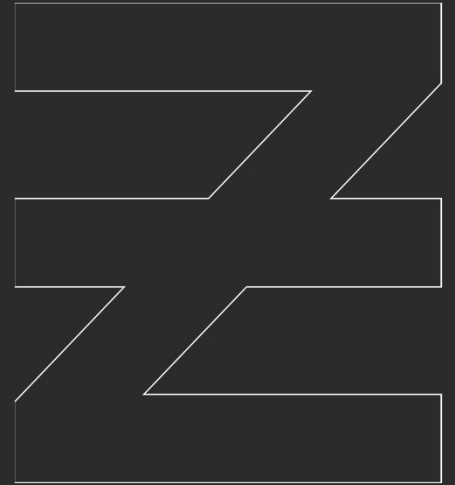


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Ellerston Global & Morphic Funds Update

April 2021

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Positioning Considerations

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Positioning Considerations



- Fiscal Stimulus
- Monetary Policy
- Vaccine Rollout
- Reopening Momentum

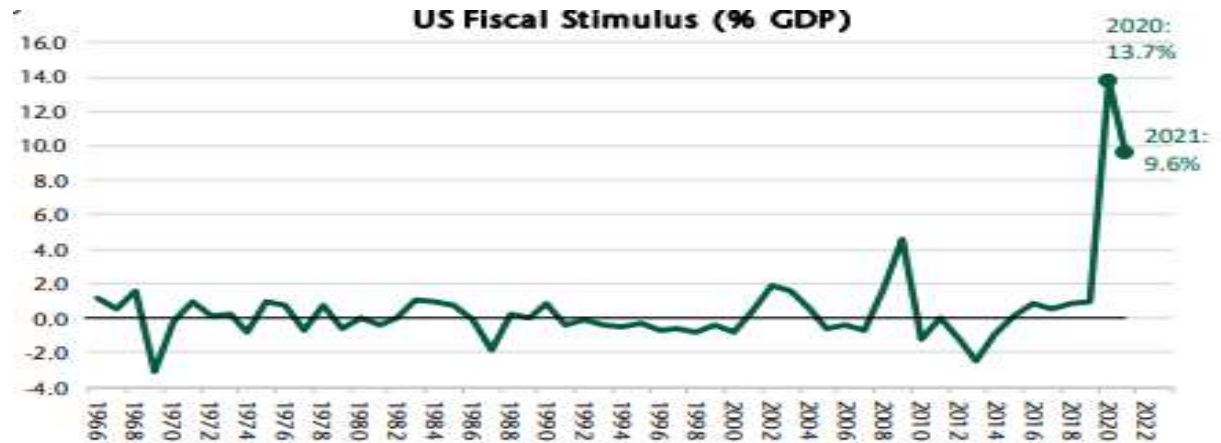


- Inflation/Supply Chain
- Multiple Compression
- Payback
- Policy Misstep/Taper Tantrum

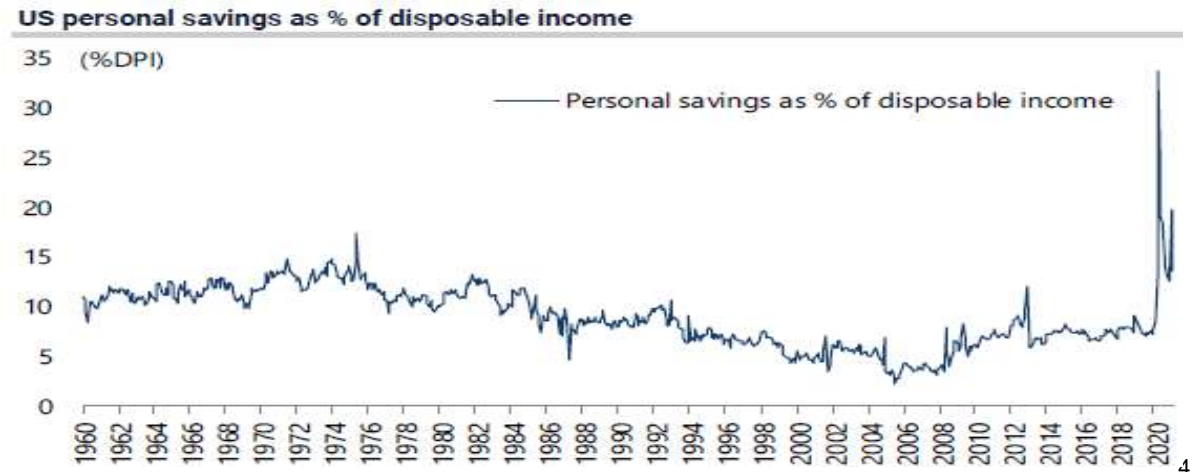
Positioning Considerations: Fiscal Stimulus



- Covid-19 impact on income more than offset by transfer payments.
- \$US1.9 trillion Covid Package plus an additional \$US2.25 trillion Infrastructure plan.
- Consumer balance sheets never been better – Wells Fargo: “Consumer net worth was up 10% in 2020, hitting a new all-time high of \$US130 trillion”.
- US households will have excess savings of \$US 2.2 trillion at the end of the last quarter.



