Year"

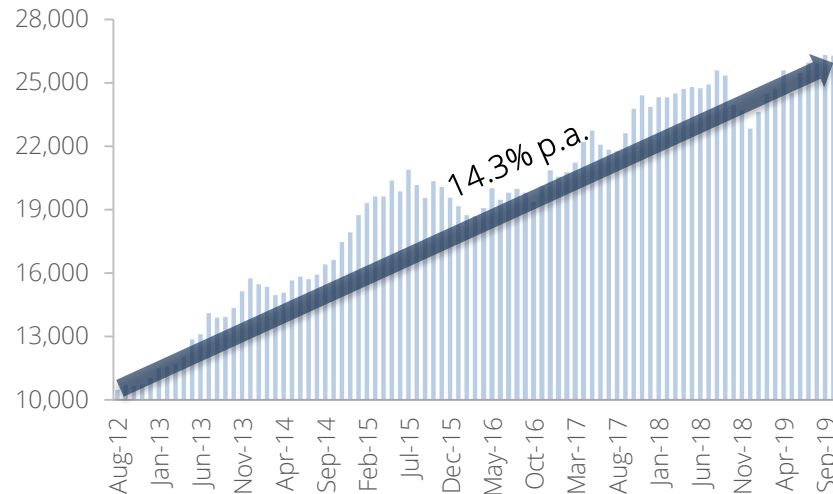


- Objectives
  - Outperform the Index in Australian dollars over rolling three year
  - Preserve capital in falling markets through hedging
- Strategy
  - Long/Short global equities with a Small & Mid Cap bias
  - Ethically screened equities
  - Can hold cash (up to 50%) to protect capital
- Style
  - Value and Momentum factors

## MGOF Performance\* As at October 2019

1 Month	3 Months	CYTD	3 Years p.a.	5 Years p.a.	ITD p.a.
-0.18%	1.29%	15.04%	10.67%	9.61%	14.27%

## Morphic Global Opportunities Fund Performance of \$10,000\*\* AUD, Aug 2012 – Oct 2019



\* Past performance is not indicative of future performance.

\*\* Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Fund Inception 2 August 2012.

## Platform availability



Powerwrap.



A proud founder of:

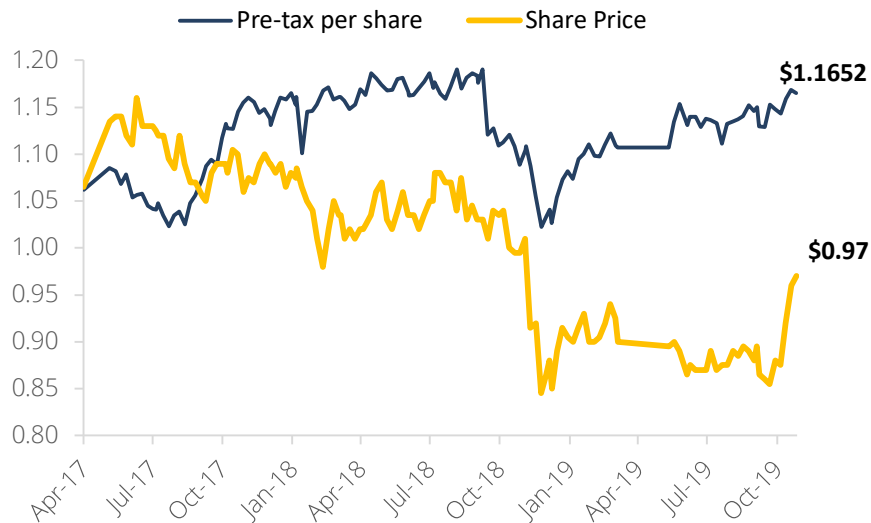


# Morphic Ethical Equities Fund (ASX: MEC) Update

AsiaHedge  
2018 Finalist  
"New Fund of  
the Year"



MEC Share Price vs NTA<sup>1</sup> AUD, weekly, April 2017 – 21 November 2019



MEC Performance<sup>2</sup> As at October 2019

1 Month	3 Months	6 Months	CYTD	ITD (p.a.)
-0.50%	0.78%	1.55%	12.46%	6.25%

Key Facts As at October 2019

Pre-tax NTA	\$ 1.1436
Share price	\$ 0.875
Dividend paid <sup>3</sup>	\$0.02

## Platform availability



1 Net Tangible Asset Value before tax. Past performance is not indicative of future performance.  
2 Performance is net of investment management fees, before company admin costs and taxes.  
3 Annual dividend per share.



