



# MORPHIC ETHICAL EQUITIES FUND

Monthly Report  
March 2025



## Fund Objective

The Morphic Ethical Equities Fund Limited (MEC) 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.

MEC 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	1 Year	3 Years (p.a.)	5 Years (p.a.)	ITD (p.a.)
MEC <sup>1</sup>	-5.51%	-5.70%	1.06%	-0.66%	4.64%	8.16%	6.75%
Index <sup>2</sup>	-4.15%	-1.96%	8.77%	12.18%	13.77%	14.76%	12.30%

\* Past Performance is not an indication of future performance.  
Source: Ellerstun Capital

## Performance Summary

MEC declined by -5.51% net during the month, underperforming the MSCI All Countries World Daily Total Return Net Index which declined by -4.15% over the same period.

## Market Commentary

The portfolio's top three contributors **Greatland Gold, GFL Environmental and Resona Holdings** added 154 bps to performance while **Core Scientific, Nebius Group and Aritzia** detracted 287 bps during the month.

Equities were hit hard through March, with the market having to concurrently digest the prospect of indiscriminate tariffs levied by the US on key trading partners, stubborn inflation and major cuts to US Government spending – factors that have the potential to push the US into a sharp recession quickly. In addition to this, there was also continued weakness in key thematic trades such as Artificial Intelligence ("AI") on concerns around AI capex investment.

Asset price declines have continued into the start of April alongside the announcement of specific tariff rates for each country, which were higher than expected, and particularly punitive for deficit countries in Asia.

The investing environment remains difficult to navigate, particularly given Trump's end game, and the wide range of potential outcomes as it relates to tariffs, remains unclear.

### Net Tangible Assets (NTA)

NTA value before tax <sup>3</sup>	\$1.1315
NTA value after tax <sup>3</sup>	\$1.1193

Source: Ellerstun Capital

### Investment Returns since inception<sup>4</sup>



Source: Ellerstun Capital

A sensible resolution of some description (i.e low tariffs and trade concessions negotiated separately with individual countries) would likely limit economic damage and see markets bounce, particularly given how technically oversold markets are – the NASDAQ RSI for example is lower than March-20 (its Covid-19 lows) and net positioning amongst hedge funds is near record lows.

On the other hand, permanent tariffs will result in a large income shock for US consumers, entrench inflation and trigger a deep recession. Compounding this, the S&P 500 (as a proxy for global markets) still remains expensive on historic valuation measures (particularly on a Price/Sales basis) and the drawdown to date remains less severe than other periods (2008, 2020, 2022). The recent rise in US Govt Treasury yields (i.e sell off in bonds) adds another complicating factor, particularly given the refinancing needs of the Government.

We have little insight into which way the market will move from here. The portfolio holds very few consumer businesses directly impacted by tariffs, remains diversified across markets, and holds reasonable levels cash, gold equities and other defensive businesses. At the same time, the portfolio continues to hold, as well as add to companies we believe are reasonably priced and likely to continue growing, even in more recessionary conditions.

## Portfolio Commentary

**Greatland Gold (+0.90%):** is an Australian gold miner listed on the London Stock Exchange. The company is developing the Haverton gold deposit in Western Australia, with the stock price increasing along side the rise in gold prices. We think the company remains cheap, trading at a discount to NAV as well as other Australian gold miners. The company is also likely to relist in Australia in the coming months, providing a rerate catalyst given expected index buying.

**GFL Environmental (+0.41%):** is the fourth-largest diversified environmental services company in North America, providing solid waste management, liquid waste management, and soil remediation services in Canada and more than half of the US states. The share price rose in March, supported by stronger-than-expected fourth-quarter results, the completion of the sale of its Environmental Services business, along with a substantial share buyback.

**Resona Holdings (+0.22%):** is a large commercial bank in Japan, holding a strong presence in the Tokyo area and Kansai region. The share price saw a modest uptick in the first half of March, supported by the company's continued solid financial performance and the prospect of rising rates in Japan. **Galaxy Digital (-0.84%):** is a New York-based financial services and investment management firm specializing in digital assets and blockchain technology. The share price pulled back over the past month, reflecting volatility in AI/tech stocks, as well as pressures across digital asset markets.

**Core Scientific (-1.21%):** is a leader in infrastructure for high-performance computing. A significant portion of its capacity is allocated to supporting AI-related workloads for Coreweave, which in turn is supporting Open-AI (owner of ChatGPT). The share price declined in March on the back of declining market enthusiasm for AI. We believe the company will generate its entire diluted market capitalisation in contracted earnings over the next 8 years.

