



MORPHIC  
ETHICAL  
EQUITIES FUND

ASX: MEC

# ASX ANNOUNCEMENT

20 February 2024

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

## 2024 Half Year Results and Dividend

Enclosed are Morphic Ethical Equities Fund Limited's (ASX: MEC, "Company") Appendix 4D and Financial Statements for the Half Year 31 December 2023.

The Company is pleased to announce a fully franked dividend of 3.5 cents per share (cps) in respect of the December quarter. The record date for this quarterly dividend will be 28 February 2024 and the payment date will be 18 March 2024. The Company's Dividend Reinvestment Plan (DRP) has been suspended with immediate effect and the DRP will not apply for this dividend.

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

Jack Lowenstein  
Chairman

**Morphic Ethical Equities Fund Limited**  
**Appendix 4D**  
**For the half-year ended 31 December 2023**

**Details of Reporting Period**

Current: Half-year ended 31 December 2023

Previous: Half-year ended 31 December 2022

**Results for announcement to the market**

	\$	movement (up/down)	% movement
Net investment income/(loss)	(1,778,522)	down	-230%
Profit/(Loss) for the period before income tax expense	(2,559,228)	down	-512%
Profit/(Loss) for the period	(1,927,764)	down	Not Meaningful

**Dividend information**

	Cents per share	Franked amount per share	Tax rate for franking
Quarterly dividend paid in September 2023 (cents per share)	3.5	3.5	25%
Quarterly dividend paid in November 2023 (cents per share)	3.5	3.5	25%

**December quarter dividend dates**

Ex-dividend date	27 February 2024
Record date	28 February 2024
Last election date for the DRP	11 March 2024
Payment date	18 March 2024
Date for issue of shares under DRP	18 March 2024

**Dividend Reinvestment Plan**

The Directors have resolved to suspend the operation of the Dividend Reinvestment Plan (DRP) and the recommended fully franked dividend of 3.5 cents per share will not qualify.

**Net tangible assets**

	31 December 2023	30 June 2023
Net Tangible Assets (per share) before tax	1.0688	1.1823
Net Tangible Assets (per share) after tax	1.0940	1.1905

**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**

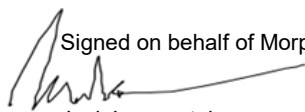
The Company did not have any interests in any associates or joint ventures during the half-year.

**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 June 2023 Annual Financial Report.

Signed on behalf of Morpic Ethical Equities Fund Limited.



Jack Lowenstein  
Chairman

Sydney  
19 February 2024

**Morphic Ethical Equities Fund Limited**

**ASX: MEC**

ABN 52 617 345 123

**Interim Financial Report**

**For the half-year ended 31 December 2023**

**Morphic Ethical Equities Fund Limited**  
**ASX: MEC**  
ABN 52 617 345 123  
**Interim Financial Report**  
**For the half-year ended 31 December 2023**

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## Directors' Report

The Directors present their Report together with the Financial Report of Morphic Ethical Equities Fund Limited ("the Company") for the half-year ended 31 December 2023 ("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):

Jack Lowenstein	Non-Independent Chairman
Mark Forstmann	Independent Director
Kirstin Hunter	Independent 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 portfolio was down 3.63% on a net basis during the period and underperformed its benchmark by 8.26%. Portfolio performance is announced monthly to the ASX and also available at the manager's website at <https://ellerstoncapital.com/funds/morphic-ethical-equitiesfund/>.

The Company's investments during the half-year resulted in operating loss before tax of \$2,559,228 (2022: Profit of \$621,903) and loss after tax of \$1,927,764 (2022: \$9,201). This reflects the performance of the investment portfolio over the period as outlined below.

