

Morphic Ethical Equities Fund Limited
Appendix 4E Preliminary Final Report
For the year ended 30 September 2021

Details of Reporting Period

Current: Year ended 30 September 2021

Previous: Year ended 30 September 2020

Results for announcement to the market

	\$	movement (up/down)	% movement
Revenue from ordinary activities	21,778,722	up	273%
Profit from ordinary activities before tax attributable to members	19,839,781	up	467%
Profit from ordinary activities after tax attributable to members	13,937,960	up	473%

Dividend information

	Cents per share	Franked amount per share	Tax rate for franking
2021 Final dividend (cents per share)	3.0	3.0	30.0%
2021 Interim dividend (cents per share)	2.5	2.5	30.0%
2020 Final dividend (cents per share)	1.5	1.5	30.0%
2020 Interim dividend (cents per share)	1.0	1.0	27.5%

Final dividend dates

Ex-dividend date	29 November 2021
Record date	30 November 2021
Announcement of DRP issue price	6 December 2021
Last election date for the Dividend Reinvestment Plan (DRP)	8 December 2021
Payment date	15 December 2021
Date for issue of shares under DRP	15 December 2021

Net tangible assets

	30 September 2021	30 September 2020
Net Tangible Assets (per share) before tax	1.5040	1.1872
Net Tangible Assets (per share) after tax	1.3791	1.1563

Dividend Reinvestment Plan (DRP)

The DRP is in operation and the recommended fully franked final dividend of 3.0 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the issue price. The relevant issue price will be the volume weighted average price (VWAP) of shares sold on the ASX (on an ex-dividend basis) five days from the ex-dividend date inclusive of the ex-dividend date.

Morphic Ethical Equities Fund Limited
Appendix 4E Preliminary Final Report (continued)
For the year ended 30 September 2021

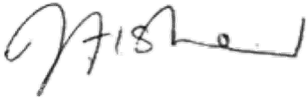
Audit

This report is based on the financial report which has been audited. All the documents comprise the information required by Listing Rule 4.3A.

Annual General Meeting (AGM)

The AGM is to be held on 3 December 2021.

Signed on behalf of Morphic Ethical Equities Fund Limited

A handwritten signature in black ink, appearing to read 'JoAnna Fisher', written in a cursive style.

JoAnna Fisher
Chairman

Sydney
2 November 2021

Morphic Ethical Equities Fund Limited

ASX: MEC

ABN 52 617 345 123

Annual report

For the year ended 30 September 2021

Morphic Ethical Equities Fund Limited
ASX: MEC
ABN 52 617 345 123
Annual report
For the year ended 30 September 2021

Contents	Page
Chairman's Letter to Shareholders	2
Investment Managers' Report	4
Directors' Report	8
Auditor's Independence Declaration	14
Statement of Profit or Loss and Other Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19
Directors' Declaration	34
Independent Audit Report to the Members	35
Shareholder Information	40
Corporate Directory	41

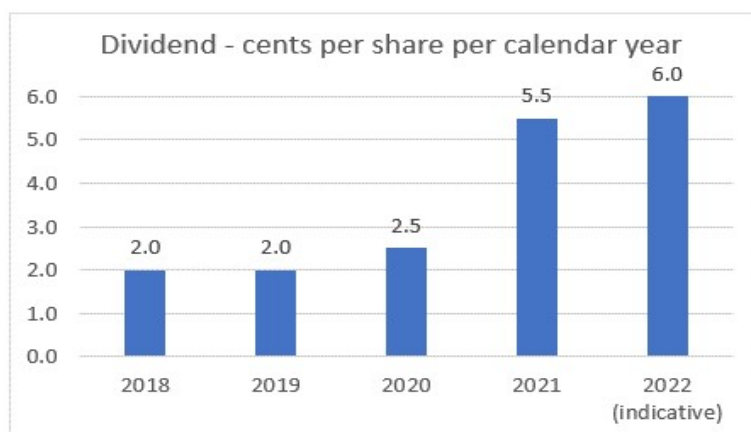
Chairman's Letter to Shareholders

Dear fellow shareholder,

I am pleased to share the Company's annual results, which is for our fourth full year since our Australian Securities Exchange listing on May 2nd, 2017, and covers the period from October 1st, 2020 to our financial year end of September 30th, 2021. MEC delivered strong portfolio performance and a record annual total shareholder return since inception.

On behalf of the Board of Directors, I again thank all shareholders for their support of the Company and welcome shareholders who have joined us over the last year.

I am very pleased to announce that the Board has declared a fully franked final dividend of 3 cents per share taking total fully franked FY21 dividends to 5.5cps, a substantial increase on last year. Since inception in May 2017, MEC has declared 12 cents per share in fully franked dividends.



The record date for the final dividend for the 2020/21 year will be 30 November 2021 and the payment date will be 15 December 2021.

Our long-term ability to pay dividends will always be dependent on having distributable profits, but our intention, subject to market conditions, is to slowly raise the dividend per share over time, while retaining some profits to make payments in future years. As at 30 September 2021, the Company's profit reserve was 38.6 cents per share, before the payment of the fully franked dividend of 3 cents per share. After the payment of the fully franked dividend, the profit reserve balance of 35.6 cents per share represents almost 6 years of dividend coverage at current annualised dividend of 6 cents per share.

Reflecting this strong position, and the board's keen understanding of the desire of many shareholders for regular income, the Company now plans to move to quarterly dividends with payments commencing from the first quarter of 2022. This is expected to initially be at a rate of at least 1.5 cents fully franked per quarter.

The Company continues to advocate for a framework where financial outcomes are achieved while being cognisant of their impact on the world around us. We provide shareholders with the opportunity to benefit from an actively managed portfolio of global securities that have been screened to exclude companies involved in environmentally damaging activities including coal and uranium mining, oil and gas, animal cruelty, tobacco, armaments, alcohol and gambling.

Now more than ever, investors globally are moving capital into socially responsible investments. [The Responsible Investment Benchmark Report Australia 2021](#) shows the Australian responsible investment market continued to soar in popularity to \$1.2 trillion in 2020, with responsible investment assets growing at 15 times the rate that overall Australian professionally managed investments have grown. Globally, responsible investment assets under management reached [USD 35.3 trillion](#) a growth of 15% in two years.

Requirements to integrate Environmental Social and Governance (ESG) considerations into the investment process continue to intensify.

As an early leader in responsible investing, especially in the Listed Investment Company (LIC) category, much thought went into designing the Company's screening rules to ensure that the Fund's shareholders could be confident their investments are managed to maximise returns whilst doing this in an ethical manner. As a result the Company remains certified by the Responsible Investment Association Australasia (RIAA), Morphic Asset Management, the Manager, has been recognised as a [Responsible Investment Leader](#) by RIAA and remains a signatory to PRI and maintains the A+ rating (the highest rating) for all its relevant modules, including Investment Strategy, and Governance from PRI, a rating substantially higher than the bulk of its peers.

COMPANY PERFORMANCE

During the year to September 30th, 2021, the Company achieved a pre-tax operating profit of \$19.8m and a post-tax operating profit of \$13.9m. We consider it is also useful to consider performance for a listed investment Company from the following perspectives:

1. INVESTMENT PERFORMANCE

The Company's investment portfolio performance shows how the Manager has performed before deducting management fees and taxes, as compared to the Company's investment benchmark, the MSCI All Countries World Index.

In its fourth full year of performance, the Board is pleased to announce that the portfolio achieved pre-fee and taxes returns of 34.18% compared to the benchmark which rose 26.99% in gross terms.

COMPANY PERFORMANCE (continued)

2. NTA PERFORMANCE

From a shareholder perspective, it is also useful to consider movements in the Company's NTA per share, which adjusts for the impact of management fees and other Company related expenses.

At September 30th, 2021, MEC's pre-tax NTA was \$1.5040 and its post-tax NTA was \$1.3791 per share. Please note that these NTA figures are after a total dividend payment of 5.5 cents per share from the NTA over the year.

For reference, at September 30th, 2020, MEC's pre-tax NTA was \$1.1872 and its post-tax NTA was \$1.1563 per share. This compares to the pre-tax NTA of \$1.0623 and post-tax NTA of \$1.0736 at listing.