Source: JeffMacro Strategy, Global Macro Team



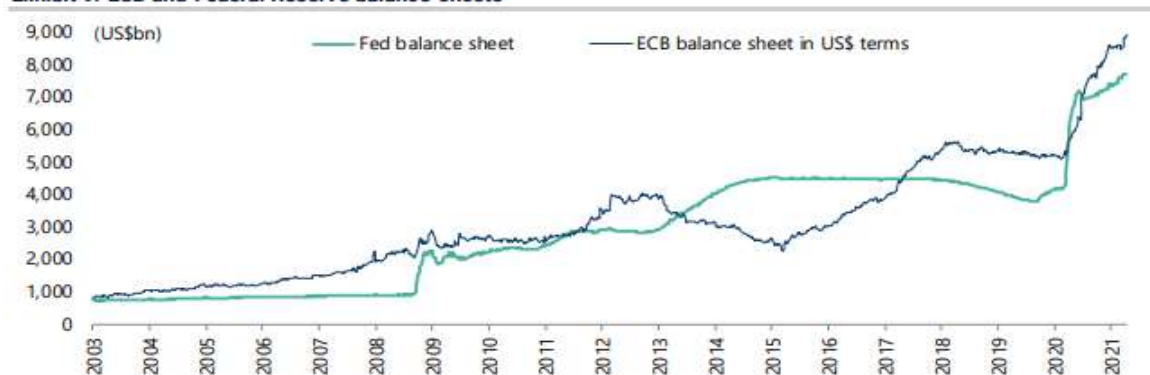
Source: US Bureau of Economic Analysis

Positioning Considerations: Monetary Policy



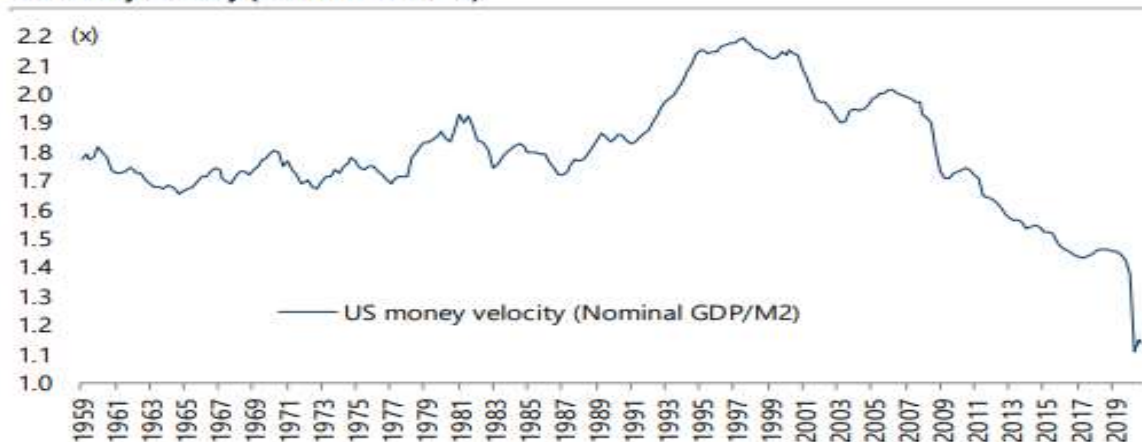
- Central Banks continue to expand balance sheets.
- US Fed targeting **average** 2.0% inflation and full employment (9.5m to recoup).
- Jay Powell – “monetary policy will continue to deliver powerful support to the economy until the recovery is complete”.
- Money Velocity currently at record lows due to record high savings rates and significant capex declines due to pandemic.

Exhibit 9: ECB and Federal Reserve balance sheets



Source: ECB, Federal Reserve, Bloomberg

US money velocity (Nominal GDP/M2)



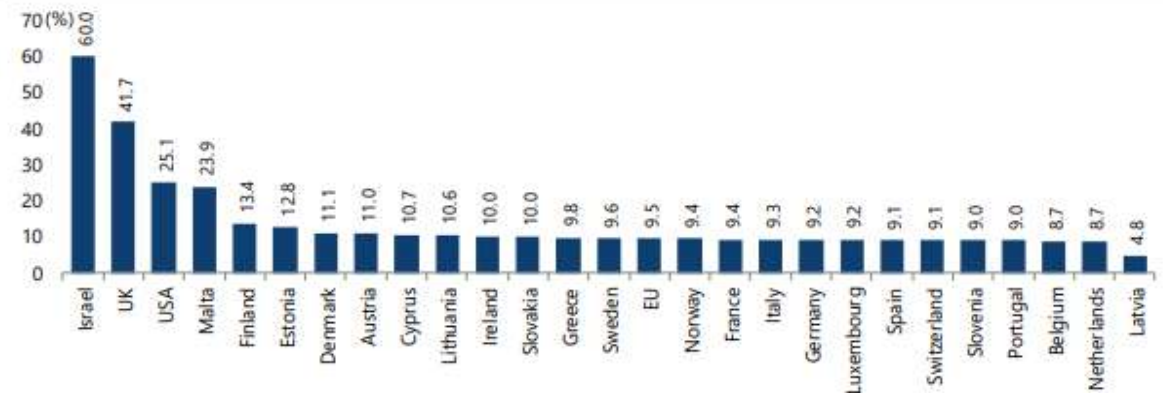
Source: Federal Reserve Bank of St. Louis