Investment Returns	Returns over the period 1 July 2023 to 31 December 2023		Returns since inception (PA) 2 May 2017 to 31 December 2023	
	Gross	Net	Gross	Net
Investment Portfolio	(2.05)%	(3.63)%	7.57%	3.80%
MSCI All Countries Total Return Daily Index	4.63%	4.63%	10.73%	10.73%
Outperformance/(Underperformance)	(6.68)%	(8.26)%	(3.16)%	(6.92)%

*Gross return is before fees and taxes.*

*Net return is net of investment management fees, before Company administration costs and taxes.*

Between 18 April 2023 and 30 June 2023, the Company's buy back program bought back 1,072,538 shares and between 1 July 2023 and 18 October 2023, the company bought back an additional 3,988,688 shares. At the Company's AGM on 18 October 2023, Shareholders approved for the Company to extend the buy back program to purchase up to 10,174,837 shares. Since the AGM and up to 31 December 2023, the Company bought back a total of 1,951,999 shares at an average price of \$0.99. Between 1 January 2024 and 19 February 2024, the Company has bought back a further 5,248,857 shares at an average price of \$1.06.

The Company's Net Tangible Asset Value (NTA) per share at the end of the period was \$1.0688 before tax and \$1.0940 after tax.

### Dividends Paid or Recommended

On 18 August 2023, the Directors declared a fully franked quarterly dividend of 3.5 cents per share which amounted to \$1,787,711 and was paid on 14 September 2023.

On 18 October 2023, the Directors declared a fully franked quarterly dividend of 3.5 cents per share which amounted to \$1,711,885 and was paid on 15 November 2023.

Since the end of the half-year, on 19 February 2024 the Directors declared a fully franked quarterly dividend of 3.5 cents per share to be paid on 18 March 2024.

This dividend is consistent with the Company's policy of 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.

**Directors' Report (continued)**

**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 4.

Signed in accordance with a resolution of the directors.



Jack Lowenstein  
Chairman

Sydney, 19 February 2024



**Building a better  
working world**

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## Auditor's independence declaration to the directors of Morphic Ethical Equities Fund Limited

As lead auditor for the review of the half-year financial report of Morphic Ethical Equities Fund Limited for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive script.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva' in a cursive script.

Rita Da Silva  
Partner  
19 February 2024

Morphic Ethical Equities Fund Limited  
Statement of Profit or Loss and Other Comprehensive Income  
For the half-year ended 31 December 2023

**Statement of Profit or Loss and Other Comprehensive Income**

	Note	Half-year ended 31 December 2023 \$	Half-year ended 31 December 2022 \$
<b>Investment income</b>			
Interest income		62,793	59,089
Dividend income		180,057	197,690
Net gains/(losses) on financial instruments at fair value through profit or loss		(1,869,299)	1,574,429
Net gains/(losses) on foreign exchange		(152,073)	(459,432)
<b>Net investment income/(loss)</b>		<b>(1,778,522)</b>	<b>1,371,776</b>
<b>Expenses</b>			
Audit and tax		11,500	53,499
Administration fees		46,690	44,894
Directors' fees		70,104	70,355
Interest expense (including on borrowed stock)		-	1,277
Management fees		356,734	364,329
Transaction costs		62,163	49,247
Withholding tax expense		33,370	26,026
Other expenses		200,145	140,246
<b>Total expenses</b>		<b>780,706</b>	<b>749,873</b>
<b>Profit/(Loss) for the half-year before income tax expense</b>		<b>(2,559,228)</b>	<b>621,903</b>
Income tax (expense)/benefit	3	631,464	(631,104)
<b>Profit/(Loss) for the half-year</b>		<b>(1,927,764)</b>	<b>(9,201)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the half-year</b>		<b>(1,927,764)</b>	<b>(9,201)</b>
<b>Basic earnings/(losses) per share</b>	4	<b>(3.81) cents</b>	<b>(0.02) cents</b>
<b>Diluted earnings/(losses) per share</b>	4	<b>(3.81) cents</b>	<b>(0.02) cents</b>

