



MORPHIC ASSET MANAGEMENT

Global Responsible Investors

Webinar

Signatory of:



A proud founder of:



Morphic / Ellerston Global Mid Small Cap Team

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Previously an Investment Manager at Lanyon Asset Management.

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Teng Lin
Investment Analyst (10)

Previously a Performance, Attribution and Data Analyst within the Ellerston Capital team.

Holds a Bachelor of Risk Management from Zhejiang University and a Master of Actuarial Studies from Australian National University.

Ellerston team of 31 investment professionals with an average of 21 years of experience

Source: Ellerston Capital. All team members based in Ellerston's Sydney office. Numbers in parentheses indicate years of investment experience.

Our Guideposts



Concentrated

Between 20 – 60 global stocks



Mid/Small Cap Bias

Sub US\$30 billion



Absolute

Benchmark Independent



Contrarian

Where the crowd isn't



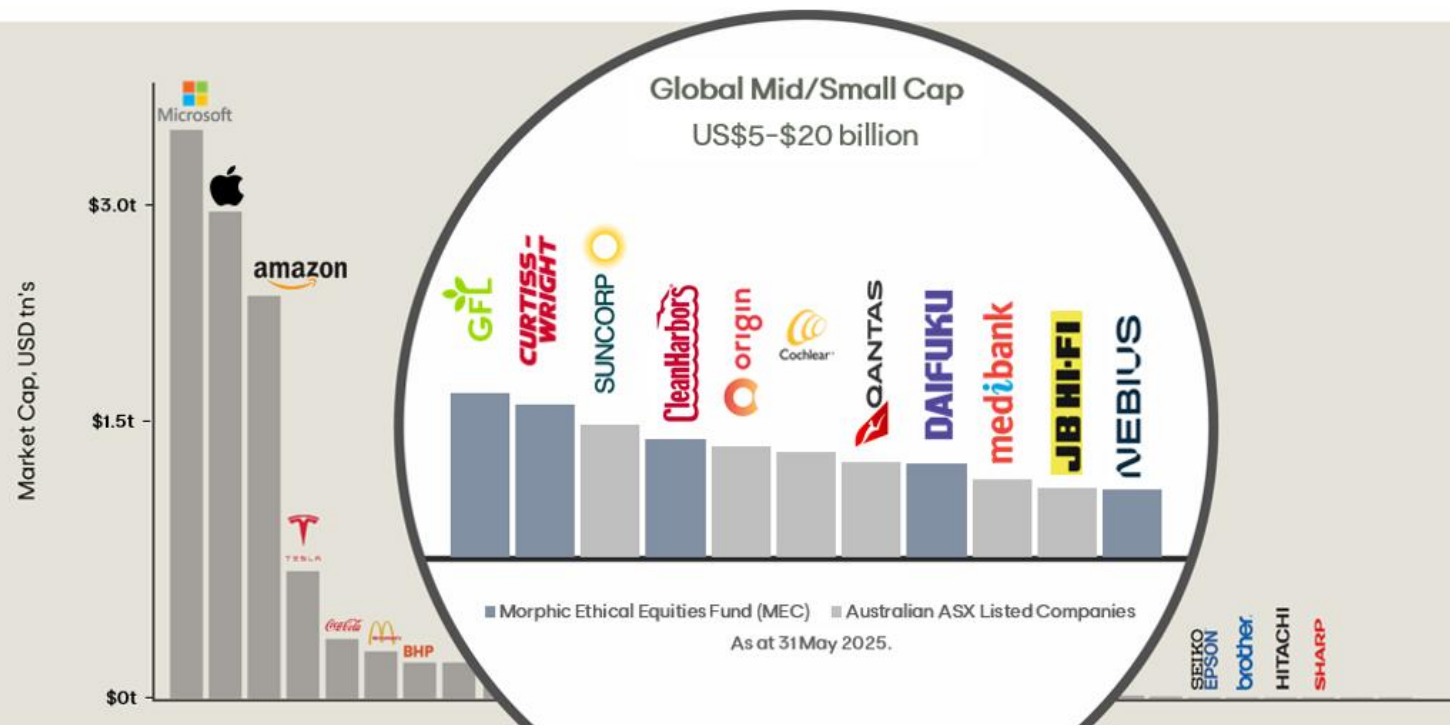
Ethically Invested

Avoiding companies which cause harm

Connecting to Tomorrow's Returns, Today

Source: Ellerstion Capital.