Positioning Considerations: Vaccine Rollout



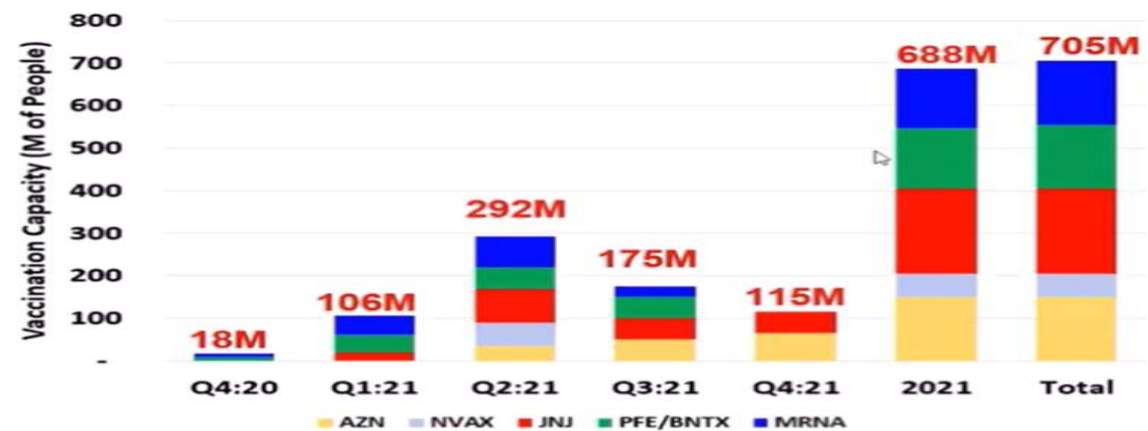
- A few countries well advanced however Europe and Emerging Markets currently trailing.
- Biden pledging all Americans to be vaccinated by May 1st.
- Vaccine supply ramping aggressively with more being targeted to Europe.

Exhibit 2: Share of people who received at least one dose of Covid-19 vaccine



Source: Official data collated by Our World in Data

US Vaccine Capacity (M of People)

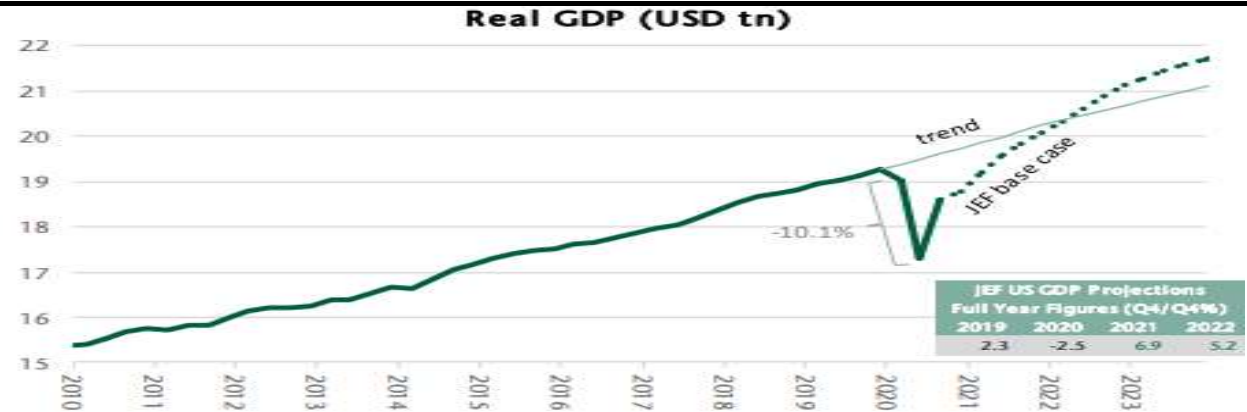


Source: Jefferies

Positioning Considerations: Reopening Momentum



- Many expecting economies to return to trend by next year.
- Faster and sooner shift from early cycle to mid-cycle.
- Manufacturing and supply chains attempting to rebuild inventories.
- Economy set up to accelerate with private and public pent up demand.



Source: Haver, JEF Economics

Highest Mfg PMI Since 1983



Source: Bloomberg, Morgan Stanley Research

Positioning Considerations: Inflation/Supply Chain

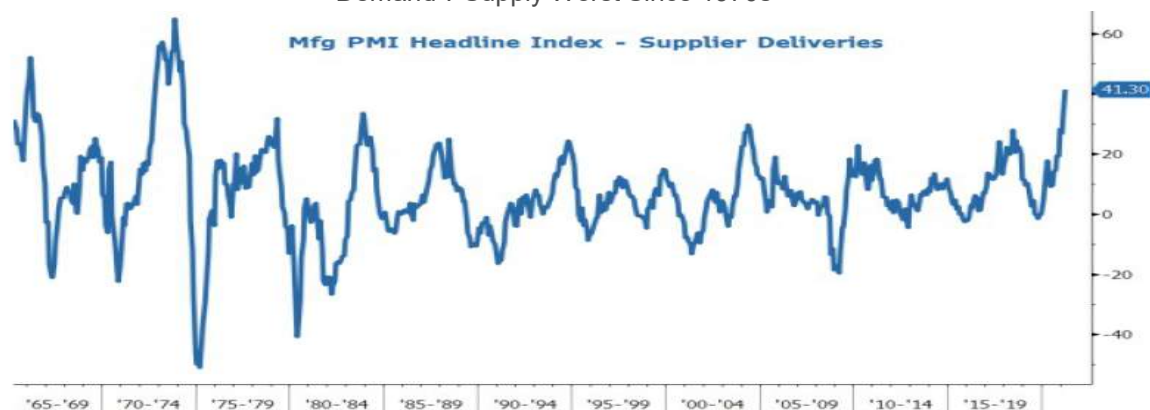


- Rising raw material costs coupled with semiconductor and supply chain bottlenecks.
- Fastenal – “We are experiencing significant material cost inflation, particularly for steel, fuel and transportation costs. We are instituting broad and material pricing actions in the second quarter of 2021”.
- When does the market get concerned and what is the tolerable overshoot?
- Considered transitory and will be overcome by demographics and technology in the medium term.