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



**Statement of Financial Position**

	Note	As at 31 December 2023 \$	As at 30 June 2023 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	131,426	684,281
Receivables		39,961	56,910
Prepayments		21,129	71,839
Due from brokers		2,995,629	6,345,983
Financial assets at fair value through profit or loss	2	47,706,106	55,725,310
Current tax asset		896,675	778,307
<b>Total current assets</b>		<b>51,790,926</b>	<b>63,662,630</b>
<b>Non-current assets</b>			
Net deferred tax asset	3	279,974	-
<b>Total non-current assets</b>		<b>279,974</b>	<b>-</b>
<b>Total assets</b>		<b>52,070,900</b>	<b>63,662,630</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Due to brokers		420,335	308,031
Payables		123,719	335,393
Financial liabilities at fair value through profit or loss	2	-	19,595
<b>Total current liabilities</b>		<b>544,054</b>	<b>663,019</b>
<b>Non-current liabilities</b>			
Net deferred tax liability	3	-	351,490
<b>Total non-current liabilities</b>		<b>-</b>	<b>351,490</b>
<b>Total liabilities</b>		<b>544,054</b>	<b>1,014,509</b>
<b>Net assets</b>		<b>51,526,846</b>	<b>62,648,121</b>
<b>Equity</b>			
Issued capital	5	49,839,913	55,533,828
Accumulated losses		(21,706,933)	(18,043,839)
Profits reserve		23,393,866	25,158,132
<b>Total equity</b>		<b>51,526,846</b>	<b>62,648,121</b>

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

**Statement of Changes in Equity**

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
<b>Balance at 30 June 2022</b>		<b>56,205,154</b>	<b>(18,043,839)</b>	<b>20,802,512</b>	<b>58,963,827</b>
Loss for the half-year		-	(9,201)	-	(9,201)
<b>Total comprehensive income for the half-year</b>		<b>-</b>	<b>(9,201)</b>	<b>-</b>	<b>(9,201)</b>
<b>Other</b>					
Transfer to profits reserve		-	(3,708,787)	3,708,787	-
		-	(3,708,787)	3,708,787	-
<b>Transactions with owners:</b>					
Shares issued during the half-year		149,776	-	-	149,776
Dividends provided for or paid		-	-	(1,600,125)	(1,600,125)
		<b>149,776</b>	<b>-</b>	<b>(1,600,125)</b>	<b>(1,450,349)</b>
<b>Balance at 31 December 2022</b>		<b>56,354,930</b>	<b>(21,761,827)</b>	<b>22,911,174</b>	<b>57,504,277</b>
<b>Balance at 30 June 2023</b>		<b>55,533,828</b>	<b>(18,043,839)</b>	<b>25,158,132</b>	<b>62,648,121</b>
Loss for the half-year		-	(1,927,764)	-	(1,927,764)
<b>Total comprehensive income for the half-year</b>		<b>-</b>	<b>(1,927,764)</b>	<b>-</b>	<b>(1,927,764)</b>
<b>Other</b>					
Transfer to profits reserve		-	(1,735,330)	1,735,330	-
		-	(1,735,330)	1,735,330	-
<b>Transactions with owners:</b>					
Shares issued during the half-year	5	425,356	-	-	425,356
Shares acquired under buy-back		(6,119,271)	-	-	(6,119,271)
Dividends provided for or paid		-	-	(3,499,596)	(3,499,596)
		<b>(5,693,915)</b>	<b>-</b>	<b>(3,499,596)</b>	<b>(9,193,511)</b>
<b>Balance at 31 December 2023</b>		<b>49,839,913</b>	<b>(21,706,933)</b>	<b>23,393,866</b>	<b>51,526,846</b>