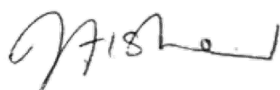
As at September 30th, 2021 MEC's shares closed at \$1.295, a significant increase of almost 32% from the share price at September 30th, 2020 (\$0.985). We are pleased to see that the strong return in the MEC share price over the year has resulted in a considerable reduction in the discount to NTA. The Company's discount to post tax NTA is now amongst the lowest in the globally focused LIC category.

ANNUAL GENERAL MEETING

The Board has been monitoring the continuous impact of the COVID-19 pandemic. Having regard to social distancing requirements and in the interests of the health and safety of our shareholders, directors and staff, we have decided that the Annual General Meeting will be held as a virtual event. However, we look forward to hopefully meeting many of you in person over the coming year.

The Annual General Meeting will be held at 11.00am on 3 December 2021 virtually. The Directors encourage you to attend the meeting.

Regards,



JOANNA FISHER
Chairman

Investment Managers' Report

Global stocks delivered strong results in the 12 months to September 2021 with the S&P 500 up just over 28%, Euro Stoxx just under 27% and the ASX 200 closing out the period with a 26.1% gain. The portfolio participated well during the year with net performance of 32.73% comparing well with the MSCI All Countries World Index (AUD) which increased 26.45% over the same period for a net alpha contribution of 6.28%.

Governments and central banks globally provided stimulus which cushioned economies from the economic impacts associated with COVID-19, and in many cases provided income transfer payments over and above that which was lost to the pandemic. This has resulted in significant excess savings in consumers' wallets across the globe, which will likely be released as economies now open up.

While 2020 was dominated by the news of how COVID-19 spread across the globe, 2021 has been focused on ending the pandemic through vaccine distribution as governments are now more focused on vaccine rates rather than COVID-19 cases. This blueprint of re-opening is being adopted across the world with the Asia Pacific region now seemingly following the Northern Hemisphere playbook.

With the headlines around COVID-19 now starting to fade (although there is still a risk of resurgence or new varietal) the longer lasting effects will be felt for some time with many businesses permanently changed in terms of go to market strategies from both a customer and operational perspective, we will touch on this further in our outlook section.

As you are likely aware I took over the portfolio in October 2020, a time where there was still great uncertainty/anxiety around the likely economic and societal impact of the pandemic. While markets had rallied strongly off the March 2020 lows, they were still below pre-pandemic levels as work from home/stay at home businesses flourished while most others were viewed to be floundering.

Despite bouncing off the lows, headline economic activity was still well below pre-pandemic levels however our micro conversations with companies in our portfolio were indicating much improved real time operating conditions (especially in Europe) as the stimulus was working through the system. At the time we had very little cyclical or European exposure, no financial exposure and the US 10yr yield was below 80bps.

We took this opportunity to add cyclical and financials to the portfolio which was fortunately followed shortly by Pfizer's announcement in early November 2020 that it had developed a vaccine candidate that was found to be >90% effective in preventing COVID-19. This resulted in a sharp and sudden asset reallocation in the equity markets towards cyclical and financials at the expense of the work/stay at home beneficiaries.

The largest contributor over the year was Tempur Sealy which is one of the world's largest bedding retailers and manufacturers. It has over 30% market share of the \$20bn North American bedding market however single digit share in the larger international market – we will come to that later.

In September/October last year it was being priced as if no one was ever going to buy a bed again and this created a great opportunity to invest in a great franchise. It ended up delivering >18% revenue growth in 2020 and has guided to over 35% revenue growth this year with EBITDA up close to 40%. More importantly it expects double digit growth going forward as it expands in the UK with its recent acquisition of "Dreams" (UK's largest bedding player) and embarks on a strategy in addressing \$15bn of incremental market opportunities internationally. Trading on a low double-digit earnings multiple with further growth options ahead, it remains a large position in the portfolio.

Option Care Health represented the next largest contributor to the year and as the largest independent home infusion player in the US, we see strong earnings upside over the next several years as patients prefer to be treated at home rather than in a hospital environment. It is really a win/win as home infusion significantly reduces treatment costs covered by healthcare insurance companies while patients have less risk of infections, with the added benefit of getting treatments when convenient. Similar to Tempur Sealy, we see strong upside ahead and continue to hold it as a sizeable position for our investors.

As a group, the US regional banks we invested in last year have delivered strong capital outcomes as a rising yield environment, significant reserve releases associated with strong credit trends and entry level multiples similar to their dividend yields provided very attractive entry points. The key going forward will be loan growth and this will be required for continued capital appreciation. Our largest regional bank remains Webster Financial which is merging with Sterling Bancorp during the final quarter of 2021. The combination should deliver strong earnings appreciation and significant excess capital which will be returned to us as shareholders.

Detractors were pretty well contained last year with the largest impact being from the appreciating Australian dollar as the portfolio remains unhedged.

OUTLOOK

Following up on a year like last year will be difficult, especially when considering the massive monetary injections will likely be wound back, there are significant supply chain imbalances impacting both production and logistics costs/delivery times, inflationary impacts continue to feed through the system (commodities, energy and labour) and Chinese risks seem to be mounting.

For these reasons it is paramount to have an active global investment strategy with exposure to megatrends providing secular growth.

The risks outlined above (outside of geopolitical) are generally being driven by demand far outpacing the ability to supply. This will underpin a strong inventory replenishment and capex cycle, especially when considering companies will likely move from a "Just in Time" inventory model to "Just in Case".

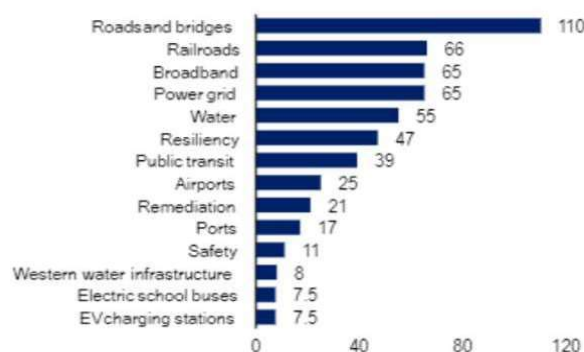
When you couple this with further fiscal stimulus associated with President Biden's \$1.2tr Infrastructure Bill and the \$3.5tr "Build Back Better" plan we could see substantial fiscal support for the next few years. Now we don't consider the full \$3.5tr to get passed, rather likely closer to \$2tr, and not without the usual haggling and last-minute deadlines we are used to in US politics.

Once completed, the packages will be aimed at physical infrastructure of roads, rail and energy as well as human infrastructure as the establishment focuses on healthcare, education and clean energy mandates:

OUTLOOK (continued)

A breakdown of the new spending in the bipartisan infrastructure bill

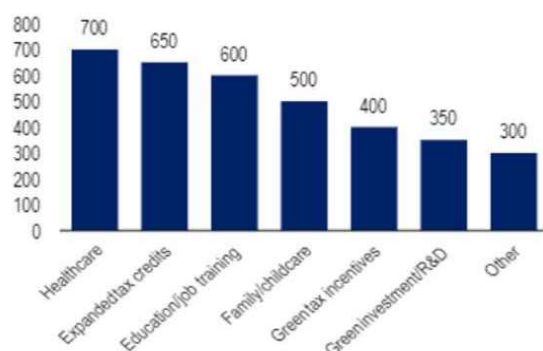
Around \$550bn of the \$1.2tn of the spending will be new with much of the new funding going to traditional infrastructure



Source: BofA Global Research

A rough allocation of the \$3.5tn spending package (\$bn)

Majority of the spending in the reconciliation will be focused on "human infrastructure"



Source: BofA Global Research

We own a number of businesses which will benefit from this spend. To name a few, WillScot Mobile Mini has close to 45% share of the North American modular office market and growing double digit even without the stimulus, the regional banks which primarily lend to commercial and industrial customers and finally Bureau Veritas which will test, inspect and certify all the activity.

As we mentioned earlier, many post pandemic business models have changed permanently. The global pandemic has brought forward the digital strategies of many companies by several years, and those that don't will surely fall behind.