Global Mid Small Caps in Context



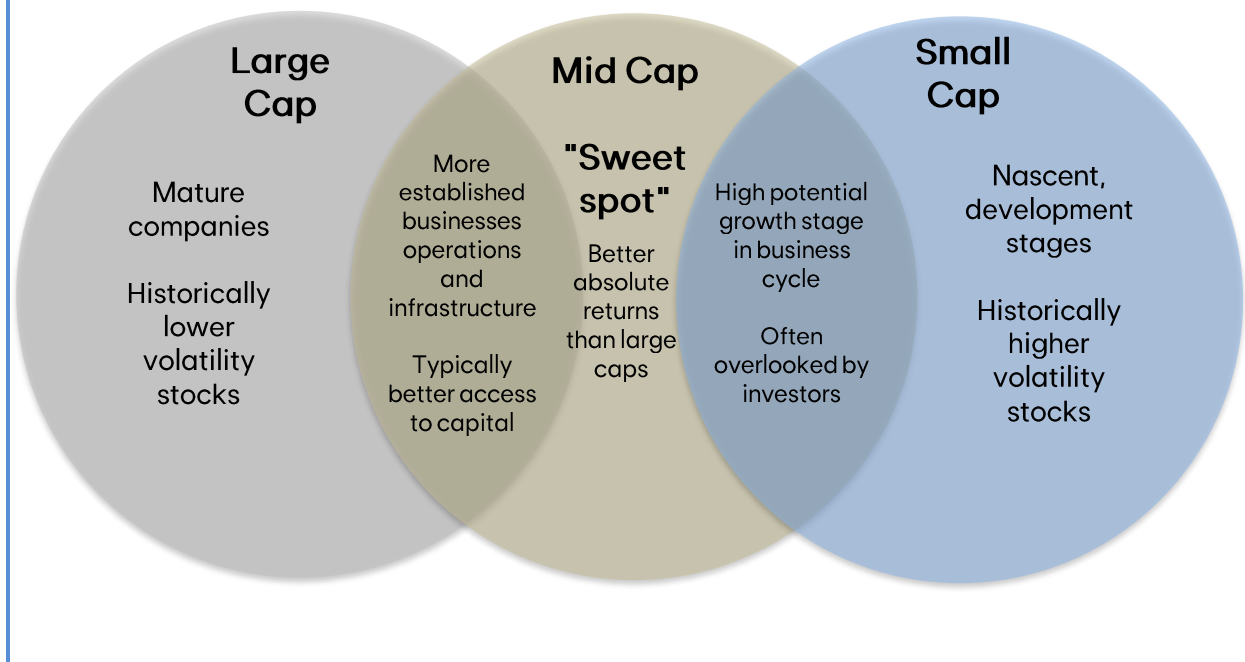
Our investments are roughly the same 'size' as well-known Australian companies

Source: Factset, MSCI World and ASX200 index. For illustrative purposes only, not to scale.

SMID companies - Higher Upside Potential

The SMID universe has a large number of fast-growing and highly profitable businesses that are often overlooked by investors.

SMID companies often sit in the performance 'sweet spot'



Source: S&P Dow Jones Indices LLC.

Investment Screening Summary

We apply a negative screen that prohibits direct investments in companies in the following industries (0% revenue threshold):



Armaments¹



Tobacco²
& alcohol



Intensive farming
& aquaculture



Extraction
of oil & gas



Coal & uranium
mining



Gambling



Rainforest & old
growth logging

We seek out positive investments that support:



Water quality



Air quality



Conservation



Renewable
energy

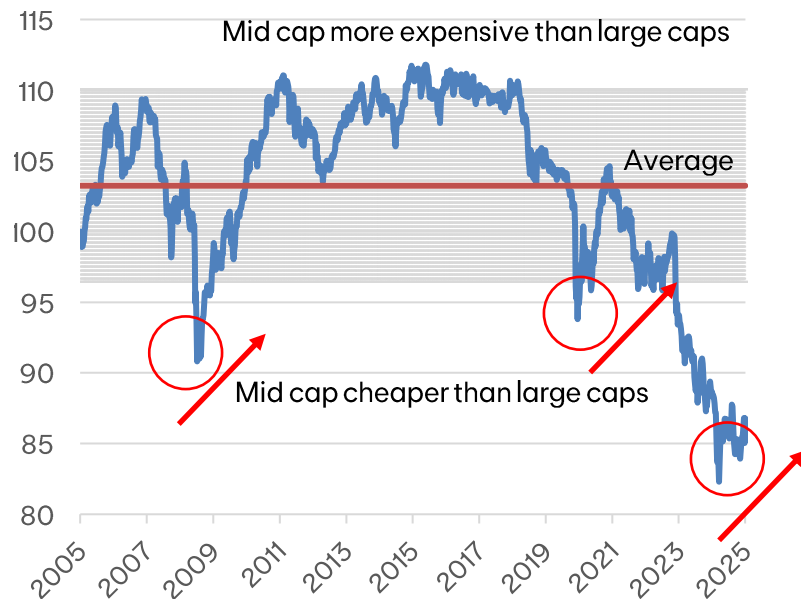
Source: Ellerston Capital. ¹Development and production of controversial weapons, including, nuclear weapons. ²Production of tobacco, manufacture of Nicotine alternatives and tobacco-based products.

Investment Outlook

Observations

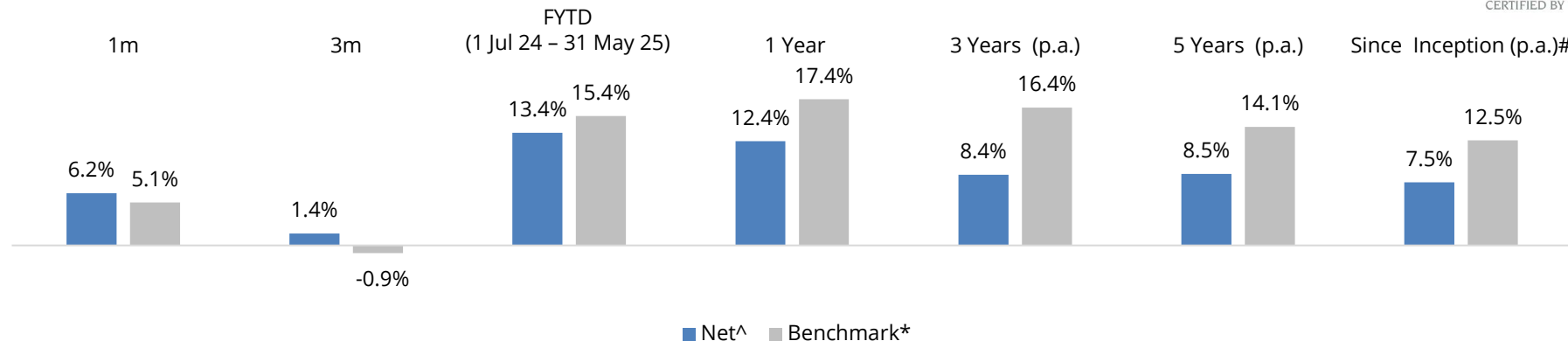
- Near record underperformance of Small/Mid-caps relative to large caps.
- Significant value emerging across numerous sectors and geographies.
- Numerous attractive structural growth themes – AI, payments, electrification, aerospace, EU stimulus.
- Market volatility creating attractive opportunities.

Return: MSCI World Mid Cap VS MSCI World Large Cap



Source: Ellerton Capital, Factset.