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

**Statement of Cash Flows**

	Note	Half-year ended 31 December 2023 \$	Half-year ended 31 December 2022 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of investments		23,225,267	15,416,151
Payments for purchase of investments		(17,489,909)	(12,850,266)
Dividends received		195,062	179,829
Amount received from/(paid to) brokers for collateral		3,533,896	(226,031)
Interest received		62,793	59,089
Interest paid		-	(1,277)
Management fees paid		(356,734)	(364,344)
Directors' fees paid		(70,104)	(70,355)
Other income received		2,151	-
Withholding tax paid		(33,370)	(26,026)
Other operating expenses paid		(207,627)	(182,834)
Transaction costs paid		(62,163)	(49,247)
Income tax paid		(118,368)	(454,824)
<b>Net cash inflow from operating activities</b>		<b>8,680,894</b>	<b>1,429,865</b>
<b>Cash flows from financing activities</b>			
Payments for shares redeemed		(6,119,271)	-
Dividends paid net of dividend reinvestment		(3,074,240)	(1,450,349)
<b>Net cash outflow from financing activities</b>		<b>(9,193,511)</b>	<b>(1,450,349)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(512,617)</b>	<b>(20,484)</b>
Effect of exchange rate fluctuations on cash and cash equivalents		(40,238)	7,906
Cash and cash equivalents at beginning of the half-year		684,281	178,097
<b>Cash and cash equivalents at end of the half-year</b>	6	<b>131,426</b>	<b>165,519</b>
<b>Non-cash financing activities</b>			
Ordinary shares issued under dividend reinvestment plan	5	<b>425,356</b>	<b>149,776</b>

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

## 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 11, 179 Elizabeth Street, Sydney NSW 2000.

These condensed interim financial statements are for the half-year ended 31 December 2023, and were authorised for issue by the Directors on 19 February 2024.

The Company's principal objectives are to:

- deliver investors an ethically screened portfolio;
- deliver investors 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 interim financial statements is set out below:

### (a) Basis of preparation

These condensed interim financial statements for the half-year ended 31 December 2023 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 Standards.

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 June 2023 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 investment assets and liabilities.

The accounting policies adopted are consistent with those applied to the Company's financial statement for the year ended 30 June 2023.

### (b) New and revised accounting requirements applicable to the current reporting period

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 1 July 2023 that have a material impact on the Company.

### (c) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published by the Australian Accounting Standards Board that are not mandatory for the interim period beginning 1 July 2023, 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.

### (d) 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.

### (e) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of some assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant, and reasonable under the circumstance. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The methods used in the valuation of investments are set out in Note 2 to these financial statements. Judgement was also exercised in determining the recoverability of deferred tax assets for the accounting period, with reference to expected market performance.

## 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.

#### (i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Company values its investments and derivatives in accordance with the accounting policies set out in Note 1 to the annual financial statements. For the majority of investments, information provided by independent pricing services is relied upon for valuation of investments.

The quoted market price used to fair value financial assets and financial liabilities held by the Company is the last-traded prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

#### (ii) Valuation techniques used to derive level 2 and level 3 fair value

The fair value of financial assets and liabilities that are not exchange-traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Company would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The determination of what constitutes 'observable' requires significant judgment by management. Management consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

## 2. Fair value measurement (continued)

### Recognised fair value measurements

The following table presents the Company's financial assets and liabilities measured and recognised at fair value as at 31 December 2023 and 30 June 2023.

As at 31 December 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Listed equities	47,706,106	-	-	47,706,106
<b>Total financial assets at fair value through profit or loss</b>	<b>47,706,106</b>	<b>-</b>	<b>-</b>	<b>47,706,106</b>
<b>As at 30 June 2023</b>				
<b>Financial assets</b>				
Listed equities	55,725,310	-	-	55,725,310
<b>Total financial assets at fair value through profit or loss</b>	<b>55,725,310</b>	<b>-</b>	<b>-</b>	<b>55,725,310</b>
<b>Financial liabilities</b>				
Forward currency exchange contracts	-	19,595	-	19,595
<b>Total financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>19,595</b>	<b>-</b>	<b>19,595</b>

#### (iii) 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.

#### (iv) Fair value measurements using significant unobservable inputs (level 3)

The Company did not hold any financial instruments with fair value measurements using significant unobservable inputs as at 31 December 2023 or at 30 June 2023.