As Microsoft CEO Satya Nadella aptly put it:

"What we are witnessing is the dawn of a second wave of digital transformation sweeping every company and every industry. Digital capability is key to both resilience and growth. It's no longer enough to just adopt technology. Businesses need to build their own technology to compete and grow. The next decade of economic performance for every business will be defined by the speed of their digital transformation"

We maintain significant exposure to those companies enabling 5G, data growth and Industry 4.0. These companies provide physical infrastructure or capabilities that most companies globally rely on for their digital strategies.

OUTLOOK (continued)

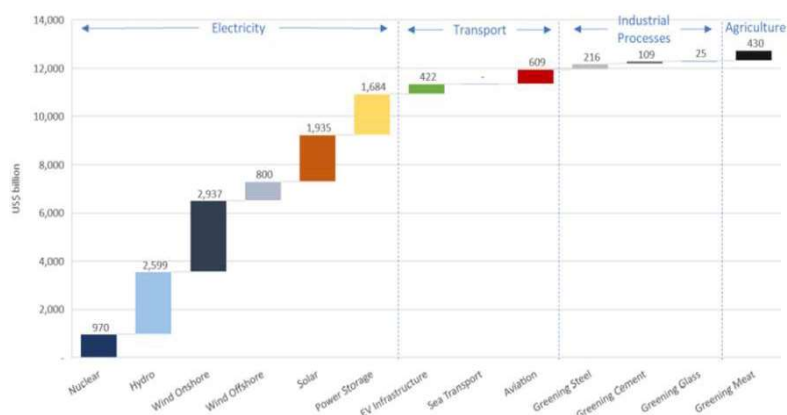
When you look at this data generation chart from AMD, you can see why we are so bullish on this trend, which has several years to run as growth will be no longer constrained by human activity:



The last (but certainly not least) megatrend we will discuss is the move to Net Zero Carbon by 2050 which has support from pretty much every government, business and consumer body globally. We are falling behind the Paris Agreement objective which is aiming to hold world temperature increases at 1.5 degrees above pre-industrial levels and with COP26 coming up in November 2021 we will likely see more urgency around implementation.

The only way we can get there is with electrification and renewables, however to fully decarbonise our society the spend is estimated at \$50tr+ over the coming decades with significant buildouts in wind, solar, electric vehicle infrastructure and hydrogen capabilities required.

Incremental infrastructure spending of decarbonization by sectors, 2020-2030



Source: Jefferies

This thematic represents at least a decade long investing opportunity and we look to benefit from exposure in companies such as Flex which owns the largest solar tracking business globally, Sensata which provides mission critical sensors in electric vehicles and charging stations and Chart Industries which is the world's leading provider of production, storage and transportation solutions for hydrogen.

It is this nexus of interesting stock stories, coupled with improving ESG focus, that the portfolio continues to seek out globally and where we continue to believe that ethical investing can be rewarding for both the investor and the world as our companies generally "do good".

As always in investing there are risks and opportunities, we try to be cognizant of both in our investing decisions in growing your capital with a firm eye on capital preservation.

There are many unknowns in the world however the one constant is our appreciation of our shareholders and continued support. We look forward to hopefully meeting many of you in person over the coming year now that the world is beginning to "normalise".

OUTLOOK (continued)

Portfolio Composition

Investment Portfolio at 30 September 2021

EQUITIES	FAIR VALUE
	(\$)
Webster Financial Corporation	4,169,223
Sensata Technology Holding	4,104,739
Tempur Sealy International	3,800,949
WillScot Mobile Mini Holdings	3,728,148
XPO Logistics	3,587,077
Flex Intl Ltd	3,548,972
PVH Corp	3,264,918
Bureau Veritas SA	2,961,207
Anritsu Corp	2,858,695
PTC INC	2,852,340
Option Care Health Inc	2,841,008
Travis Perkins PLC	2,578,729
Ciena Corporation	2,495,879
GXO Logistics Inc	2,482,368
AZEK CO INC	2,402,125
Comerica Inc	2,395,999
DigitalBridge Group	2,339,124
TKH Group NV	2,274,149
KION Group AG	2,023,835
Advantest Corp	2,016,050
Rentokil Initial Plc	1,985,135
LivePerson Inc	1,909,642
Keysight Technologies Inc	1,859,080
Liveramp Holdings Inc	1,856,900
BankUnited Inc	1,742,621
Assurant Inc	1,550,530
Bed Bath & Beyond Inc	1,276,894
Cellnex Telecom SAU	1,070,567
CORBION NV	954,085
Chart Industries INC	439,180
	73,370,168
FX Futures and Forward Currency Contracts	311,298
Total Portfolio	73,681,466

Directors' Report

The Directors present their Report together with the Financial Report of Morphic Ethical Equities Fund Limited ("Company") for the year ended 30 September 2021.

Information on directors

The following persons were directors of the Company from registration date and up to the date of this report (unless otherwise indicated):

JoAnna Fisher

Independent Chairman

Experience and Expertise

JoAnna has a long-standing and international career in the financial sector in investment management, wholesale banking and capital markets. Her more than 20 years of experience encompasses business performance improvement, governance, compliance and risk management.

JoAnna spent 12 years at Bankers Trust Corporation in the USA, Japan, the UK and Australia, managing funds and developing the institutional funds management businesses. She is also a former General Manager - Strategy and Marketing for the Commonwealth Bank. JoAnna is a graduate of the Australian Institute of Company Directors and holds a Bachelor of Arts (Asian Studies) and a Bachelor of Economics from The Australian National University.

JoAnna is a member of the Investment Committee of the Australian Catholic Superannuation and Retirement Fund. She is also a trustee of the Australian Chamber Orchestra (ACO), the Chairman of the ACO Instrument Fund and a member of the ACO Finance, Audit and Risk Committee.

Other Current Directorships

JoAnna is not currently serving a directorship for any other listed companies.

Former directorships in the last 3 years

Mainstream Group Holdings Limited.

Special responsibilities

Chairman of the Board and member of the Audit & Risk Committee.

Interests in shares

Details of JoAnna's interests in shares of the Company are included later in this report.

Interest in contracts

JoAnna has no interests in contracts of the Company.

Jack Lowenstein

Non-Independent Director

Experience and Expertise

Jack had careers in corporate finance and as an international financial journalist and has been involved in the research and investment of global equities and other Securities for more than 30 years. Jack has a BA and a MA from Oxford University and in 2009 he completed the three year part time Owner/President Management Course at Harvard Business School.

He was the founding Managing Director and Joint Chief Investment Officer of Morphic Asset Management until 2020. Prior to that he was the Deputy Chief Investment Officer at Hunter Hall, responsible for risk management and portfolio construction. He joined Hunter Hall when it had just \$13m under management in 1997 and played a key role in building it to a peak of just under \$3 billion in FUM. In his ten years as a Portfolio Manager with Hunter Hall he generated substantial out-performance.

Other Current Directorships

Morphic Asset Management Pty Ltd.
Fiji Kava Limited.
Tissue Repair Limited.

Former directorships in the last 3 years

Nil.

Special responsibilities

Nil.

Interests in shares and options

Details of Jack's interests in shares of the Company are included later in this report.

Interest in contracts

Jack has no interests in contracts of the Company.

Mark Forstmann

Independent Director

Experience and Expertise

Mark has 28 years' experience in investment markets including equities, currencies and fixed interest. His career spans investment markets and film and television production. He holds a B.Sc. from Sydney University, a Graduate Diploma from AFTRS, and has studied B.A.Communications at University of Technology Sydney.

Mark worked at BankAmerica in Sydney, Banque Indosuez in both Sydney and Paris. He was also a director at Hunter Hall International for 15 years. He was a fund manager at Future Super and Grosvenor Pirie from 2016 to 2019.

Mark served on the Board of the Nature Conservation Trust of NSW between December 2009 and May 2015.

Other Current Directorships

None.

Former directorships in the last 3 years

Nil.

Special responsibilities

Mark is Chairman of the Audit & Risk Committee.

Interests in shares

Details of Mark's interests in shares of the Company are included later in this report.

Interest in contracts

Mark has no interests in contracts of the Company.