Morphic Ethical Equities Fund Performance



Portfolio Performance	1m	3m	FYTD (1 Jul 24 – 31 May 25)	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.)#
Net^	6.2%	1.4%	13.4%	12.4%	8.4%	8.5%	7.5%
Benchmark*	5.1%	-0.9%	15.4%	17.4%	16.4%	14.1%	12.5%
Alpha	1.1%	2.3%	-2.0%	-5.0%	-8.0%	-5.6%	-5.0%

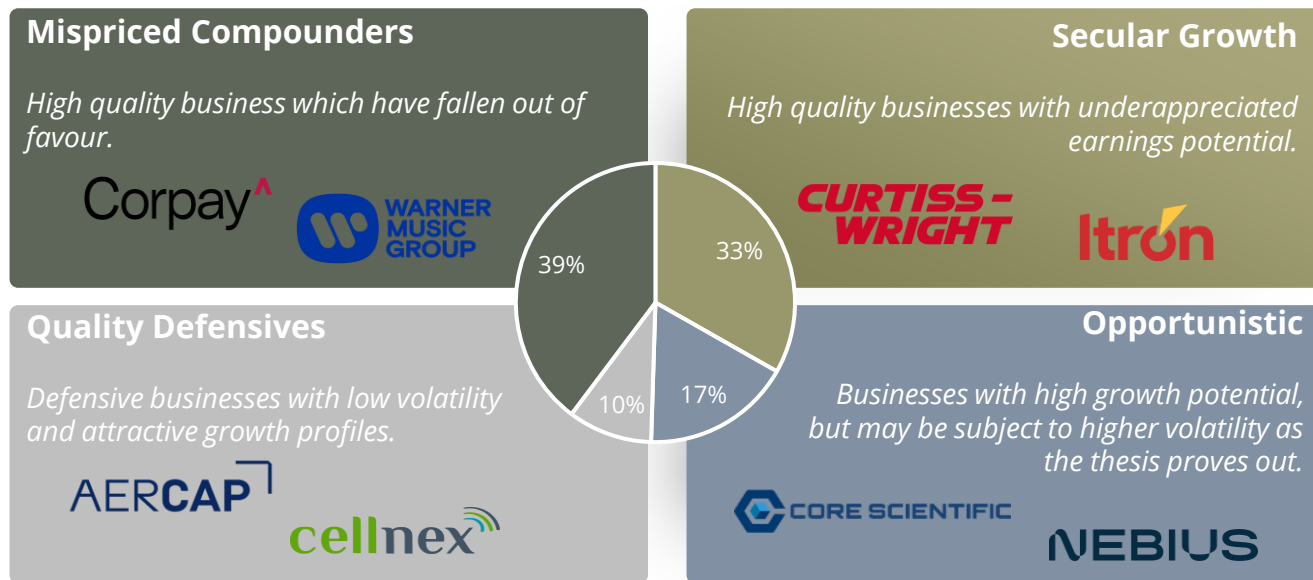
Source: Ellerstion Capital as at 31 May 2025.

^Performance is net of investment management fees, company admin costs and taxes *MSCI All Countries World Daily Total Return Net Index. #Inception Date is 3 May 2017

Past performance is not a reliable indication of future performance.

Positioned for uncertainty

Recent volatility has allowed us to add to companies which have been **oversold** by markets, despite their **long-term growth tailwinds** remaining intact.



Our portfolio is positioned to navigate short-term volatility.

Source: Ellerstion Capital, Factset.

MEC portfolio – May 2025

Top 10 holdings	Sector	Country Domicile	Portfolio Weight
Corpay	Financials	United States	5.8%
GFL Environmental	Industrials	United States	4.8%
Cellnex Telecom	Communication Services	Spain	4.7%
AerCap Holdings	Industrials	United States	4.1%
Greatland Gold	Materials	United Kingdom	3.7%
Core Scientific	Information Technology	United States	3.5%
Curtiss-Wright	Industrials	United States	3.2%
Clean Harbors	Industrials	United States	3.1%
Bureau Veritas	Industrials	France	3.0%
Aritzia	Consumer Discretionary	Canada	3.0%

Portfolio characteristics	MSCI World Large	MSCI World Mid Cap	Portfolio
EV/EBITDA	14.4	11.4	13.2
EV/EBIT	19.5	16.8	16.6
PE	21.1	17.6	21.6
ND/EBITDA	1.2	2.0	1.3
ROE	17.6	12.5	17.2
12M Rev Growth	4.0	5.3	10.2
12M EPS Growth	8.5	12.3	18.8

Source: Ellerton Capital, Facset.

