



MORPHIC
ETHICAL
EQUITIES FUND

ASX: MEC

ANNOUNCEMENT

28 April 2020

**Market Announcements Platform
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000**

Investment Manager's Presentation

MEC's investment manager, Morphic Asset Management Limited, will provide an update on the Fund via a webinar on Wednesday 29 April 2020 at 11am AEST. Enclosed is the presentation for the upcoming webinar.

During the webinar Portfolio Manager, Chad Slater, will:

- Provide an update on performance for Q1 2020;
- Discuss key portfolio positions; and
- Detail his outlook for markets during Q2 2020, and beyond.

Investors can register for the webinar at the following link:

[Register](#)

Please contact MEC's Investor Relations team on 02 9021 7701, if you require more information about this announcement.

Level 11, 179 Elizabeth Street, Sydney NSW 2000



MORPHIC ASSET MANAGEMENT

Global Responsible Investors

April 2020

Signatory of:

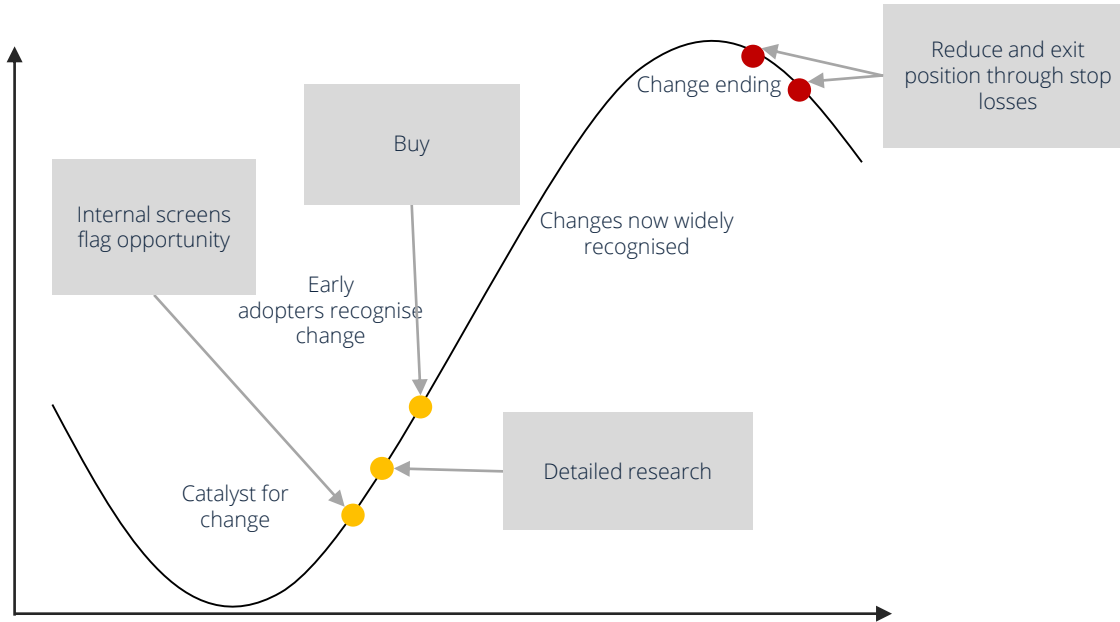


A proud founder of:



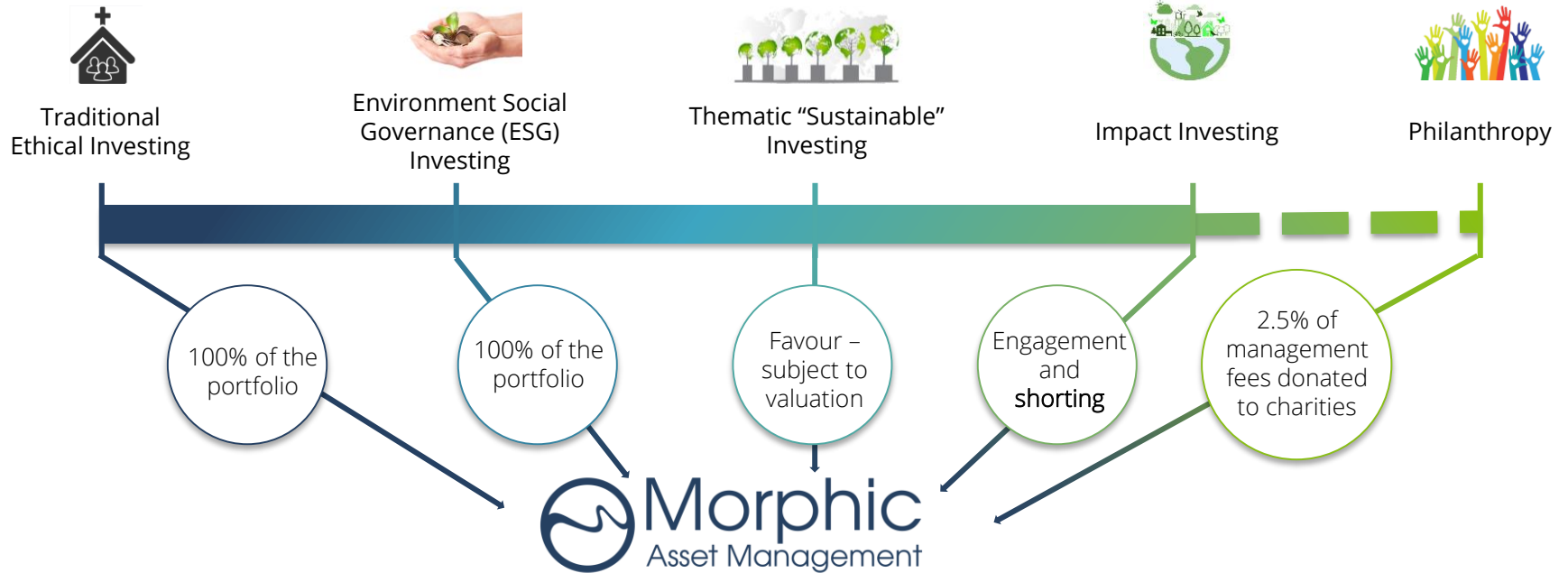
Philosophy: Markets misprice change

Illustration of a typical Morphic investment by stage of the change cycle



“Change creates opportunity” is central to Morphic’s **momentum-focused** investment philosophy.

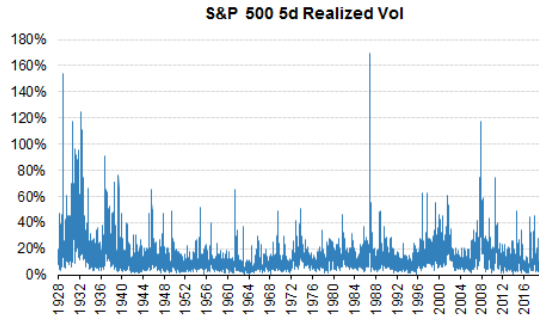
Morphic's Responsible Investing style



We define Responsible Investing as a holistic approach that aims to incorporate all stakeholders' views to better manage risk and achieve sustainable long term returns.

Reflections on the Quarter

March was “one of the biggies”



Source: Morgan Stanley QDS

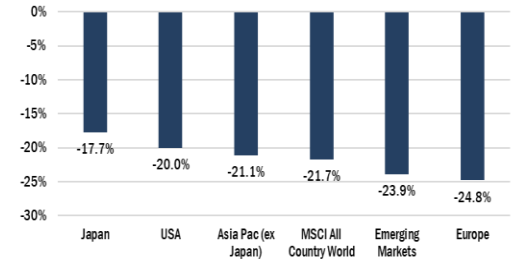
- March saw the most consecutive 4% move days since 1928
- 5 Day Volatility was up with the Great Depression levels of moves.
- But remember markets have seen 2 world wars and a great Depression. History can be some guide.

But the speed was different this time



- Markets did the moves of the 1st year of GFC falls in.. 3 weeks
- The size of the rally (+25%) is inline with the ...1930's. Hmm.
- After the rally markets are behaving more “normal” – a holding pattern.

Some stats on major markets



- Behavior of regions largely played out inline with the “riskiness” of regions
- Emerging markets the worst, USA better
- Japan was the oddity given its large exporting sector

Performance Summary – Downside Protection

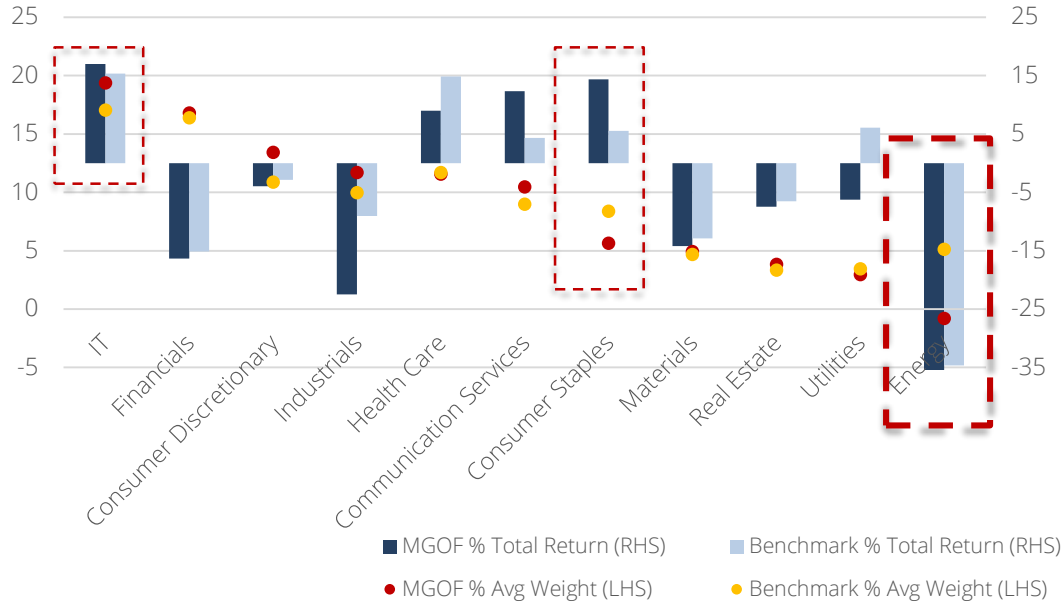
Investment Returns AUD, Net of fees, as at March 2020