Virginia Malley

Independent Director (Resigned 4 December 2020)

Experience and Expertise

Virginia has worked in the financial services sector for 31 years. Virginia is a Fellow of the Australian Institute of Company Directors and completed the Company Director Course in 2007. She holds a Bachelor of Arts and a Master of Applied Finance from Macquarie University, a Juris Doctor from the University of Technology Sydney, and a Graduate Diploma of Environmental Law and a Master of Law from the University of Sydney. In November 2016, she was recognised with a Faculty Award for excellence and ongoing contribution to the gold standard in governance education by the Australian Institute of Company Directors.

In 1987, she joined Macquarie Bank as a credit analyst and became Chief Risk Officer of the Funds Management Group in 2003. During this period, she developed and implemented risk management frameworks for the domestic and Asian joint venture funds management businesses. Following her executive career at Macquarie, Virginia served as a non-executive director on a number of subsidiary boards including Macquarie Investment Management Limited until 2012.

Other Current Directorships

Virginia is currently a director of iCare and Perpetual Equity Investment Company Limited, and is the Deputy Chair of the Biodiversity Conservation Trust.

Former directorships in the last 3 years

Perpetual Superannuation Limited

Special responsibilities

Chairman of the Audit & Risk Committee until 4 December 2020.

Interests in shares and options

Details of Virginia's interests in shares of the Company while she was a director are included later in this report.

Interest in contracts

Virginia has no interests in contracts of the Company.

Chad Slater

Alternate Director (Resigned 19 October 2020)

Chad Slater was an alternate director to Jack Lowenstein until 19 October 2020. Details of Chad's interests in shares of the Company are included later in this report.

Company Secretary

The following person held the position of Company Secretary at the end of the year:

Ian Kelly

Experience and Expertise

Ian Kelly is the Head of Legal and Compliance for Ellerston Capital Limited and the Company Secretary for Ellerston Asian Investments Limited. He is admitted as a solicitor and barrister in the Supreme Court of NSW and High Court of Australia and is also a Public Notary. Mr Kelly holds a Bachelor of Arts (Political Science and Economics) and Law (Hons), a Graduate Diploma Legal Practice from the College of Law and a Grad Diploma in Notarial Practice.

Attendance at Meetings

Board of Directors Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
JoAnna Fisher	6	6
Jack Lowenstein	6	6
Mark Forstmann	6	6
Virginia Malley (resigned 4 December 2020)	2	2
Chad Slater* (resigned 19 October 2020)	0	0

* As alternate director to Jack Lowenstein, Chad attended meetings in Jack's absence.

Audit & Risk Committee Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
JoAnna Fisher	5	5
Mark Forstmann	5	5
Virginia Malley (resigned 4 December 2020)	1	1

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 year or is likely to in the future.

Review of Operations

Beginning in January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Company's performance.

The Company's investments during the year resulted in operating profit of \$19,839,781 before tax and \$13,937,960 after tax. This reflects the performance of the investment portfolio over the year as outlined below.

Investment Returns	Returns Over the year 1 October 2020 to 30 September 2021		Returns Since Inception (pa) 2 May 2017 to 30 September 2021	
	Gross	Net	Gross	Net
Investment Portfolio	34.18%	32.73%	13.26%	12.09%
MSCI All Countries Total Return Daily Index	26.99%	26.45%	14.11%	13.53%
Outperformance	7.19%	6.28%	(0.85%)	(1.44%)

Gross return is before fees and taxes.

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

Dividends Paid or Recommended

Since the end of the year, the Directors declared a fully franked final dividend of 3.0 cents per share. This with the fully franked interim dividend of 2.5 cents per share paid to shareholders on 29 July 2021 brings the Company's fully franked full year dividend to 5.5 cents per share. The final dividend is to be paid on 15 December 2021.

For reference, as at 30 September 2020 the Directors declared a fully franked final dividend of 1.5 cents per share. The final dividend was paid on 17 December 2020.

The Board is committed to 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.

Net Assets

As at 30 September 2021 the net assets of the Company were \$73,162,880. Please refer to the Statement of Financial Position for further details.

State of Affairs

During the year there was no significant change in the state of affairs of the Company.

Events Subsequent to Balance Date

Since the end of the year, the Directors declared a fully franked final dividend of 3.0 cents per share fully franked to be paid on 15 December 2021.

No other matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

Likely Developments

The Company will be managed in accordance with the Constitution and investment objectives as detailed in the Prospectus dated 13 March 2017.

Insurance of officers

During the financial year, the Company paid a premium for an insurance policy insuring all directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Environmental Regulations

The Company's operations are not subject to any significant environmental regulations.

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.

Remuneration Report (Audited)

This remuneration report sets out information about the remuneration of the Company's directors for the year ended 30 September 2021, under the requirements of Section 300A of the Corporations Act.

Key Management Personnel

The directors and other key management personnel of the Company during the whole of the financial year, and up to the date of this report are (unless otherwise indicated):

JoAnna Fisher
Jack Lowenstein
Mark Forstmann
Virginia Malley (Resigned 4 December 2020)
Chad Slater (Resigned 19 October 2020)

Remuneration Report

This report details the nature and amount of remuneration for each Director of the Company in accordance with the Corporations Act and the Company's Constitution.

The Company's board comprises of three directors of whom two are Independent Directors and one is a Non-Independent Director. The Board from time to time determines remuneration of Directors within the maximum amount approved by the Company at general meetings.

The Directors Remuneration reflects the demands that are made on them and their responsibilities. The performance of Directors is reviewed by the Board annually. The Board determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced directors.

The maximum total remuneration of the Directors has been set at \$140,000 per annum. The amount paid for financial year ended 30 September 2021 was \$133,899 (30 September 2020: \$140,000).

Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration is not directly linked to the Company's performance.

Remuneration Report (continued)

The following table shows details of the remuneration received or receivable by the Directors of the Company for the current year.

Year ended 30 September 2021		Short-term employee benefits Cash salary	Post- employment benefits Superannuation	Total
Director	Position	\$	\$	\$
JoAnna Fisher	Independent Chairman	54,732	5,268	60,000
Jack Lowenstein	Non-Independent Director	24,312	2,355	26,667
Mark Forstmann	Independent Director	36,488	3,512	40,000
Virginia Malley (resigned 4 December 2020)	Independent Director	6,605	627	7,232
Chad Slater (resigned 19 October 2020)	Alternate Director	-	-	-
		122,137	11,762	133,899

Year ended 30 September 2020		Short-term employee benefits Cash salary	Post- employment benefits Superannuation	Total
Director	Position	\$	\$	\$
JoAnna Fisher	Independent Chairman	54,795	5,205	60,000
Jack Lowenstein	Non-Independent Director	-	-	-
Mark Forstmann	Independent Director	36,530	3,470	40,000
Virginia Malley	Independent Director	36,530	3,470	40,000
Chad Slater	Alternate Director	-	-	-
		127,855	12,145	140,000

The Company has no employees other than the Directors and therefore does not have a remuneration policy for employees.

The Directors are the only people considered to be key management personnel of the Company.

The following table reflects the Company's performance and Directors remuneration over four years:

	2021	2020	2019	2018
Operating profit after tax (\$)	13,937,960	2,432,846	1,407,789	3,812,225
Dividends (cents per share)	5.5	2.5	2.0	2.0
Share price (\$ per share)	1.295	0.985	0.895	1.030
NTA after tax (\$ per share)	1.3791	1.1563	1.1299	1.1543
Total Directors remuneration (\$)	133,899	140,000	140,000	140,000
Shareholders equity (\$)	73,162,880	61,136,790	59,579,544	52,547,228

As outlined above, Directors fees are not directly linked to the Company's performance.

Director Related Entity Remuneration

Morphic Asset Management Pty Limited ("Morphic") (ABN 33 155 937 901, AFSL 419916) has been appointed as the Investment Manager of the Company. The Manager is privately owned and incorporated in 2012. Jack Lowenstein is a director of the Manager.

(a) Management fee

The Manager is entitled to be paid monthly a Management Fee equal to 1.25% (plus GST) per annum of the Value of the Portfolio (payable monthly in arrears and calculated on the last business day of each month).