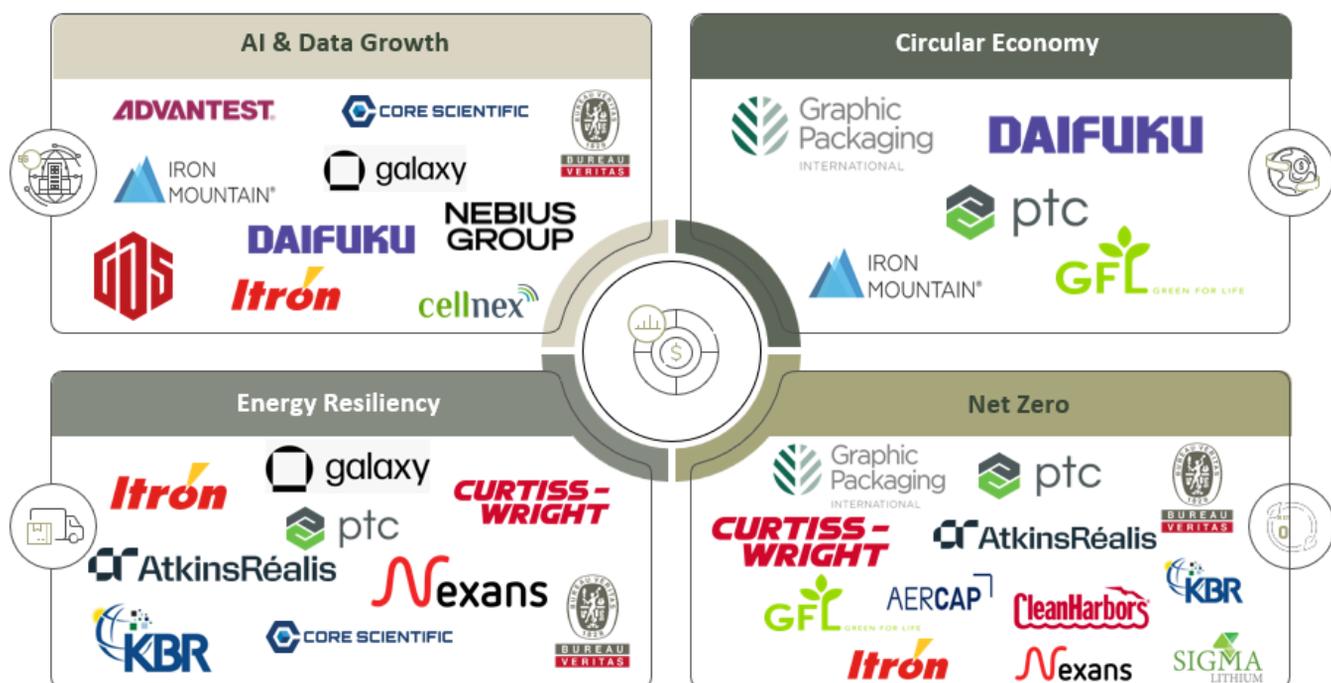
**Nebius (-1.00%):** is a technology company developing full-stack infrastructure to support the global AI industry. After a strong run in the first half of February, the share price pulled back in March amid broader volatility in AI infrastructure names. We believe the company remains well placed in a GPU constrained environment as one of the leading GPU cloud providers.

**Aritzia (-0.66%):** is a multi-brand apparel business focused in Canada and the US. The shares fell on US tariff changes.

In March, we initiated three new small positions in companies with large value dislocations. This includes SBI Holdings, a Japanese financial conglomerate with businesses spanning online brokerage, banking, asset management, and venture capital, with a growing focus on digital assets and fintech; Melrose Industrials, a world class global aerospace business providing engine and structure technologies; as well as Clean Harbors, North America’s leading provider of environmental and industrial service, delivering a broad range of services such as end-to-end hazardous waste management, emergency spill response, industrial cleaning and maintenance, and recycling services.

We continue to have differentiated exposure to some pretty powerful long term thematic which should drive long term compounding benefits to us all as investors. These include:

- AI and the growth in data as Industrial IoT and large language networks such as ChatGPT and next generation applications drive data demand;
- companies that enable our push to a circular economy;
- beneficiaries of deglobalization; and
- those helping to improve the resilience of our energy grids as the world looks to electrify and companies which are levered to the multi trillion-dollar spending required for our “Road to Net Zero”.



Source: Ellerston Capital

These businesses as well as idiosyncratic opportunities in the fund should provide solid absolute and relative returns over the long term as secular and structural business drivers help mitigate earnings risk in times of economic uncertainty.

As always, we thank you for your continued support and look forward to providing further updates in the future.