Source: Federal Reserve Bank of St. Louis

Demand v Supply Worst Since 1970s

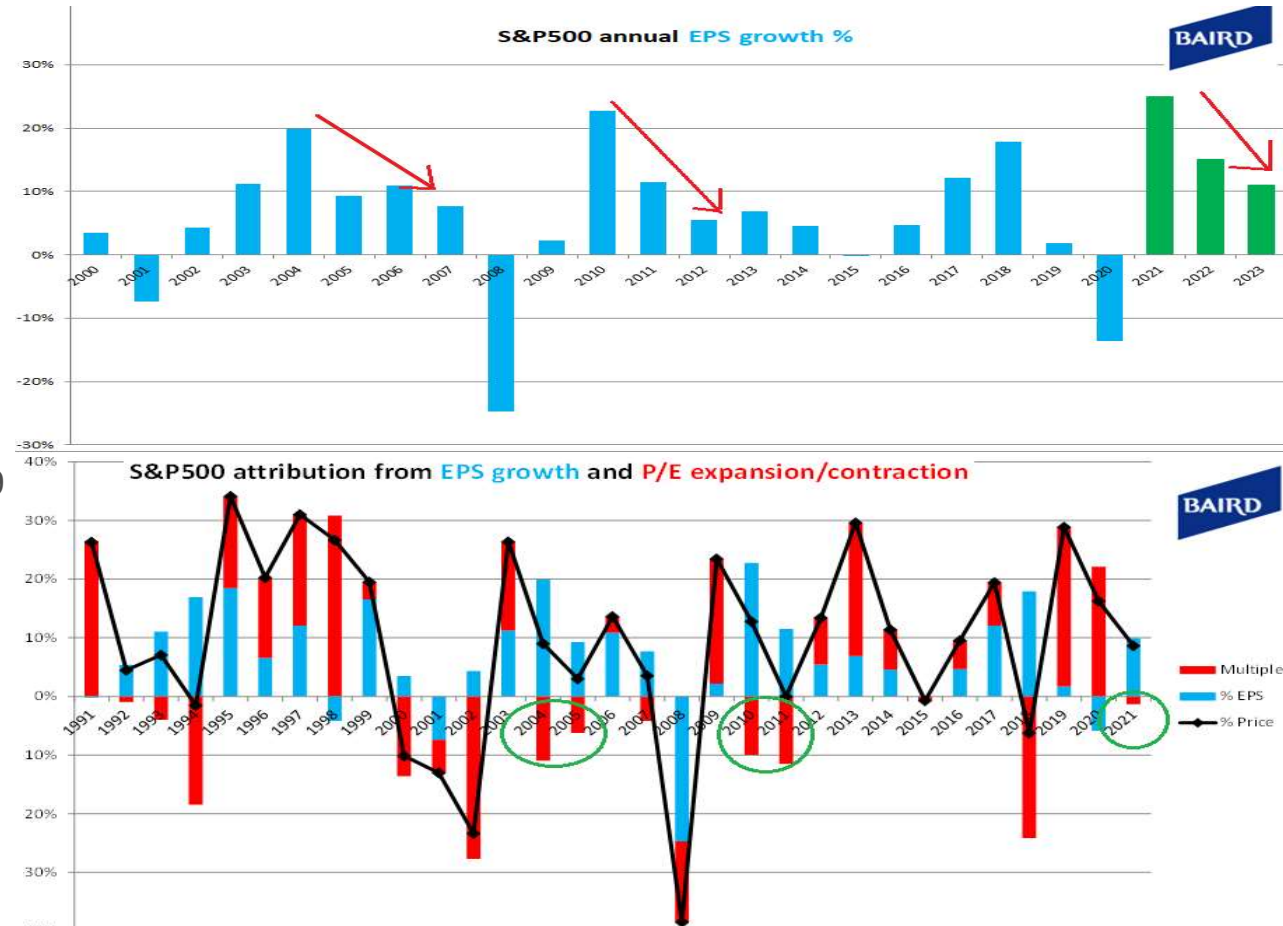


Source: Bloomberg, Morgan Stanley Research

Positioning Considerations: Multiple Compression



- Second quarter earnings could mark peak growth rates as we cycle pandemic impact.
- Slowing growth typically leads to multiple compression.
- We have seen this already with the Covid-19 pandemic “winners” such as Zoom.
- Operating leverage could still surprise to upside.



