

Fund Objective

The Morphic Ethical Equities Fund Limited (the Fund) seeks to provide investors a way to grow their wealth and feel confident they do so without investing in businesses that harm the environment, people, and society.

The Fund 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.

Investment returns*

	1 Month	3 Months	6 Months	CYTD	ITD (p.a.)
Morphic Ethical Equities Fund ¹	3.35%	4.15%	9.51%	16.23%	7.41%
Index ²	4.34%	7.04%	14.83%	27.28%	13.89%

* Past Performance is not an indication of future performance.

Ethical Investing in Focus

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

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

Portfolio review

The Fund rose 3.4% in November, versus global markets which rose 4.3% in AUD terms. Global equities rallied 2.3% in USD terms, led by positive sentiment towards the US-China trade talks, and slightly higher PMIs in some major economies.

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

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

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

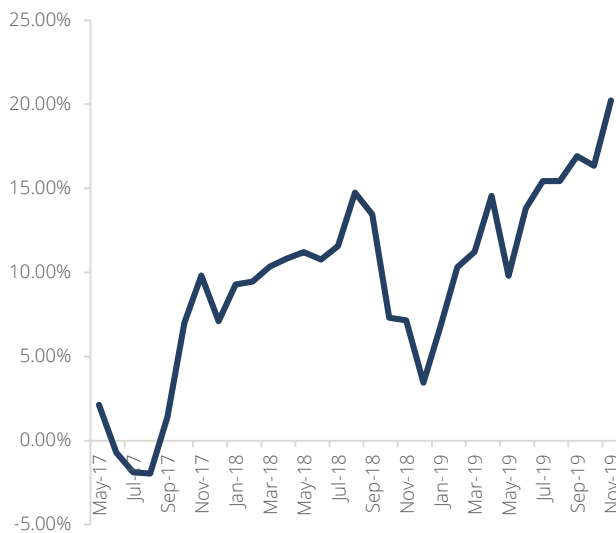
Outlook

Markets have increasingly priced in a lot of the rebound in global cyclical indicators, betting that the backdrop is the mid 1990's "soft landing".

Net Tangible Assets (NTA)

NTA value before tax ³	\$ 1.1809
NTA value after tax ³	\$ 1.1524

Investment Returns since inception⁴



Past Performance is not an indication of future performance.

It should be noted that real world economic data remains more muted. This will need to improve at some stage for the rally to continue.

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

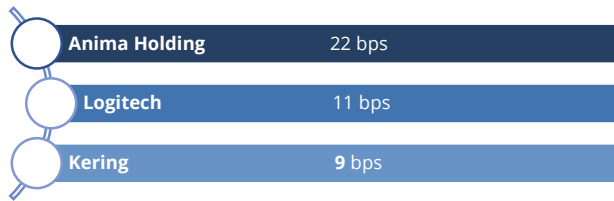
With the Federal Reserve on hold for the foreseeable future, and growth accelerating outside the USA, this would suggest a weakening USD dollar in 2020. This is something to be watched over the coming months.

Top 10 Active Positions

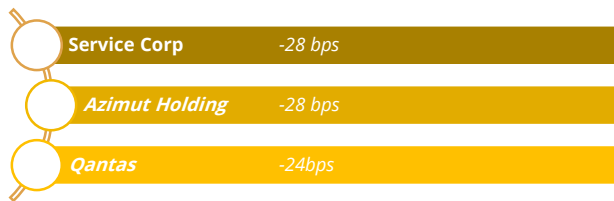
Stocks (Shorts)	Industry	Region	Position Weighting
Service Corp	US Deathcare	North America	4.9%
Bank Leumi	Israeli Bank	Middle East	3.2%
Kering	Luxury Retailers	Europe	2.7%
Prada	Luxury Retailers	Asia Pacific	(2.7%)
Logitech	Information Technology	Europe	2.5%
Qantas	Australian Airline	Asia Pacific	(2.5%)
Coca-Cola Amatil	Beverages	Asia Pacific	(2.4%)
Sensata Technologies	Industrials	North America	2.4%
Alstom	Global Rail Equipment	Europe	2.3%
Jungheinrich	Industrial Equipment	Europe	2.3%