#### (v) Fair value of financial instruments not carried at fair value

The carrying value of cash and cash equivalents, due to/from brokers, trade receivables and trade payables approximate their fair value because of the short-term nature of the instruments and low credit risk.

## 3. Taxation

### (a) Numerical reconciliation of income tax expense/(benefit)

	As at 31 December 2023 \$	As at 31 December 2022 \$
Prima facie tax payable on profit/(loss) before income tax at 25% (FY22: 25% )	639,807	(155,476)
Adjusted for tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Withholding tax on dividends received	(8,343)	(6,507)
Tax effect on income tax rate change to 25%	-	(469,121)
Income tax (expense)/benefit	<b>631,464</b>	<b>(631,104)</b>
Applicable weighted average effective tax rate	(24.7%)	101.5%
The income tax expense/(benefit) results from movement in a:		
Current tax asset	118,368	455,671
Current tax liability	(118,368)	(454,822)
Deferred tax asset	(307,134)	(700,323)
Deferred tax liability	938,598	68,370
Income tax (expense)/benefit	<b>631,464</b>	<b>(631,104)</b>

### 3. Taxation (continued)

#### (b) Deferred taxes

	As at 31 December 2023 \$	As at 30 June 2023 \$
<b>Deferred tax liabilities</b>		
Deferred income tax comprises the estimated tax payable at the current income tax rate of 25% on the following items:		
Tax on unrealised gains on investment portfolio	(607,733)	(1,532,898)
Other	(4,247)	(17,680)
<b>Deferred tax liabilities</b>	<b>(611,980)</b>	<b>(1,550,578)</b>
<b>Movements:</b>		
Opening balance	(1,550,578)	(71,248)
Adjustment of tax rate to opening balance	-	11,875
Charged / credited to profit or loss	938,598	(1,491,205)
<b>Closing balance</b>	<b>(611,980)</b>	<b>(1,550,578)</b>
<b>Deferred tax assets</b>		
Deferred tax assets comprises the estimated tax deductible at the current income tax rate of 25% on the following items:		
Tax losses	877,885	1,166,236
Other	14,069	32,852
<b>Deferred tax assets</b>	<b>891,954</b>	<b>1,199,088</b>
<b>Movements:</b>		
Opening balance	1,199,088	2,885,979
Adjust opening balance to change in corporate tax rate from 30% to 25%	-	(480,997)
Prior year tax adjustment	-	(1,016)
Charged / credited to profit or loss	(307,134)	(1,203,179)
Charged / credited to equity	-	(1,699)
<b>Closing balance</b>	<b>891,954</b>	<b>1,199,088</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>279,974</b>	<b>(351,490)</b>

### 4. Earnings/(losses) per share

	Half-year ended 31 December 2023 \$	Half-year ended 31 December 2022 \$
<b>Basic earnings/(losses) per share</b>	<b>(3.81) cents</b>	<b>(0.02) cents</b>
<b>Diluted earnings/(losses) per share</b>	<b>(3.81) cents</b>	<b>(0.02) cents</b>
Profit/(Loss) used in calculating basic earnings/(losses) per share	(1,927,764)	(9,201)
Profit/(Loss) used in calculating diluted earnings/(losses) per share	(1,927,764)	(9,201)
Weighted average number of ordinary shares used in the calculation of basic earnings/(losses) per share	50,555,671	53,350,402
Weighted average number of shares used in the calculation of diluted earnings/(losses) per share	50,555,671	53,350,402

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 during the period.

Basic and diluted earning per share is the same as there are no potentially dilutive securities outstanding as at balance date.