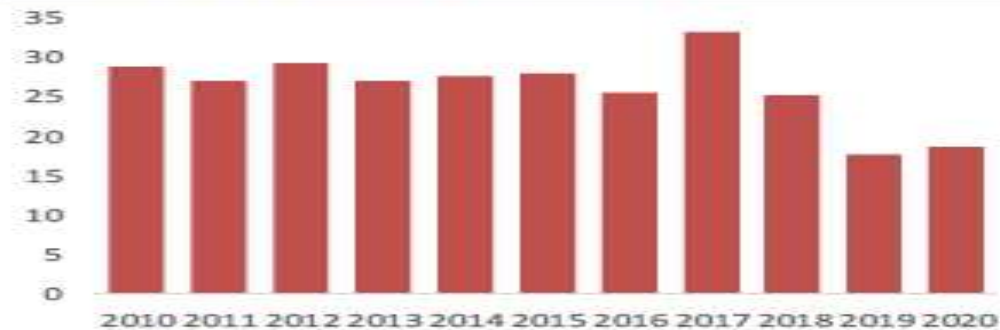
Source: Robert W. Baird & Co

Positioning Considerations: Payback



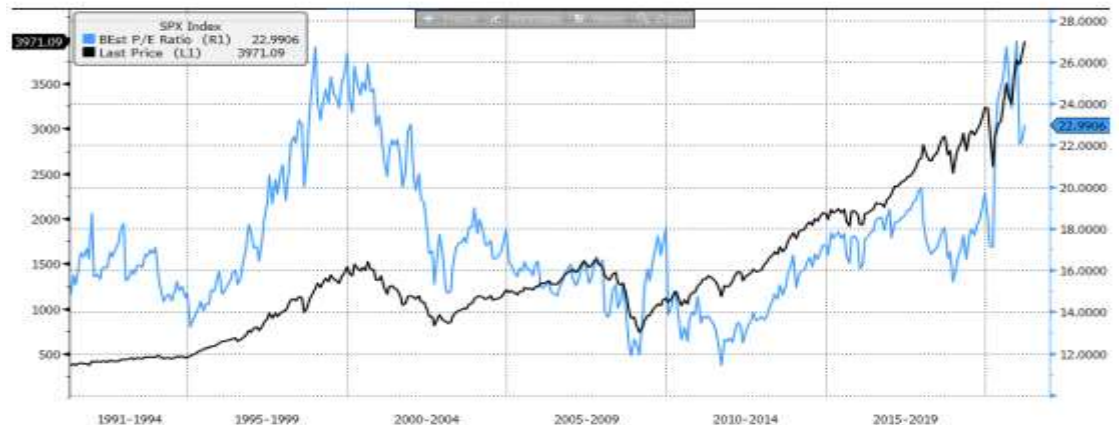
- Multi trillion-dollar spending packages will need to be funded.
- Made in America Tax Plan currently targeted at corporations.
- Initial proposal to increase the Corporate Tax Rate to 28 percent.
- Markets are certainly not trading at trough multiples.

Exhibit 1: S&P 500 Effective Tax Rate (%)



Source: Bloomberg, Jefferies

SPX P/E vs. SPX

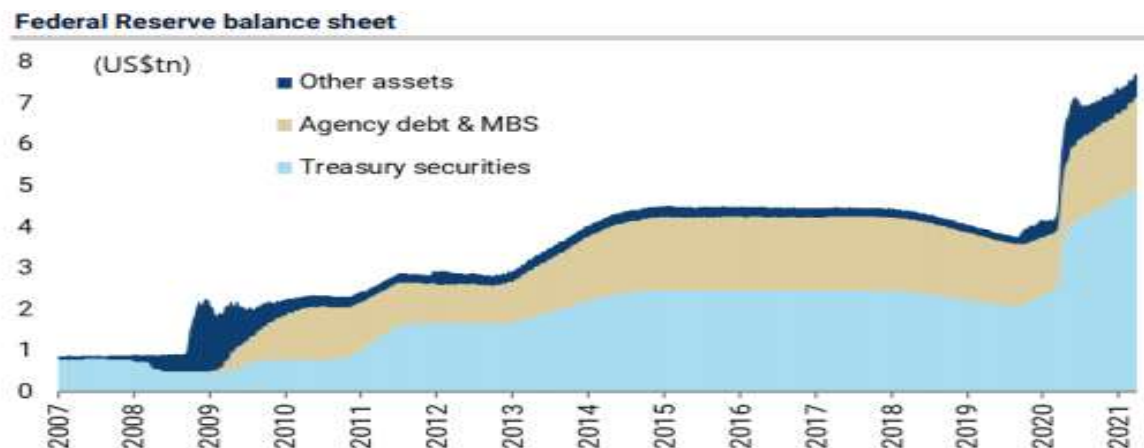


Source: Federal Reserve

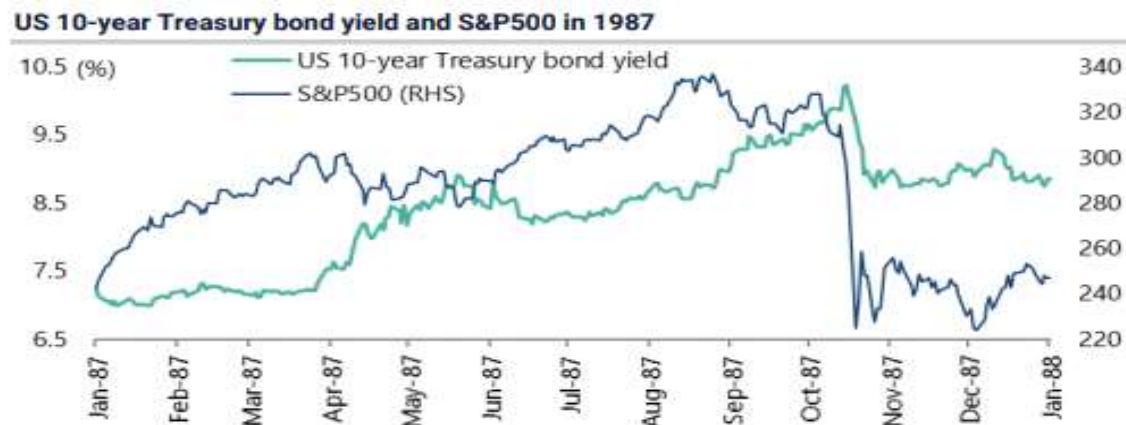
Positioning Considerations: Policy Misstep/Taper Tantrum



- The new government debt burden in 2020 amounted to US\$4.2 trillion in America which was equivalent to a US\$12,481 increase in debt per capita (does not include December or recent stimulus announcements).
- How does the Federal Reserve respond to the cyclical recovery and associated rising inflation expectations?
- Central Bank balance sheets have significantly expanded over the past several years.
- Risk of Bond Vigilantes front running the Federal Reserve.