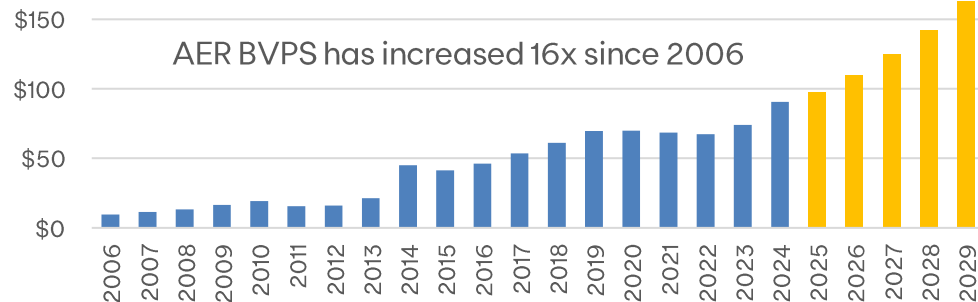
Aercap (AER-US)

Long-term aerospace compounder at attractive valuation

AER is the world's largest owner and lessor of aircraft, with >2,500 commercial aircraft and jet engines. The assets include the most in-demand, next-generation aircraft with a low average age. Over the last 10 years, book value per share has grown at 16%p.a via a combination of organic growth, smart acquisitions and shrewd buybacks.

A major aircraft shortage means leasing rates and residual values are likely to remain well above average for 10+ years. As a result, the earnings outlook remains robust and the liquidation value of the fleet is significantly higher than book value, with management realizing this value by selling end-of-lease assets and buying back stock below BVPS.

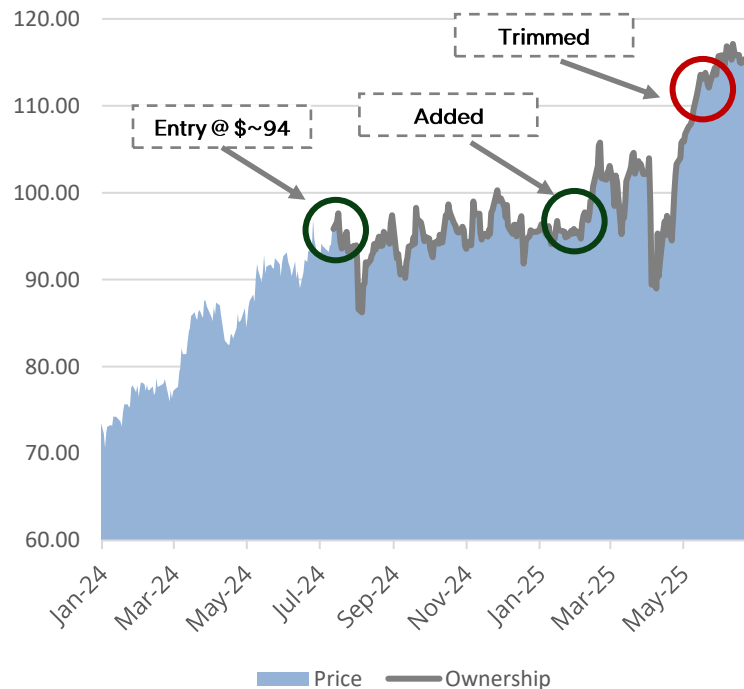
We initially invested in AER July 2024 at \$94 per share and increased our position again in Feb-25 as the stock fell below book value. We believe AER could double over 4 years, with an IRR >20% p.a.



Source: Ellerton Capital, Facset.

AERCAP

AER Price Chart





QUESTIONS

A landscape photograph featuring several wind turbines in a field during a vibrant sunset. The sky is filled with orange and red clouds, and the foreground is a dark, textured field. A large, semi-transparent white circle is overlaid on the right side of the image, containing the text 'THANK YOU' in white, bold, sans-serif capital letters.

THANK YOU

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