(b) Performance fee

The Manager is entitled to be paid by the Company a fee (Performance Fee) equal to 15% (plus GST) of the Portfolio's outperformance relative to the MSCI All Countries Total Return Daily Index ("the Index") in Australian dollars (Benchmark) over the 12 month period, subject to the Portfolio generating absolute gains since inception and the recoupment of prior underperformance.

Management and performance fees paid to the Manager during the year were as follows:

	Year ended 30 September 2021 \$	Year ended 30 September 2020 \$
Management fees paid and payable during the year	913,267	788,020
Management fees payable at year end	86,428	65,530

There were no performance fees earned or paid during the year.

Remuneration Report (continued)

Equity Instrument Disclosures Relating to Directors

The relevant interests of the Directors and their related entities in the Securities of the Company were:

Shares as at 30 September 2021 Director	Opening balance	Acquisitions	Disposals	Number of shares
JoAnna Fisher	105,331	3,689	-	109,020
Jack Lowenstein	778,850	27,271	-	806,121
Mark Forstmann	42,133	42,291	-	84,424

There has been no movement in the equity instruments held by Directors between 30 September 2021 and the date of the Director's report.

Virginia Malley resigned as a director on 4 December 2020 holding 55,085 shares on resignation date. She did not purchase or dispose any shares during the period 1 October 2020 to date of resignation.

Chad Slater resigned as an alternate director on 19 October 2020 holding 55,409 shares on resignation date. He did not purchase or dispose any shares during the period 1 October 2020 to date of resignation.

As at 30 September 2021 there were no outstanding options or issued during the year.

Shares as at 30 September 2020 Director	Opening balance	Acquisitions	Disposals	Number of shares
JoAnna Fisher	103,163	2,168	-	105,331
Jack Lowenstein	579,837	199,013	-	778,850
Mark Forstmann	41,266	867	-	42,133
Virginia Malley	53,954	1,131	-	55,085
Chad Slater	56,529	6,141	(7,261)	55,409

As at 30 September 2020 there were no outstanding options or issued during the year.

End of remuneration report.

Proceedings on behalf of the Company

There are no proceedings that the directors have brought, or intervened in, on behalf of the Company.

Non-Audit services

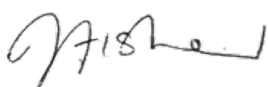
The Board of Directors, in accordance with Advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 13 did not compromise the external auditor's independence for the following reasons:

- (a) all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- (b) none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*.

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 12.

Signed in accordance with a resolution of the directors.



JoAnna Fisher
Chairman
Morphic Ethical Equities Fund Limited

Sydney, 2 November 2021

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

Auditor's Independence Declaration
To the Directors of Morphic Ethical Equities Fund Limited
ABN 52 617 345 123

In relation to the independent audit of Morphic Ethical Equities Fund Limited for the year ended 30 September 2021, I declare that to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



S M Whiddett
Partner

Pitcher Partners
Sydney

2 November 2021

Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ended 30 September 2021 \$	Year ended 30 September 2020 \$
Investment income			
Interest income		502	203
Dividend income		626,588	1,192,135
Net realised and unrealised gains on financial instruments at fair value through profit or loss		21,204,661	5,287,846
Net losses on foreign exchange		(53,383)	(646,939)
Other income		354	6,953
Net Investment income		21,778,722	5,840,198
Expenses			
Audit and tax		73,185	67,487
Administration, registry and middle office fees		82,700	168,059
Directors' fees	15 (b)	133,899	140,000
Dividends on borrowed stock		46,254	355,433
Interest expense (including on borrowed stock)		50,547	167,882
Management fees		913,267	788,020
Transaction costs		360,503	316,330
Withholding tax expense		80,275	169,406
Other expense		198,311	168,373
Total expenses		1,938,941	2,340,990
Profit for the year before income tax expense		19,839,781	3,499,208
Income tax expense	4(a)	5,901,821	1,066,362
Profit for the year		13,937,960	2,432,846
Other comprehensive income		-	-
Total comprehensive income for the year		13,937,960	2,432,846
Basic earnings per share	5	26.32 cents	4.61 cents
Diluted earnings per share	5	26.32 cents	4.61 cents

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 30 September 2021 \$	As at 30 September 2020 \$
Assets			
Current assets			
Cash and cash equivalents	14(a)	16,096,034	7,050,184
Receivables	6	162,467	2,321,657
Prepayments		41,105	30,486
Investments	7	73,689,557	67,301,664
Total current assets		89,989,163	76,703,991
Non-current assets			
Deferred tax asset	4(c)	120,430	145,475
Total non-current assets		120,430	145,475
Total assets		90,109,593	76,849,466
Liabilities			
Current liabilities			
Borrowings	14(a)	10,055,310	4,396,274
Payables	10	137,228	2,695,608
Investments	7	8,091	6,841,980
Current tax liability	4(b)	3,822,853	814,179
Total current liabilities		14,023,482	14,748,041
Non-current liabilities			
Deferred tax liability	4(c)	2,923,231	964,635
Total non-current liabilities		2,923,231	964,635
Total liabilities		16,946,713	15,712,676
Net assets		73,162,880	61,136,790
Equity			
Issued capital	11(a)	55,895,116	55,690,082
Accumulated losses	12(a)	(3,224,077)	(1,302,229)
Profits reserve	12(b)	20,491,841	6,748,937
Total equity		73,162,880	61,136,790

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 \$
Balance at 30 September 2019		55,510,102	(1,003,827)	5,073,269	59,579,544
Profit for the year		-	2,432,846	-	2,432,846
Total comprehensive income for the year		-	2,432,846	-	2,432,846
Other					
Transfer to profits reserve	12(a)(b)	-	(2,731,248)	2,731,248	-
		-	(2,731,248)	2,731,248	-
Transactions with owners in their capacity as owners					
Shares issued during the year	11(a)	136,382	-	-	136,382
Dividends provided for or paid	17(a)	-	-	(1,055,580)	(1,055,580)
Cost of issued capital, net of tax	11(a)	43,598	-	-	43,598
		179,980	-	(1,055,580)	(875,600)
Balance at 30 September 2020		55,690,082	(1,302,229)	6,748,937	61,136,790
Profit for the year		-	13,937,960	-	13,937,960
Total comprehensive income for the year		-	13,937,960	-	13,937,960
Other					
Transfer to profits reserve	12(a)(b)	-	(15,859,808)	15,859,808	-
		-	(15,859,808)	15,859,808	-
Transactions with owners in their capacity as owners					
Shares issued during the year	11(a)	205,034	-	-	205,034
Dividends provided for or paid	17(a)	-	-	(2,116,904)	(2,116,904)
		205,034	-	(2,116,904)	(1,911,870)
Balance at 30 September 2021		55,895,116	(3,224,077)	20,491,841	73,162,880

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	Year ended 30 September 2021 \$	Year ended 30 September 2020 \$
Cash flows from operating activities			
Dividends received		545,806	1,190,615
Interest received		502	203
Other income received		354	6,953
Interest paid		(50,547)	(180,106)
Dividends on borrowed stock		(64,283)	(396,281)
Management fees paid		(892,369)	(785,833)
Directors' fees paid		(133,899)	(140,000)
Withholding tax paid		(80,275)	(169,406)
Other operating expenses paid		(376,265)	(417,229)
Transaction costs paid		(360,503)	(316,330)
Income tax paid		(909,506)	(400,000)
Net cash outflow from operating activities	14(b)	(2,320,985)	(1,607,414)
Cash flows from investing activities			
Proceeds from sale of investments		114,322,765	80,119,682
Payments for purchase of investments		(106,581,938)	(67,025,398)
Net cash inflow from investing activities		7,740,827	13,094,284
Cash flows from financing activities			
Dividends paid net of dividend reinvestment		(1,911,870)	(919,198)
Net cash outflow from financing activities		(1,911,870)	(919,198)
Net increase in cash and cash equivalents		3,507,972	10,567,672
Effect of exchange rate fluctuations on cash and cash equivalents		(121,158)	(41,233)
Cash and cash equivalents at beginning of the financial year		2,653,910	(7,872,529)
Cash and cash equivalents at end of the financial year	14(a)	6,040,724	2,653,910
Non-cash financing activities			
Ordinary shares issued under dividend reinvestment plan	14(c)	205,034	136,382

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 general purpose financial statements are for the year ended 30 September 2021, and were authorised for issue by the Directors on 2 November 2021.