Source: Federal Reserve



Source: Bloomberg

- | | |
|----|----------------------------|
| 01 | Positioning Considerations |
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US Stimulus Overview



American Rescue Plan (\$US1.9tr)

- Third round of Economic Impact Payments - \$US1,400
- Child Tax Credit increased with payments starting in July
- Various small business employee retention credits

YETI



TEMPUR+SEALY



XPOLogistics

BED BATH &
BEYOND



US Stimulus Overview



American Jobs Plan (>\$US2tr)

- Focused on job creation and infrastructure
- Revitalize manufacturing, secure U.S. supply chains, invest in R&D, and train Americans for the jobs of the future
- Create jobs electrifying vehicles along with clean energy

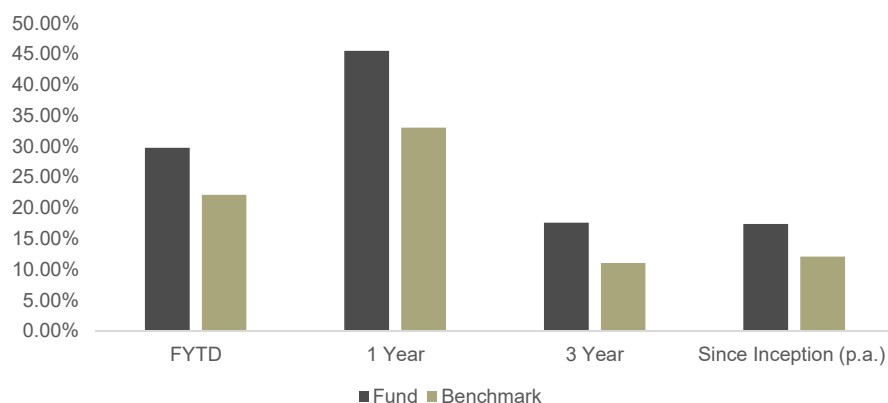


01	Positioning Considerations
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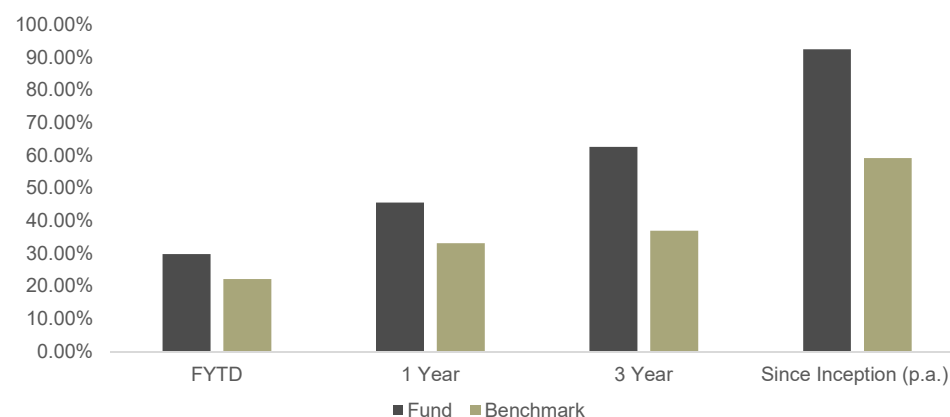
Ellerston Global Mid Small Cap Fund Performance