	1 Month	CYTD	FYTD	1 Year	5 Years p.a.	1 April – 24 April
Morphic Global Opportunities Fund (MGOF)	-6.78%	-5.58%	0.46%	3.53%	5.46%	2.19%
Morphic Ethical Equities Fund (MEC)	-6.31%	-4.88%	0.02%	2.34%		2.36%
Benchmark	-8.88%	-9.69%	-1.80%	3.00%	7.51%	2.63%
MGOF Alpha	2.10%	4.11%	2.25%	0.53%	-2.05%	-0.44%
MEC Alpha	2.57%	4.80%	1.82%	-0.66%		-0.27%

* Past performance is not indicative of future performance. MEC Performance is net of investment management fees, before company admin costs and taxes.

Attribution Summary – Not owning Energy helps, but not the whole story

% Average Weight and Total Return
AUD, FYTD 2020



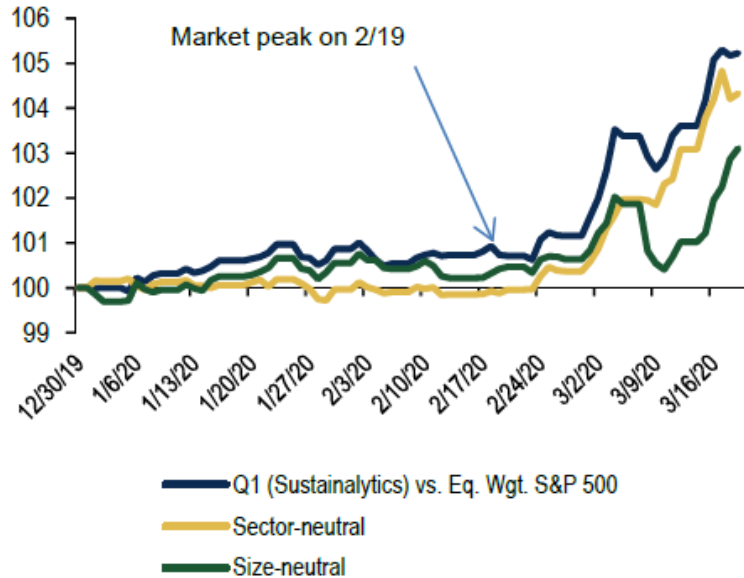
Source: Bloomberg, Team Analysis

MGOF Gross Alpha 3.36%
AUD, FYTD 2020

Sector	Total Attribution (Alpha) (%)
IT	0.98
Financials	0.25
Consumer Discretionary	0.33
Industrials	-0.58
Health Care	-0.25
Communication Services	0.85
Consumer Staples	0.39
Materials	0.16
Real Estate	0.15
Utilities	-0.20
Energy	1.28

Ethical Investing hasn't cost performance in this downturn

YTD relative performance of top quintile ESG-ranked stocks (Sustainalytics) vs. the equal-weighted S&P 500 universe



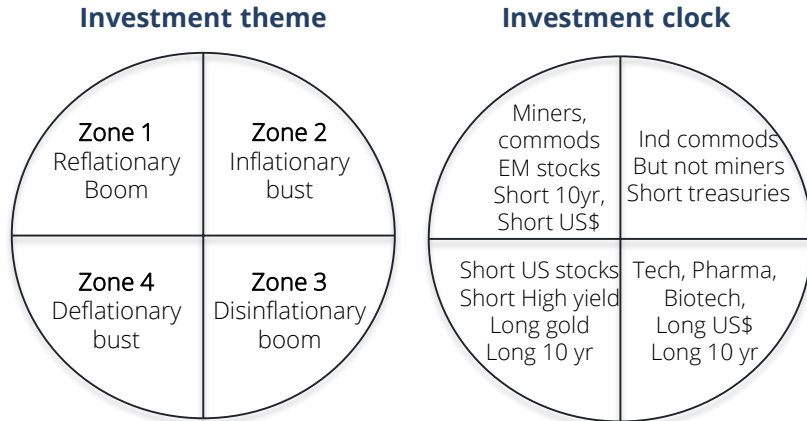
- There is a view amongst some investors that ethical investing is a “fairweather friend”
- That by not owning Alcohol & tobacco that these funds do worse in downturns
- Thus far this not the case in 2020
- The stocks with the highest ESG scores have outperformed, even allowing for a falling oil price (which provides a tailwind)