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.

The material accounting policies adopted by the Company in the preparation of the financial statements is set out below:

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards, issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standard.

The 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 selected assets and liabilities.

The financial statements present reclassified comparative information where required for consistency with the current year's presentation.

(b) Statement of Compliance

The financial statements and notes thereto comply with Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(c) Investments

i) Recognition/derecognition

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

ii) Classification and Measurement

The Company's investments are classified as held at fair value through profit or loss. They comprise:

Financial instruments held at fair value through profit or loss (financial instruments held for trading)

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of profit or loss.

Derivative financial instruments such as futures, foreign exchange forward contracts, options and interest rates swaps are included under this classification. The Company does not designate any derivatives as hedges against any specific assets or liabilities.

Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These are investments in listed equity securities. The fair value through profit or loss classification is available for the majority of financial assets held by the Company and the financial liabilities arising from the units must be fair valued.

Financial assets and liabilities designated at fair value through profit or loss at inception are those managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy as outlined in the Prospectus. The Company's policy is for the Investment Manager to evaluate information about these financial instruments on a fair value basis together with other related financial information.

iii) Fair Value

When a financial asset is measured at fair value for recognition or disclosure purposes the fair value is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset, assuming they act in their economic best interests. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

1. General information and summary of significant accounting policies (continued)

(c) Investments (continued)

iii) Fair Value (continued)

Assets measured at fair value are classified into 3 levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Shares that are listed or traded on an exchange are fair valued using last sale prices, as at the close of business on the day the shares are being valued.

If a quoted market price is not available on a recognised stock exchange, the fair value of the instruments are estimated using valuation techniques, which include the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market.

iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Foreign currency translation

i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Company competes for funds and is regulated. The Australian dollar is also the Company's presentation currency.

ii) Transactions and balances

Transactions during the year denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and currency, together with any accrued income, are translated at the exchange rate prevailing at the balance date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss. Net exchange gains and losses arising on the revaluation of investments are included in gains on investments.

(e) Income tax

The charge for current income tax expense is based on the taxable income for the period. It is calculated using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Current and deferred taxes are recognised in profit or loss except where they relate to items that may be recognised directly in equity, such as unrealised gains and losses on long-term equity, in which case they are adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as being part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(g) Income

Revenue is measured at the fair value of the consideration received or receivable.

Dividend income is recognised in profit or loss on the day on which the relevant investment is first quoted on an "ex-dividend" basis.

Interest revenue is recognised as it accrues using the effective interest method, taking into account the effective yield on the financial asset.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. This may also include foreign exchange gains and losses when applicable.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

1. General information and summary of significant accounting policies (continued)

(i) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

(j) Receivables

Receivables may include amounts for dividends, interest and securities sold. Dividends are receivable when they have been declared and are legally payable. Interest is accrued at the balance date from the time of last payment. Amounts receivable for securities sold are recorded when a sale has occurred.

Receivables are reviewed at the end of each reporting period to determine the need to raise a loss allowance for expected credit losses. The entity has applied the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, review is undertaken of the nature of the receivables, the counterparty, the days overdue and the economic environment.

(k) Payables

These amounts represent liabilities for amounts owing by the Company at year end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Amounts payable for securities purchased are recorded when the purchase has occurred.

(l) Derivative financial instruments

The Company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to financial derivatives are included in profit or loss as part of gains/(losses) on investments.

(m) Amounts due to/from brokers

Amounts due to/from brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by year end. Trades are recorded on trade date, and normally settled within two business days. Expected credit losses on amounts due to/from brokers are assessed utilising the simplified approach outlined in Note 1(j).

(n) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Earnings per share

i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease the loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

(p) Dividends

Provisions for dividends payable are recognised in the reporting period in which they are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(q) 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. The methods used in the valuation of investments are set out in Note 1(c) to these financial statements.

(r) New and amended standards adopted

There are no new accounting standards and interpretations that have been published and have been adopted for the 30 September 2021 reporting period that are material to the financial statements.

(s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 October 2021, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

(t) 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.

2. Financial risk management

(a) Objectives, strategies, policies and processes

The Company's Investment Strategy is to construct a portfolio of ethically screened global Securities and Derivatives, designed to provide superior risk adjusted returns to Shareholders. This return will comprise a combination of capital growth and income, thus allowing franked dividends to be paid to Shareholders when prudent, and provided the Company has sufficient profit reserves and franking credits available.

The Company will primarily invest in global listed Securities and Derivatives. The Company may also invest in unlisted Securities, fixed interest instruments, commodities, credit instruments and currencies, all of which may be invested through assets, Exchange Traded Funds or other Derivatives, including futures, options, forwards and swaps.

The portfolio 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. A minimum of 5% of the portfolio will be invested in the Securities of entities that the Manager believes are working to make a positive future for the world we live in.

The Company is managed from an Australian investor's perspective with tax and currency exposures forming important considerations in the daily management of the Company, whilst complying with the Company's Prospectus dated 13 March 2017. Financial risk management is carried out by the Investment Manager under the guidance of its Chief Investment Officer.

The Company's activities are exposed to different types of financial risks. These risks include credit risk, liquidity risk and market risk (including price risk, foreign currency risk and interest rate risk). The Company may employ derivative financial instruments to hedge these risk exposures in order to minimise the effects of these risks.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market prices generally incorporate credit risk assessments into valuations and risk of loss is implicitly provided for in the carrying value of assets and liabilities as they are marked to market at balance date.

The total credit risk for assets is therefore limited to the amount carried in the Statement of Financial Position.

The Manager is responsible for ensuring there is appropriate diversification across counterparties and that they are of a sufficient quality rating. The Manager minimises the Company's concentration of credit risk by undertaking transactions in global listed securities with a number of approved brokers. Payment is only made once a broker has received securities and delivery of securities only occurs once the broker received payment.

Cash

The majority of the Company's cash balances are held with financial institutions that have a Standard and Poor's credit rating of BBB+. The majority of maturities are within three months. The weighted average interest rate of the Company's cash and cash equivalents at 30 September 2021 is 0.17% (30 September 2020: 0.36%).

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Company's investment in financial instruments, which under market conditions are readily convertible to cash. In addition, the Company maintains sufficient cash and cash equivalents to meet normal operating requirements.

Maturity analysis for financial liabilities

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Total
As at 30 September 2021	\$	\$	\$	\$	\$
Borrowings	10,055,310	-	-	-	10,055,310
Payables	137,228	-	-	-	137,228
Financial liabilities at fair value through profit or loss	-	8,091	-	-	8,091
Current tax liability	-	3,822,853	-	-	3,822,853
Contractual cash flows (excluding gross settled derivatives)	10,192,538	3,830,944	-	-	14,023,482
As at 30 September 2020					
Borrowings	4,396,274	-	-	-	4,396,274
Payables	2,695,608	-	-	-	2,695,608
Financial liabilities at fair value through profit or loss	2,950,212	-	-	-	2,950,212
Current tax liability	-	814,179	-	-	814,179
Contractual cash flows (excluding gross settled derivatives)	10,042,094	814,179	-	-	10,856,273

2. Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses the Company's derivative financial assets and liabilities, that are included in the investments balances into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

As at 30 September 2021	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	Total \$
Futures	(4,673,676)	-	-	-	(4,673,676)
Forward currency exchange contracts	-	15,715,578	-	-	15,715,578
Total	(4,673,676)	15,715,578	-	-	11,041,902

As at 30 September 2020	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	Total \$
Futures	4,818,326	-	-	-	4,818,326
Total	4,818,326	-	-	-	4,818,326

(d) Market risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Company is exposed to market risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets and liabilities at fair value through profit or loss.

The Company employs qualitative and quantitative methods to manage the level of risk in the Company. The following investment guidelines are used as part of the risk management process:

- Maximum exposure limits to single security positions;
- Stop-loss guidelines which set maximum loss tolerance for each individual position;
- Internal limits for aggregate exposures to individual countries, industries and asset classes;
- Value at Risk (VAR) calculations.