Annualized Performance



Cumulative Performance

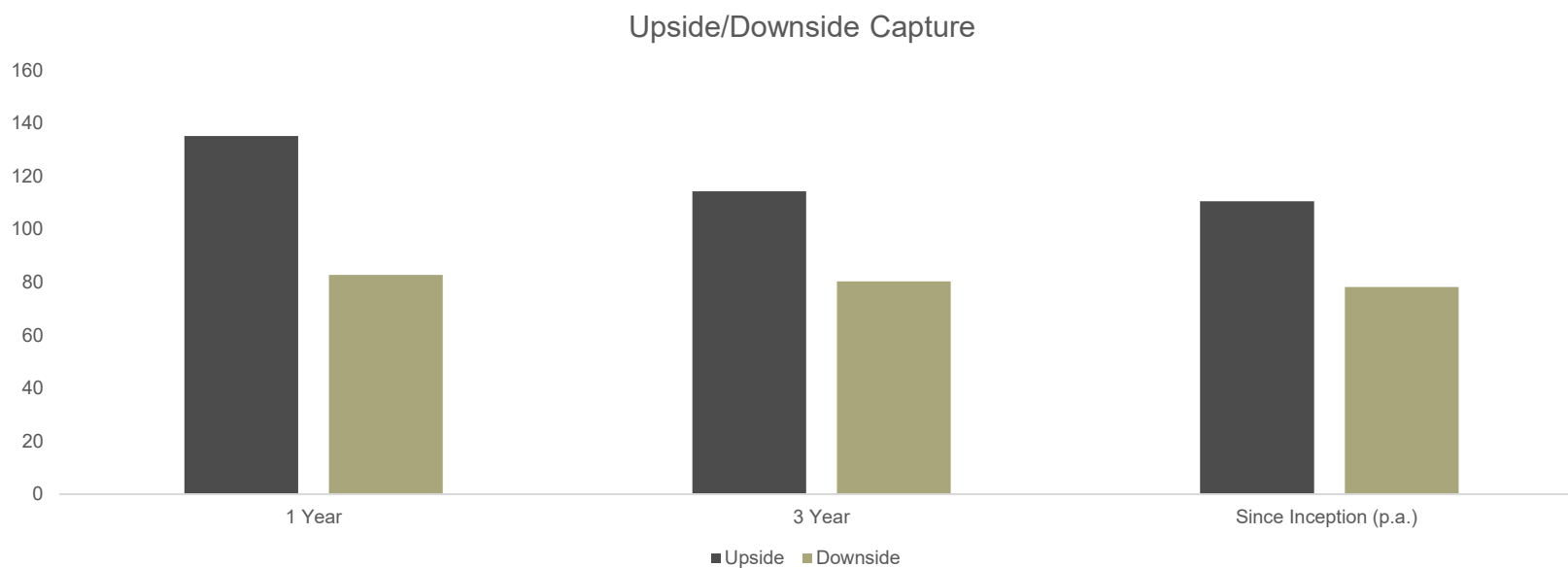


Performance*	FYTD	1 Year	3 Years (p.a.)	Since Inception (p.a.)
Net	29.72%	45.52%	17.57%	17.38%
Benchmark**	22.10%	33.04%	11.04%	12.04%
Alpha	7.62%	12.48%	6.53%	5.34%

Performance*	FYTD	1 Year	3 Years	Since Inception
Net	29.72%	45.52%	62.52%	92.42%
Benchmark**	22.10%	33.04%	36.90%	59.08%
Alpha	7.62%	12.48%	25.62%	33.34%

Source: Ellerston Capital as at 31 March 2021 *Class A **MSCI World Mid Cap Index (AUD) Past performance is not a reliable indication of future performance.

Ellerston Global Mid Small Cap Fund- Upside/Downside Capture



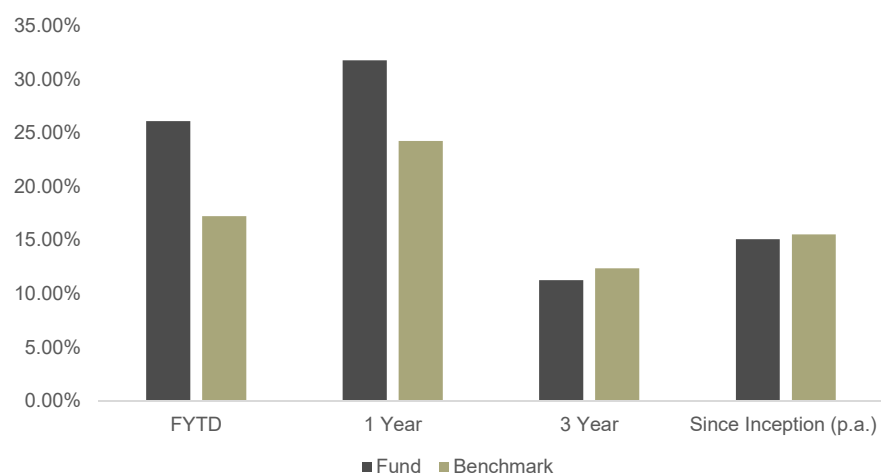
Global Mid Small Cap Fund*	1 Year	3 Years (p.a)	Since Inception (p.a.)
Upside Capture	135.18%	114.23%	110.55%
Downside Capture	82.73%	80.26%	78.22%

Source: Ellerston Capital as at 31 March 2021 *Class A

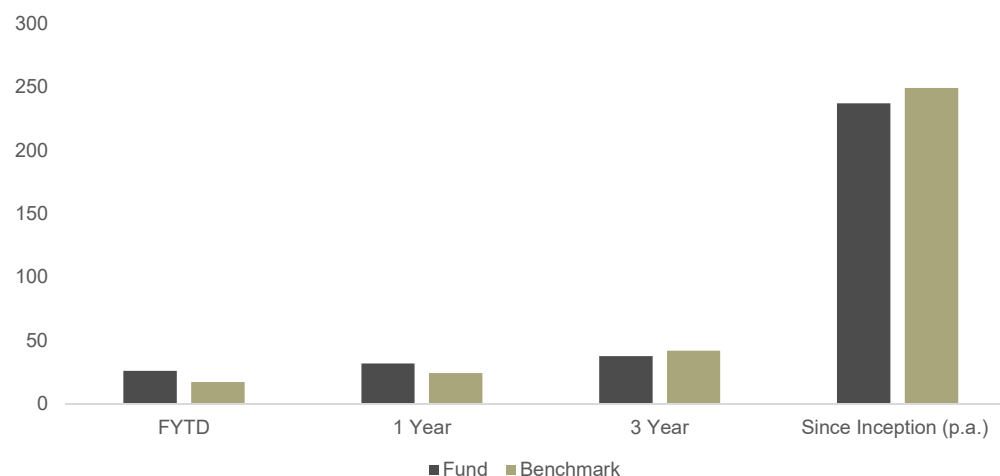
Morphic Global Opportunities Fund Performance



Annualized Performance



Cumulative Performance



Performance	FYTD	1 Year	3 Years (p.a.)	Since Inception (p.a.)
Net	26.07%	31.74%	11.24%	15.06%
Benchmark*	17.22%	24.23%	12.34%	15.51%
Alpha	8.85%	7.51%	-1.10%	-0.45%

Performance	FYTD	1 Year	3 Years	Since Inception
Net	26.07%	31.74%	37.60%	236.94%
Benchmark*	17.22%	24.23%	41.77%	248.99%
Alpha	8.85%	7.51%	-4.17%	-12.05%

Source: Ellerstion Capital as at 31 March 2021 *MSCI All Countries World Daily Total Return Net Index Past performance is not a reliable indication of future performance.

