

28 June 2023

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

## LETTER TO SHAREHOLDERS

The Board of Morphic Ethical Equities Limited (**MEC**, the **Company**) acknowledges the feedback of its shareholders and wishes to outline its strategy for managing the performance of the Company in the best interests of shareholders.

### Discount to NTA

The Company's shares have traded at an approximate 16.7% discount to its pre-tax NTA (on average over the last 3 months). The Board maintains regular vigilance over this discount and regularly benchmarks this against comparable global equities listed investment companies. Discounts in the range of 10-20% are a common peer-wide phenomena seen in many listed investment companies. The Company's average discount to pre-tax NTA is within the middle of the peer group range. In order to manage this discount, the Board has proactively undertaken the following initiatives to date to achieve a balance between growing the Company whilst providing exit opportunities for those seeking liquidity:

1. Increasing the size and frequency of dividends with optionality to reinvest via the Dividend Reinvestment Plan in order to stimulate growth of the Company and deliver an ongoing income stream to shareholders;
2. Increasing marketing and reporting of the performance of the portfolio in order to grow the Company and keep shareholders abreast of the management of the underlying portfolio;
3. Implementing a share buyback: [https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02655563-2A1444186?access\\_token=83ff96335c2d45a094df02a206a39ff4](https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02655563-2A1444186?access_token=83ff96335c2d45a094df02a206a39ff4) The Company has purchased 645,573 shares at an average price of \$0.96267 which constitutes 65.3% of turnover, and 1.205% of the currently issued shares on issue, and the buy-back remains active. The relevant price point for the buyback is based on achieving an equitable balance between the interests of those shareholders who wish to exit with the interests of remaining shareholders in terms of accretion in



MORPHIC  
ETHICAL  
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ASX: MEC

# ASX ANNOUNCEMENT

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NTA per share. The Board must also ensure a margin of safety having regard to the volatility in that underlying NTA.

The Board continues to monitor the discount to NTA and is exploring a range of other options that could potentially deliver a return that is closer to NTA. This is a complex process and the Board will provide regular updates to the ASX as its strategy for managing the discount evolves. The Board will take into account actions implemented by peers.

## Portfolio Performance

Since inception, the Company has adhered to its mandate of providing shareholders with an ethically screened, global long short strategy designed to achieve risk adjusted returns. The Global Equities Mid Small Cap landscape has been a challenging landscape over the last 5 years to 31 May 23 due to a number of external factors associated with extreme macro and geopolitical events. During this period, the Company's portfolio delivered a return of 5.98%, placing it within the mid-range in comparison with a cohort of its peers. Over the 5-year period, only two peers from that cohort outperformed the MSCI AC World index, whilst the majority underperformed. The 5-year performance of the portfolio was primarily affected by poor performance throughout calendar year 2022 where the Company's structural underweight to the Energy sector (based on its sustainability/ESG screens) weighted down on returns. This resulted in the portfolio's performance finishing in the 4th quartile relative to its peers. However, outside of calendar year 2022 period, the portfolio achieved 1st or 2nd quartile performance YTD2023, 2021, and 2020 calendar years.

For further information, please contact MEC's Investor Relations team on 02 9021 7701.

Authorised for release by the Board of Directors.

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