## Top 10 Positions

Stocks	Industry	Region	Position Weighting %
GFL Environmental Inc	Industrials	North America	6.4
AerCap Holdings NV	Industrials	North America	6.1
Corpay, Inc.	Financials	North America	5.9
TKO Group Holdings, Inc. Class A	Communication Services	North America	5.0
Cellnex Telecom S.A.	Communication Services	Europe	4.7
Bureau Veritas SA	Industrials	Europe	3.9
Warner Music Group Corp. Class A	Communication Services	North America	3.4
Greatland Gold plc	Materials	Europe	3.2
Iron Mountain, Inc.	Real Estate	North America	3.1
Curtiss-Wright Corporation	Industrials	North America	3.0

Source: Ellerston Capital

## Top contributor<sup>8</sup> (bps)



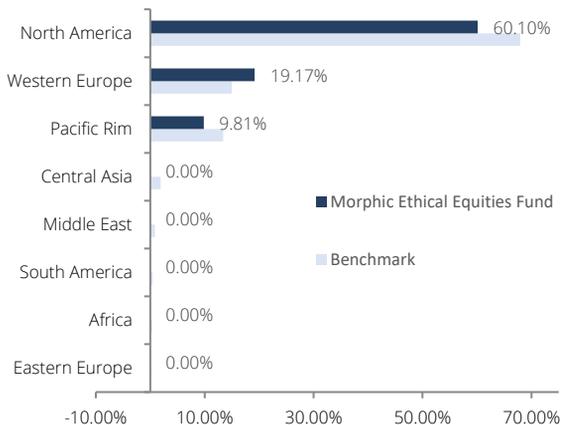
Source: Ellerston Capital

## Top detractor<sup>8</sup> (bps)



Source: Ellerston Capital

## Equity Exposure Summary<sup>12</sup> By region



Source: Ellerston Capital

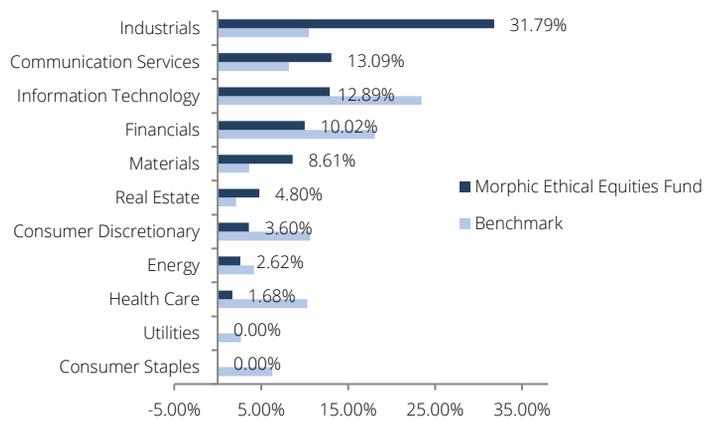
Risk Measures	
Net Exposure <sup>5</sup>	89.09%
Gross Exposure <sup>6</sup>	89.09%
VAR <sup>7</sup>	5.71%
Best Month	9.59%
Worst Month	-8.94%
Average Gain in Up Months	2.65%
Average Loss in Down Months	-3.03%
Annual Volatility	13.15%
Index Volatility	10.61%

Source: Ellerston Capital

Key Facts	
ASX code / share price	MEC / 1.025
Listing Date	3 May 2017
Profit Reserve <sup>9</sup>	\$0.710
Management Fee	1.25%
Performance Fee <sup>10</sup>	15%
Market Capitalisation	\$35.7m
Shares Outstanding	34,826,424
Dividend per share <sup>11</sup>	\$0.06

Source: Ellerston Capital

## Equity Exposure Summary<sup>12</sup> By sector



Source: Ellerston Capital

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<sup>1</sup> Performance is net of investment management fees, before company admin costs and taxes; <sup>2</sup> The Index is the MSCI All Countries World Daily Total Return Net Index (Bloomberg code NDUJACWF) in AUD; <sup>3</sup> The figures are estimated and unaudited; <sup>4</sup> 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; <sup>5</sup> Includes Equities and Commodities - longs and shorts are netted; <sup>6</sup> Includes Equities, Commodities and 10 year equivalent Credit and Bonds - longs and shorts are not netted; <sup>7</sup> Monthly VAR, gross return; <sup>8</sup> Contribution; absolute returns against excluding the effect of hedges; <sup>9</sup> The reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments. The payment of franked dividends depends on the rate MEC realises taxable profits and generates franking credits; <sup>10</sup> The Performance Fee is payable annually in respect of MEC's out-performance of the Index. Performance Fees are only payable when MEC achieves positive absolute performance and is subject to a high water mark; <sup>11</sup> Annual dividend per share. <sup>12</sup> Exposure Summary charts do not take into account derivative positions.