Morphic Ethical Equities (MEC:ASX)



- For MEC shareholders on this webinar, please note the MEC portfolio mirrors the Morpheic Global Opportunities Fund portfolio and performance has been similar.
- In light of the Fund's recent performance, we started providing you with the profit reserve on a monthly basis.
- As at the end of March 2021, the **Fund's profit reserve** was;

27.1 cents per share.

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Q&A

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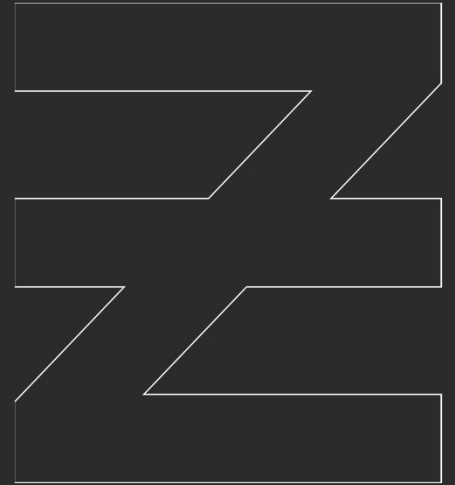
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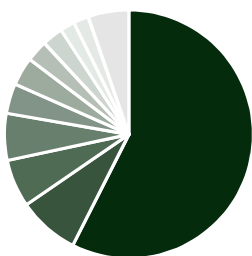


Appendix

Ellerston Global Mid Small Cap Fund Overview

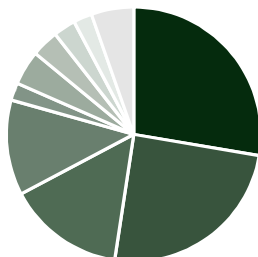


Geographic Allocation



- United States, 57.5%
- France, 8.0%
- Japan, 6.2%
- Hong Kong, 6.1%
- United Kingdom, 3.9%
- Netherlands, 3.7%
- Spain, 2.8%
- Germany, 2.7%
- Sweden, 1.9%
- Switzerland, 2.0%
- Cash, 5.3%

Sector Allocation



- Industrials, 27.2%
- Information technology, 24.3%
- Consumer discretionary, 14.6%
- Financials, 11.9%
- Consumer staples, 2.2%
- Health care, 4.3%
- Materials, 3.4%
- Communication services, 2.8%
- Real estate, 2.3%
- Cash, 5.3%

Top 10 Holdings

Portfolio Weight

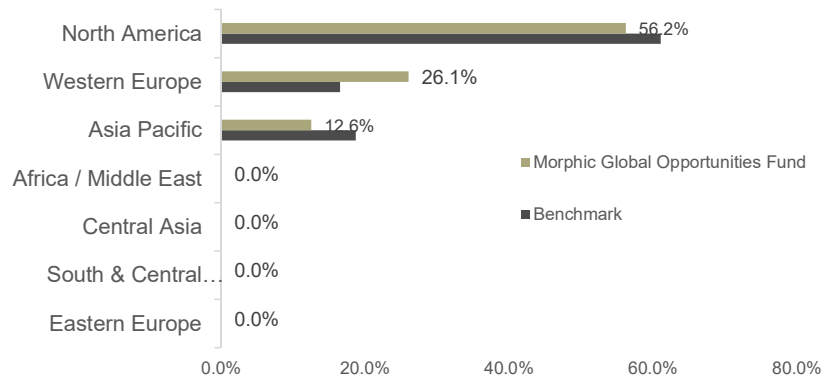
ptc	5.5%
flex	5.0%
option care	4.3%
SEB	4.2%
Anritsu envision: ensure	4.1%
tti	3.9%
SEB	3.8%
Sensata Technologies	3.8%
ASSURANT	3.6%
Rentokil Initial	3.30%

Source: Ellerston Capital, as at 31 March, 2021

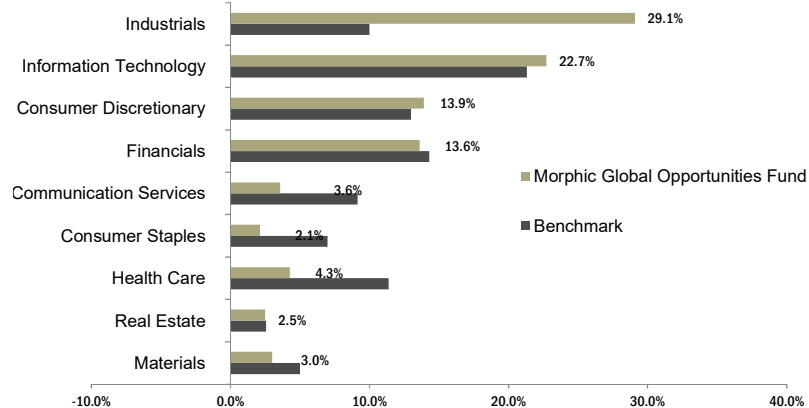
Morphic Global Opportunities Fund Overview



Geographic Allocation



Sector Allocation



Source: Ellerston Capital, as at 31 March 2021

Top 10 Holdings

Portfolio Weight

ptc	5.4%
KBR	4.8%
flex	4.7%
tti	4.03%
option care	4.3%
Anritsu envision : ensure	4.1%
SEB	4.0%
Comerica	4.0%
Sensata Technologies	3.8%
Webster Bank	3.7%