### 5. 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.

#### *Capital risk management*

The Company's policy 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.

## 5. Issued Capital (continued)

	Half-year ended 31 December 2023		Year ended 30 June 2023	
	Shares	\$	Shares	\$
<b>Movements in ordinary share capital</b>				
Opening balance	52,625,205	55,533,828	53,301,524	56,205,154
Ordinary shares issued under dividend reinvestment plan	423,342	425,356	396,219	379,798
Ordinary shares acquired under buy-back	(5,940,687)	(6,119,271)	(1,072,538)	(1,051,124)
<b>Closing balance</b>	<b>47,107,860</b>	<b>49,839,913</b>	<b>52,625,205</b>	<b>55,533,828</b>

On 18 April 2023, the Company announced the implementation of an on-market buy-back of up to 5,323,144 of its shares, commencing on 3 May 2023 and continuing until 3 May 2024 unless the maximum number of shares were bought back prior to this date or MEC decided to cease the buy-back. At the Company's AGM on 18 October 2023, Shareholders approved for the Company to extend the buy back program to purchase up to 10,174,837 shares. During the period ended 31 December 2023, the company bought back 5,940,687 shares (30 June 2023: 1,072,538 shares).

## 6. Cash flow information

Components of cash and cash equivalents	As at	As at
	31 December 2023	30 June 2023
Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash at bank	131,426	684,281
	<b>131,426</b>	<b>684,281</b>

## 7. Dividends

### Dividends paid in the current period

	Half-year ended 31 December 2023 \$	Half-year ended 31 December 2022 \$
A fully franked dividend on ordinary shares for the quarter ended 30 June 2022 of 1.5 cents per share was paid on 23 September 2022	-	799,523
A fully franked dividend on ordinary shares for the quarter ended 30 September 2022 of 1.5 cents per share was paid on 8 December 2022	-	800,602
A fully franked dividend on ordinary shares for the quarter ended 30 June 2023 of 3.5 cents per share was paid on 14 September 2023	1,787,711	-
A fully franked dividend on ordinary shares for the quarter ended 30 September 2023 of 3.5 cents per share was paid on 15 November 2023	1,711,885	-
	<b>3,499,596</b>	<b>1,600,125</b>

On 19 February 2024, the Directors declared a fully franked quarterly dividend of 3.5 cents per share which amounted to \$1,788,022 and will be paid on 18 March 2024.

## 8. Contingent liabilities and commitments

As at 31 December 2023 and 30 June 2023, the Company had no contingent liabilities or commitments.

## 9. 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.

## 10. Events subsequent to reporting date

Since the end of the half-year, the Directors declared a fully franked quarterly dividend of 3.5 cents per share to be paid on 18 March 2024.

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

The Directors declare that:

- (a) the financial statements and notes set out on pages 5 to 13 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 December 2023 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



**Jack Lowenstein**  
Chairman  
Morphic Ethical Equities Fund Limited

19 February 2024



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working world**

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## Independent auditor's review report to the members of Morphic Ethical Equities Fund Limited

### Conclusion

We have reviewed the accompanying half-year financial report of Morphic Ethical Equities Fund Limited (the Company), which comprises the statement of financial position as at 31 December 2023, the 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Company's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity (ASRE 2410)*. Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year financial report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



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### Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2023 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*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for 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.

Ernst & Young

Rita Da Silva  
Partner  
Sydney  
19 February 2024

## Corporate directory

### Directors

Jack Lowenstein  
Mark Forstmann  
Kirstin Hunter

### Company Secretary

Mark Licciardo

### Registered Office

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### Contact Details

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<https://ellerstoncapital.com/funds/morphic-ethical-equities-fund/>

### Manager

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### Auditor

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200 George Street  
SYDNEY NSW 2000  
GPO Box 2646 Sydney NSW 2001

### Share Registry

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### Securities Exchange Listing

ASX code (ordinary shares): MEC