Risk Measures	
Net Exposure ⁵	101%
Gross Exposure ⁶	141%
VAR ⁷	1.50%
Upside Capture ⁸	65%
Downside Capture ⁸	83%
Best Month	5.51%
Worst Month	-5.41%
Average Gain in Up Months	1.99%
Average Loss in Down Months	-1.98%
Annual Volatility	8.69%
Index Volatility	9.66%

Top three alpha contributors¹⁰ (bps)



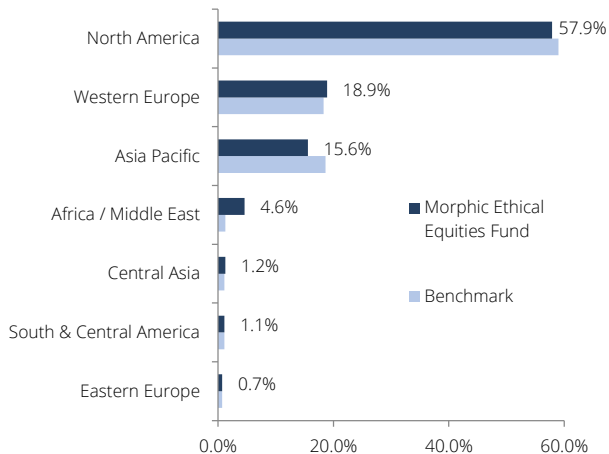
Top three alpha detractors¹⁰ (bps)



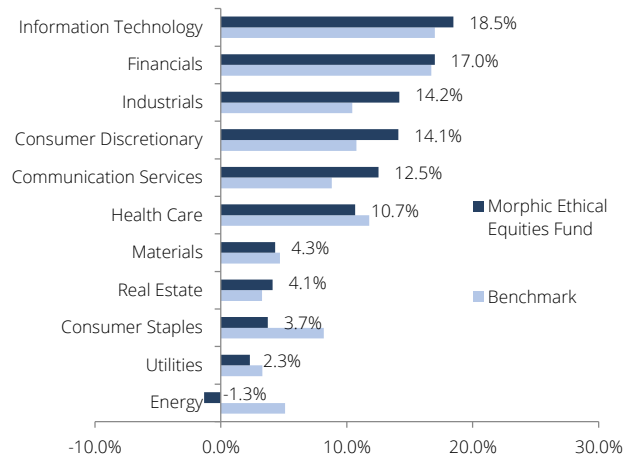
Hedge Positions	Risk Limit Utilisation (%) ⁹
Short Bonds	0.9%
Short USD, JPY vs CNH	0.7%

Key Facts	
ASX code / share price	MEC / 0.875
Listing Date	3 May 2017
Management Fee	1.25%
Performance Fee ¹¹	15%
Market Capitalisation	\$ 51m
Shares Outstanding	52,728,519
Dividend per share ¹²	\$ 0.02

Equity Exposure Summary By region



Equity Exposure Summary By sector



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¹ Performance is net of investment management fees, before company admin costs and taxes; ² The Index is the MSCI All Countries World Daily Total Return Net Index (Bloomberg code NDUJACWF) in AUD; ³ The figures are unaudited; ⁴ Performance is net of investment management fees, before dividends, company admin costs and taxes. Fund listing on the ASX 3 May 2017. Past performance is not an indication of future performance; ⁵ Includes Equities and Commodities - longs and shorts are netted; ⁶ Includes Equities, Commodities and 10 year equivalent Credit and Bonds - longs and shorts are not netted; ⁷ Based on gross returns since Fund's inception; ⁸ As a percentage of the Fund's Value at Risk (VaR) Limit; ⁹ As a percentage of the Fund's Value at Risk (VaR) Limit; ¹⁰ Attribution; relative returns against the Index excluding the effect of hedges; ¹¹ The Performance Fee is payable annually in respect of the Fund's out-performance of the Index. Performance Fees are only payable when the Fund achieves positive absolute performance and is subject to a high water mark; ¹² Annual dividend per share.