A proud founder of: Climate Action 100+

Signatory of: PRI Principles for Responsible Investment

Morphic Global Opportunities Fund

Monthly Report

March 2021

Fund Objective

The Fund seeks long term capital growth by investing in global shares and excluding direct investments in entities involved in environmental destruction, intensive animal farming, tobacco, alcohol, armaments and gambling. The Fund aims to have exposures in companies that are cheap, of high quality and where momentum supports the investment thesis. The Fund can also hedge to manage risk.

Investment returns*

	1 Month	3 Months	CYTD	1 Year	3 Years (p.a.)	ITD (p.a.)
Morphic Global Opportunities Fund	2.67%	13.61%	13.61%	31.74%	11.24%	15.06%
Index[1]	4.36%	5.94%	5.94%	24.23%	12.34%	15.51%

* Past Performance is not an indication of future performance.

Ethical Investing in Focus

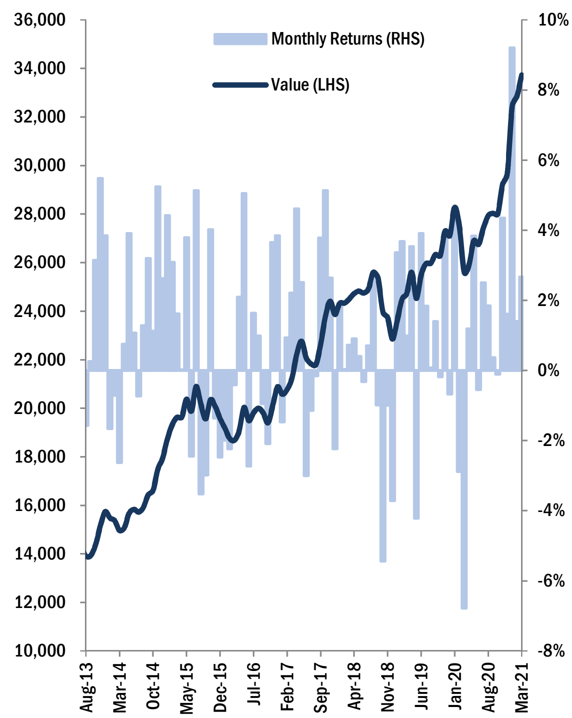
Supply chains are complex and challenging to assess. This is an ongoing ESG issue that investors and corporates are focused on to ensure that values of the company are aligned for all stakeholders. The recent move by the EU, US, UK and Canada to impose sanctions on Chinese officials for alleged human rights abuses in Xinjiang China has lead multinationals, including H&M and Nike, to reassess their supply chains, specifically relating to cotton sourced from Xinjiang. The Better Cotton Initiative (BCI), a global not-for-profit organisation and the leader in the largest cotton sustainability programme in the world announced in 2020 that it would no longer source cotton from Xinjiang on the basis of concerns over forced labour.

Supply Chain management is an increasing business risk and opportunity for corporates. A transparent, measurable and systemised approach to supply chain management helps to align a company's approach to ESG beyond their employers and local environment, including to those who are working within the supply chains in which they operate. All industries and services sector companies need to ensure business continuity and manage risks associated with their portfolios of suppliers which can be spread across many different geographies. In our portfolio some of our companies either facilitate active supply chain management, provide diverse supply chain footprints or take an active role in identifying and eliminating sourcing from high risk regions.

Portfolio Review

Despite COVID-19 cases rising in parts of the US and Europe, Global equities turned in another solid month during March as accelerated vaccine roll outs, further US fiscal stimulus announcements and continued dovish remarks from the US Federal Reserve fuelled risk appetites. The Biden Administration passed the much anticipated $1.9tr "American Rescue Plan Act" which will see a further USD$1,400 to be deposited into eligible individual bank accounts over the coming weeks. Additionally, President Biden unveiled the first phase of the Democrats' Infrastructure package dubbed "The American Jobs Plan" with USD>$2tr aimed at building world class transportation infrastructure, ensuring access for all to clean drinking water and broadband while investing in R&D, manufacturing and small business initiatives to name a few. This stimulus, coupled with easy Monetary policy and consumer balance sheets which, on aggregate, have never been in better shape provides an unprecedented backdrop to a potentially strong economic cycle which has not been experienced for some time. With the caveat of continued vaccine progress, the cyclical rebound could surprise to the upside as pent-up demand from consumers and governments seem concurrent. The key bogey here continues to be inflation as we continue to hear of tightness in supply chains and rising input costs which will need to be passed through to the end consumer. Right now, the market expects the inflationary impact to be transitory and while we have no edge on this, the question will be how the market reacts when we see upside surprises to inflation prints over the coming months.