Source: BAML

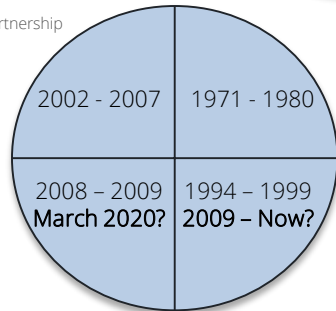
A person with blonde hair, wearing a dark jacket and brown pants, stands on a rocky outcrop in the foreground, looking towards a massive, snow-capped mountain range. The mountains are rugged and covered in snow, with some rocky peaks visible. The sky is a deep blue, and there are some clouds in the distance. The foreground consists of brown, rocky slopes. A large, semi-transparent blue circle is overlaid on the right side of the image, containing the text.

PORTFOLIO POSITIONING & OUTLOOK

New Beginnings: Where to for the investment clock?



Source: The Macrostrategy Partnership



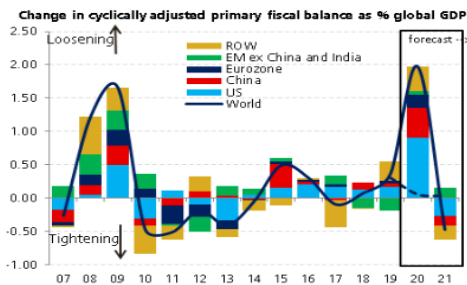
- Markets exist in different regimes. Since Morpic's launch in 2012 we have been Zone 3
- After bear markets, regimes often change. Now is likely to be one of these moments
- But the question is where to?
- There's a rift between Zone 4 & Zone 2 believers
- But the crux, for us is to get to Zone 2, you will (likely) go through Zone 1.



Our view is a "barbell" of Long Stocks, focused outside the USA, and long Gold offers exposure to multiple outcomes

Medium Term Investment Themes

1 Governments to “pick” winners



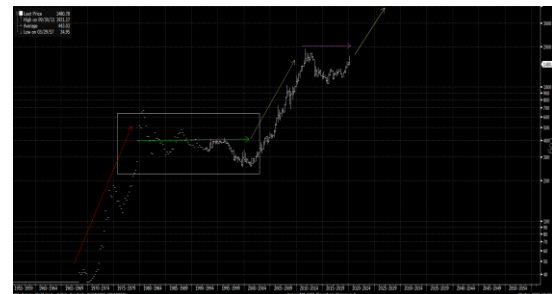
- It took 18 months for the US government to launch any fiscal packages of size in 2018. It took 3 weeks this time
- Expenditure already > GFC
- Governments have the “power” to spend whatever they want – paid for by Central Banks
- Favor “connected” stocks over start-ups

#2: Travel disrupted for longer than expected



- Once the virus is under control no country will want to “import” new infections
- Travel restrictions likely in place for longer than first thought
- Don't buy “cheap” airline and airport stocks expecting a rebound

#3 MMT may have arrived early – Buy Gold



- At some point, it may be 20% of GDP or more, fiscal spending will support growth
- Monetisation of debt has arrived.
- This will embolden populists and may be the end of the 20 year neo-liberal consensus
- Start to accumulate Gold

Portfolio positioning: Drive the car slower in the “wet”

As at March 2020 by country, sector and stock

Stocks (<i>Shorts</i>)	Industry	Region	Weighting
Service Corp	Consumer Staples	North America	2.5%
Tencent	Information Technology	Asia Pacific	2.3%
Keysight Technologies	Industrials	North America	2.1%
Alstom	Industrials	Europe	2.1%
Cellnex	Telecom	Europe	2.0%
Fujitsu	Information Technology	Asia Pacific	1.7%
Logitech	Information Technology	Europe	1.5%
Graphic Packaging	Industrials	North America	1.3%
Yonghui Superstores	Consumer Staples	Asia Pacific	1.3%
Ping An Healthcare	Healthcare	Asia Pacific	1.0%

Source: Team Analysis
Positions weighting in the Morphic Global Opportunities Fund.

An aerial photograph of a rural landscape. A large, semi-transparent grey circle is centered over the image. The text "QUESTIONS?" is written in white, bold, sans-serif font inside the circle. The background shows a green field with a road, a lake, and some trees.

QUESTIONS?

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