VAR calculations are monitored by the Manager to ensure they are within guidelines. Portfolio risk limits and guidelines are monitored daily and any breaches are to be fixed as soon as possible by adjusting the interests in the Portfolio.

(i) Interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows, the risk is measured using sensitivity analysis on page 23.

The table below summarises the Company's exposure to interest rates risk. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity date.

As at 30 September 2021	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate \$	Non Interest Bearing \$	Total \$
Financial Assets					
Cash and cash equivalents	0.17%	16,096,034	-	-	16,096,034
Receivables		-	-	162,467	162,467
Prepayments		-	-	41,105	41,105
Financial assets at fair value through profit or loss		-	-	73,689,557	73,689,557
Total Financial Assets		16,096,034	-	73,893,129	89,989,163
Financial Liabilities					
Borrowings	1.13%	10,055,310	-	-	10,055,310
Payables		-	-	137,228	137,228
Financial liabilities at fair value through profit or loss		-	-	8,091	8,091
Total Financial Liabilities		10,055,310	-	145,319	10,200,629

2. Financial risk management (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

As at 30 September 2020	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate \$	Non Interest Bearing \$	Total \$
Financial Assets					
Cash and cash equivalents	0.36%	7,050,184	-	-	7,050,184
Receivables		-	-	2,321,657	2,321,657
Prepayments		-	-	30,486	30,486
Financial assets at fair value through profit or loss		-	-	67,301,664	67,301,664
Total Financial Assets		7,050,184	-	69,653,807	76,703,991
Financial Liabilities					
Borrowings	1.34%	4,396,274	-	-	4,396,274
Payables		-	-	2,695,608	2,695,608
Financial liabilities at fair value through profit or loss		-	-	6,841,980	6,841,980
Total Financial Liabilities		4,396,274	-	9,537,588	13,933,862

(ii) Other Price Risk

Other Price Risk is the risk that fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting the broader market. Other price risk exposure arises from the Company's investment portfolio.

(iii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Company holds assets denominated in currencies other than the Australian dollar (being the functional currency) and is therefore exposed to foreign currency risk when the value of assets denominated in other currencies fluctuates due to movements in exchange rates.

The Company may enter into foreign exchange forward contracts both to hedge the foreign exchange risk implicit in the value of portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities.

The Company uses forward foreign exchange contracts to reduce currency risk on specific investments within the portfolio.

The following table summarises the Company's assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar as per below.

As at 30 September 2021

	USD \$	JPY \$	Euro \$	GBP \$	Other Currencies \$	Total \$
Cash and cash equivalents	239,311	-	3,940,272	-	-	4,179,583
Receivables	20,240	38,709	-	78,958	(72)	137,835
Investments	54,853,520	4,874,744	9,283,843	4,563,864	-	73,575,971
Borrowings	(7,473,930)	(624,416)	-	(1,956,787)	(177)	(10,055,310)
	47,639,141	4,289,037	13,224,115	2,686,035	(249)	67,838,079
Net increase/(decrease) in exposure from foreign currency forward contracts - sell/buy foreign currency	19,800	707	(2,301)	(3,283)	90,571	105,494
Net exposure	47,658,941	4,289,744	13,221,814	2,682,752	90,322	67,943,573

2. Financial risk management (continued)

(d) Market risk (continued)

(iii) Foreign currency risk (continued)

As at 30 September 2020

	USD \$	JPY \$	Euro \$	HKD \$	Other Currencies \$	Total \$
Cash and cash equivalents	5,470,852	785,491	64,522	284,801	4,235	6,609,901
Receivables	1,733,846	40,188	-	526,038	-	2,300,072
Investments	46,218,059	7,987,157	3,662,247	6,086,986	-	63,954,449
Borrowings	-	(1,026,078)	(18)	(211,285)	-	(1,237,381)
Payables	(2,092,813)	(220)	-	(11,584)	-	(2,104,617)
Investments	(3,272,473)	(906,586)	-	-	-	(4,179,059)
	48,057,471	6,879,952	3,726,751	6,674,956	4,235	65,343,365
Net increase/(decrease) in exposure from foreign currency forward contracts - sell foreign currency	-	-	-	-	-	-
Net exposure	48,057,471	6,879,952	3,726,751	6,674,956	4,235	65,343,365

(iv) Sensitivity analysis

The following tables show the sensitivity of the Company's operating profit/(loss) to price risk, interest rate risk and foreign exchange risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Company's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the securities in which the Company invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price risk Impact on operating profit/(loss)		Interest rate risk Impact on operating profit/(loss)		Foreign exchange risk Impact on operating profit/(loss)	
	-10%	+10%	-100 bps	+100 bps	-10%	+10%
30 September 2021	(7,368,147)	7,368,147	866	(866)	(6,794,357)	6,794,357
30 September 2020	(6,045,968)	6,045,968	338	(338)	(6,534,336)	6,534,336

3. Fair value measurement

The Company measures and recognises financial assets and liabilities held 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.

3. Fair value measurement (continued)

(i) *Recognised fair value measurements*

The following table presents the Company's assets and liabilities measured and recognised at fair value as at 30 September 2021.

As at 30 September 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Listed equities	73,370,168	-	-	73,370,168
Futures	205,803	-	-	205,803
Forward currency exchange contracts	-	113,586	-	113,586
Total financial assets at fair value through profit or loss	73,575,971	113,586	-	73,689,557
Financial liabilities				
Forward currency exchange contracts	-	8,091	-	8,091
Total financial liabilities at fair value through profit or loss	-	8,091	-	8,091
As at 30 September 2020				
Financial assets				
Listed equities	28,573,052	-	-	28,573,052
Listed unit trusts	34,216,332	-	-	34,216,332
Futures	4,083	-	-	4,083
Swap contracts	-	4,508,197	-	4,508,197
Total financial assets at fair value through profit or loss	62,793,467	4,508,197	-	67,301,664
Financial liabilities				
Listed equities	2,950,212	-	-	2,950,212
Swap contracts	-	3,891,768	-	3,891,768
Total financial liabilities at fair value through profit or loss	2,950,212	3,891,768	-	6,841,980

(ii) *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.

(iii) *Fair value of financial instruments not carried at fair value*

The carrying value of trade receivables and trade payables approximate their fair value because of the short-term nature of the instruments and low credit risk.

4. Taxation

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

	As at 30 September 2021 \$	As at 30 September 2020 \$
Prima facie tax payable on profit before income tax at 30% (FY20: 30%)	5,951,934	1,049,762
Adjusted for tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Imputation gross up on dividends received	-	122
Franking credits on dividends received	-	(407)
Withholding tax on dividends received	24,082	50,822
Other differences	(74,195)	(33,937)
Income tax expense	5,901,821	1,066,362
Applicable weighted average effective tax rate	29.7%	30.5%
The income tax (benefit)/expense results in a:		
Current tax liability	3,918,180	1,214,179
Deferred tax asset	25,045	1,081,856
Deferred tax liability	1,958,596	(1,229,673)
Income tax expense	5,901,821	1,066,362

(b) Movement in current tax liability

	As at 30 September 2021 \$	As at 30 September 2020 \$
Opening balance	814,179	-
Income tax payment made	(909,506)	(400,000)
Charged / credited to profit or loss	3,918,180	1,214,179
Closing balance	3,822,853	814,179

(c) Net deferred tax assets/(liabilities)

	As at 30 September 2021 \$	As at 30 September 2020 \$
Deferred tax liabilities		
Deferred income tax comprises the estimated tax payable at the current income tax rate of 30% on the following items:		
Tax on unrealised gains on investment portfolio	(2,787,819)	(947,565)
Other	(135,412)	(17,070)
Net deferred tax liabilities	(2,923,231)	(964,635)

Movements:

	As at 30 September 2021 \$	As at 30 September 2020 \$
Opening balance	(964,635)	(2,194,308)
Charged / credited to profit or loss	(1,958,596)	1,229,673
Closing balance	(2,923,231)	(964,635)

Deferred tax assets

Deferred tax assets comprises the estimated tax deductible at the current income tax rate of 30% on the following items:

	As at 30 September 2021 \$	As at 30 September 2020 \$
Transaction costs on equity issue	523,181	523,181
Reduction in transaction costs on equity issue	(515,029)	(410,393)
Other	112,278	32,687
Net deferred tax assets	120,430	145,475

Movements:

	As at 30 September 2021 \$	As at 30 September 2020 \$
Opening balance	145,475	1,183,733
Charged / credited to profit or loss	79,591	(951,740)
Charged / credited to equity	(104,636)	(86,518)
Closing balance	120,430	145,475

	As at 30 September 2021 \$	As at 30 September 2020 \$
5. Earnings per share		
Basic earnings per share	26.32 cents	4.61 cents
Diluted earnings per share	26.32 cents	4.61 cents
Profit used in calculating basic earnings per share	13,937,960	2,432,846
Profit used in calculating diluted earnings per share	13,937,960	2,432,846
Weighted average number of ordinary shares used in the calculation of basic earnings per share	52,952,837	52,815,392
Weighted average number of shares used in the calculation of diluted earnings per share	52,952,837	52,815,392

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 from 1 October 2020 to 30 September 2021.