Performance of AUD $10,000



Key Facts[2, 3]	
Launch Date	August 2nd, 2012
Minimum Initial Investment	AUD 10,000
Pricing and Liquidity	Daily
Distributions	January and July
Management Fee[4]	1.05% p.a.
Performance Fee[5]	15%
Entry and Exit Fees	Zero
Buy/Sell Spread	0.25% on application/0.25% on redemption
Unit Price	$ 1.594913

The Morphic Global Opportunities Fund increased 2.67% net during the month with positive equity performance augmented by a weaker Aussie dollar. The MSCI World All Countries Index (AUD) Index increased by 4.36% over the same period. The portfolio's top three contributors Kion Group, Tempur Sealy, and Techtronics added 135bps to performance while LivePerson, LiveRamp and Option Care Health detracted 125bps. The Fund had nine portfolio companies reporting quarterly results or trading updates in March and we highlight a couple here:

Kion Group is the #1 player globally in providing automated supply chain solutions with its Dematic business and #2 player globally in forklift trucks and warehousing equipment with brands such as Linde and Still. Kion delivered solid full year results in early March while providing an upside surprise in relation to its Supply Chain Solutions (SCS) business. SCS's order book is being driven by e-commerce trends with automation and robotics likely the key drivers going forward. Forklifts are expected to rebound after a very tough year in 2020 as customers resume capital equipment spending following a freeze during the pandemic. After a strong run since our purchase in June 2020, we see the stock now approaching fair value and will look to trim on further strength.

Option Care Health reported results slightly ahead of its pre-announced earnings with Q4 revenue up 11.6% and EBITDA increasing just under 30%. The quarterly results took full year revenue to just over USD$3bn with EBITDA coming in at USD$221.7m. Management provided solid guidance for the upcoming year with high single digit revenues expected to drive mid-teens earnings growth. As the largest independent provider of in-home infusion services with double digit earnings growth for the foreseeable future trading at a substantial discount to intrinsic value, we continue to hold the stock as one of our larger positions.

STOCK IN FOCUS: PVH Corp (PVH US, $7.4b Market Cap)

PVH owns two of the world's strongest apparel brands in Tommy Hilfiger and Calvin Klein with pre-pandemic sales close to USD$10bn. In terms of gross retail sales before the pandemic hit, Calvin Klein generated USD$9.4bn while Tommy delivered an additional USD$9.2bn for a total of USD$18.6bn. PVH owns other brands included in its Heritage division such as Van Heusen and IZOD, however, Management is looking to rationalise this division through corporate restructure to focus on its two leading horses:

As part of its succession plan PVH announced in mid 2019 that Stefan Larsson was appointed to the newly created role of President with the responsibility for managing PVH's branded businesses and regions, with each of the three brand CEOs and the Regional Presidents reporting to him. Mr. Larsson was most recently Chief Executive Officer of Ralph Lauren Corp., where he successfully refocused the company on improved perfomance and future growth. Consequently in February 2021, PVH announced that Mr.Larsson had formally become its new CEO with outgoing CEO, Manny Chirico staying on as Chairman of the Group. We consider the combination will focus on building on its core brand strengths while minmising distraction from underperforming categories.

PVH is also very focused on optimising its supply chain with a focus on sustainability, stating in its Annual Report: We maintained our commitment to sustainability and circularity by seeking to reduce waste and pollution, as we recognize that our business has a direct impact on the environment and communities where we operate. Its words have been matched by actions with PVH named as one of the two leading companies by Platform Living Wage Financials for its efforts to advance living wage payments for supply chain workers.
The global pandemic had a disastrous effect on sales last year as many of its own retail stores and wholesale partners were closed (with some remaining so today) over the period. Like many companies with strong brands it was able to leverage digital sales which increased 40% and now represent about a quarter of the Group.

While visibility is still limited and some stores are currently closed in Europe, Management expects its international business to exceed 2019 pre-pandemic levels within the first half of this year. North America will remain challenged as international tourism will take time to recover however when combining both positives and negatives, it sees revenues growing 22%-24% this year with EPS improving to about $6.00 per share compared to a loss of close to $2.00 last year.