**ANY QUESTIONS?**



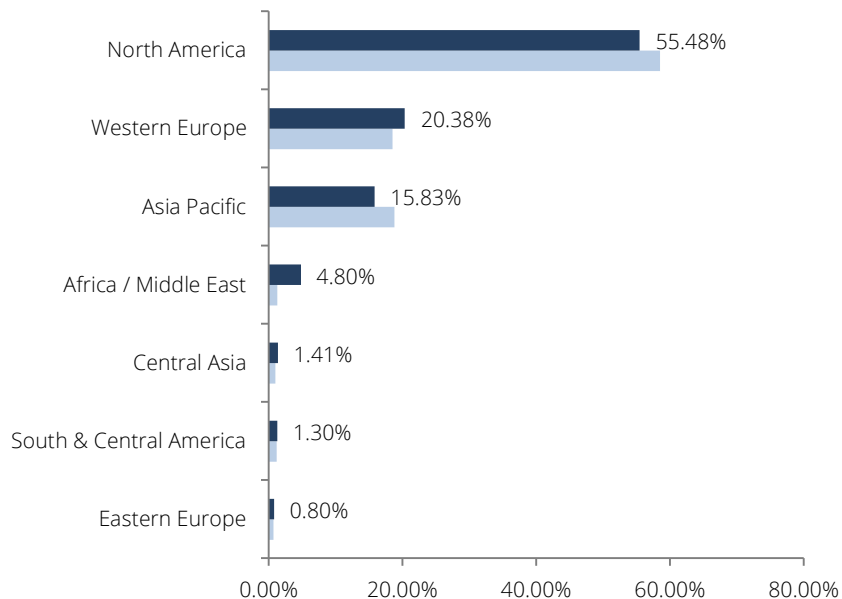


# APPENDIX

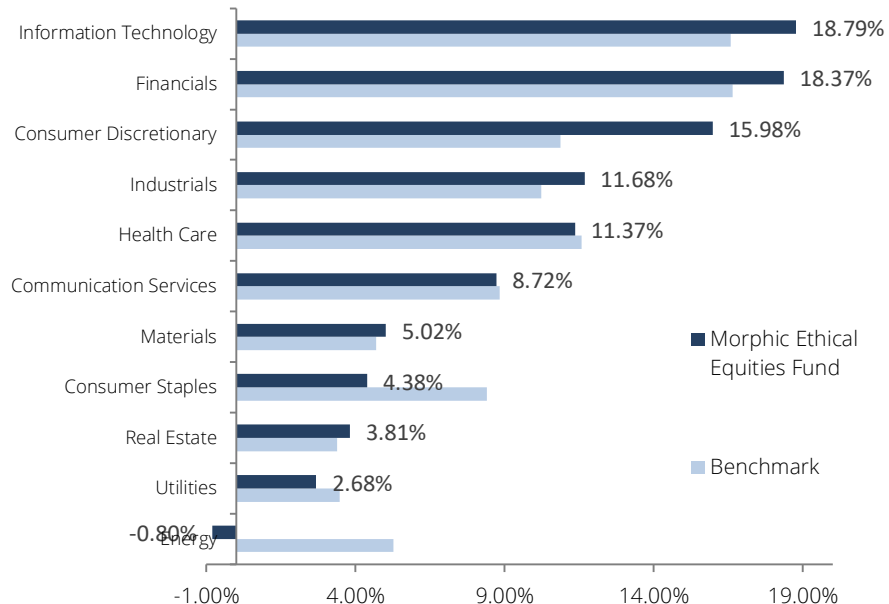
# Portfolio positioning

As at October 2019 by country, sector and stock

## By Region



## By Sector





A landscape photograph of a wind farm at sunset. The sky is filled with dramatic, orange and blue clouds. In the foreground, a field of tall grass is visible. Several wind turbines are scattered across the horizon. A large, semi-transparent white circle is overlaid on the right side of the image, containing the text "THANK YOU" in white, bold, uppercase letters.

**THANK YOU**

# Morphic Asset Management

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