We expect PVH to get back to its earnings trend in the next 12-18 months and deliver close to $10.00 per share in EPS. This would place the business on a prospective PE of around 10x which compares well with its historical multiple which has been consistently around 14x. CEO Stefan Larsson will also be hosting an Investor Day in the coming months which will focus on the long-term plan for growth and potentially provide a further catalyst for the shares.

Top 10 Active Positions

Stocks (*Shorts*)	Industry	Region	Position Weighting
PTC	Information Technology	North America	5.4%
Bureau Veritas	Industrials	Europe	4.8%
Flex	Information Technology	North America	4.7%
Techtronic Industries	Industrials	Asia Pacific	4.3%
Option Care Health	Health Care	North America	4.3%
Anritsu	Information Technology	Asia Pacific	4.1%
SEB	Consumer Discretionary	Europe	4.0%
Comerica	Financials	North America	4.0%
Sensata	Industrials	North America	3.8%
Webster	Financials	North America	3.7%

Risk Measures	
Net Exposure[6]	92.15%
Gross Exposure[7]	97.58%
VAR[8]	2.28%
Best Month	9.20%
Worst Month	-6.78%
Average Gain in Up Months	2.72%
Average Loss in Down Months	-1.63%
Annual Volatility	9.75%
Index Volatility	10.17%

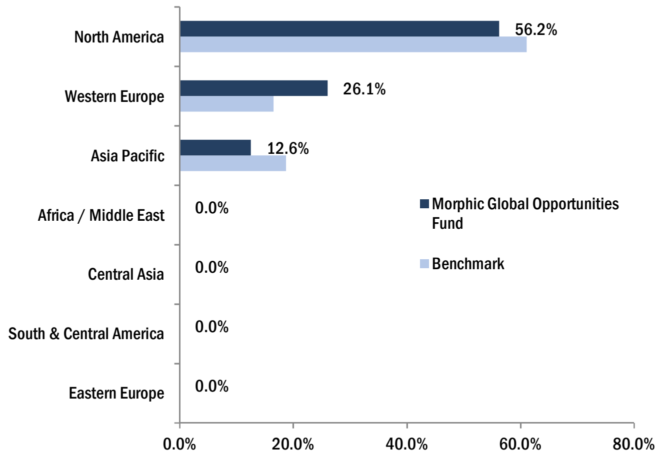
Top three alpha contributors[9] (bps)

Tempur Sealy	39 bps
Techtronic	37 bps
Assurant	34 bps

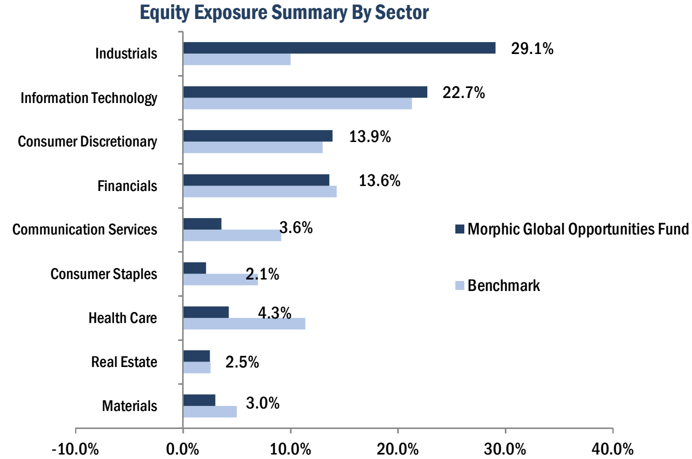
Top three alpha detractors[9] (bps)

New Oriental	-87 bps
LivePerson	-64 bps
Option Care Health	-48 bps

Equity Exposure Summary By Region



Equity Exposure Summary By Sector



1 The Index is the MSCI All Countries World Daily Total Return Net Index (Bloomberg code NDUEACWF) in AUD; 2 ISIN AU60PER06735, APIR PER0673AU; 3 All fees shown are inclusive of GST; 4 The Manager may also recoup a maximum of 0.27% in expenses related to operating the Fund; 5 The Performance Fee is payable semi-annually in respect of the Fund's out-performance of the Index. Performance Fees are only payable when the Fund achieves positive absolute performance and is subject to a high water mark; 6 Includes Equities and Commodities - longs and shorts are netted; 7 Includes Equities, Commodities and 10 year equivalent Credit and Bonds - longs and shorts are not netted; 8 VAR is Value at Risk based upon the 95th percentile with a 1 day holding period using a 1 year look back; 9 Attribution; relative returns against the Index excluding the effect of hedges.