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

	As at 30 September 2021 \$	As at 30 September 2020 \$
6. Receivables		
Dividends receivable	137,835	57,053
GST receivable	24,632	21,585
Due from brokers - receivable for securities sold	-	2,243,019
Total receivables	162,467	2,321,657

	As at 30 September 2021 \$	As at 30 September 2020 \$
7. Investments		
Financial assets		
Listed equities	73,370,168	28,573,052
Listed unit trusts	-	34,216,332
Futures	205,803	4,083
Forward currency exchange contracts	113,586	-
Swap contracts	-	4,508,197
Total financial assets at fair value through profit or loss	73,689,557	67,301,664
Financial liabilities		
Listed equities	-	2,950,212
Forward currency exchange contracts	8,091	-
Swap contracts	-	3,891,768
Total financial liabilities at fair value through profit or loss	8,091	6,841,980

8. Derivative financial instruments

In the normal course of business the Company enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as swaps, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Company's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Company against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

8. Derivative financial instruments (continued)

The Company holds the following derivative instruments:

(a) Forward currency contracts

Forward currency contracts are primarily used by the Company to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Company agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing closing price at the end of each reporting period. The Company recognises a gain or loss equal to the change in fair value at the end of each reporting period.

(b) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts values are usually settled net daily with the exchange.

(c) Swaps

The fair value of interest rate swaps is the estimated amount that the Fund would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

The Company's derivative financial instruments at 30 September 2021 are detailed below.

As at 30 September 2021

	Contractual/ notional value \$	Assets \$	Fair values (Liabilities) \$
Futures	(4,673,676)	205,803	-
Forward currency exchange contracts	15,715,578	113,586	8,091
	11,041,902	319,389	8,091

As at 30 September 2020

Futures	4,818,326	4,083	-
Swap contracts	-	4,508,197	(3,891,768)
	4,818,326	4,512,280	(3,891,768)

9. Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the following table:

	Effects of offsetting on the statement of financial position			Related amounts not offset	
	Gross amounts of financial instrument \$	Gross amounts set off in the statement of financial position \$	Net amount of financial assets/(liabilities) presented in the statement of financial position \$	Amounts subject to master netting arrangement \$	Net amount \$
As at 30 September 2021					
Financial assets					
Futures	205,803	-	205,803	-	205,803
Forward currency contracts	113,586	-	113,586	-	113,586
Total	319,389	-	319,389	-	319,389
Financial liabilities					
Forward currency contracts	(8,091)	-	(8,091)	-	(8,091)
Total	(8,091)	-	(8,091)	-	(8,091)
As at 30 September 2020					
Financial assets					
Futures	33,748	29,665	4,083	-	4,083
Swap contracts	4,539,433	2,273,296	2,266,137	-	2,266,137
Total	4,573,181	2,302,961	2,270,220	-	2,270,220
Financial liabilities					
Futures	(29,665)	(29,665)	-	-	-
Swap contracts	(2,273,296)	(2,273,296)	-	-	-
Total	(2,302,961)	(2,302,961)	-	-	-

	As at 30 September 2021 \$	As at 30 September 2020 \$
10. Payables		
Other accruals	38,500	35,917
Management fees payable	86,428	65,530
Administration fees payable	12,300	23,286
Dividends payable on short positions	-	18,029
Due to brokers - payable for securities purchased	-	2,552,846
	137,228	2,695,608

11. Issued capital

Ordinary shares

Fully paid ordinary shares entitle the holder to receive dividends as declared and the proceeds on winding up the Company in proportion to the number and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

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.

	Year ended 30 September 2021		Year ended 30 September 2020	
	Shares	\$	Shares	\$
(a) Movements in ordinary share capital				
Opening balance	52,871,147	55,690,082	52,728,519	55,510,102
Ordinary shares issued under dividend reinvestment plan	179,285	205,034	142,628	136,382
Costs of issued capital, net of tax	-	-	-	43,598
Closing balance	53,050,432	55,895,116	52,871,147	55,690,082

	As at 30 September 2021 \$	As at 30 September 2020 \$
12. Reserves and accumulated losses		
(a) Accumulated losses		
Balance at the beginning of the year	(1,302,229)	(1,003,827)
Net profit attributable to members of the Company	13,937,960	2,432,846
Transfer to profit reserve	(15,859,808)	(2,731,248)
Balance at 30 September	(3,224,077)	(1,302,229)
(b) Profits reserve		
The reserve is made of amounts transferred from current and retained earnings that are preserved for future dividend payments.		
Balance at the beginning of the year	6,748,937	5,073,269
Transfer from retained earnings/(losses)	15,859,808	2,731,248
Dividends provided for or paid	(2,116,904)	(1,055,580)
Balance at 30 September	20,491,841	6,748,937

13. Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	Year ended 30 September 2021 \$	Year ended 30 September 2020 \$
Pitcher Partners		
Audit and other assurance services	65,535	57,219
Taxation Services	7,650	10,268
Total Audit and taxation services	73,185	67,487
Other consulting and advisory services	1,100	8,262
Total remuneration of Pitcher Partners	74,285	75,749

The Company's Audit and Risk Committee oversees the relationship with the Company's External Auditors. The Audit and Risk Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other audit-related tax compliance services provided by the audit firm, to ensure that they do not compromise independence.

14. Cash flow information

(a) Components of cash and cash equivalents

Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

	As at 30 September 2021 \$	As at 30 September 2020 \$
Cash at bank	16,096,034	7,050,184
Prime broker funding facility	(10,055,310)	(4,396,274)
	6,040,724	2,653,910

(b) Reconciliation of net profit attributable to members of the Company to net cash outflow from operating activities

	Year ended 30 September 2021 \$	Year ended 30 September 2020 \$
Profit attributable to members of the Company	13,937,960	2,432,846
Net realised and unrealised gains on financial instruments at fair value through profit or loss	(21,204,661)	(5,287,846)
Net losses on foreign exchange	53,383	646,939
Net change in prepayments	(10,619)	(8,504)
Net change in receivables	(83,829)	(1,736)
Decrease in deferred tax assets	25,045	1,038,258
Tax effect on listing costs	-	43,598
Increase/(decrease) in deferred tax liabilities	1,958,596	(1,229,673)
Increase in current tax liabilities	3,008,674	814,179
Net change in payables	(5,534)	(55,475)
Net cash outflow from operating activities	(2,320,985)	(1,607,414)

(c) Non-cash financing activities

During the year, the following dividend payments were satisfied by the issue of shares under the dividend reinvestment plan

Year ended 30 September 2021 \$	Year ended 30 September 2020 \$
205,034	136,382

15. Related party transactions

All transactions with related entities were made on normal commercial terms and conditions no more favourable than transactions with other parties unless otherwise stated.

(a) Management and Performance Fees

Morphic Asset Management Pty Limited (Morphic) (ABN 33 155 937 901, AFSL 419916) has been appointed as the Investment Manager of the Company. The Manager is privately owned and was incorporated in 2012. Jack Lowenstein is a director of the Manager.

(i) Management fee

the Manager is entitled to be paid monthly a Management Fee equal to 1.25% (plus GST) per annum of the Value of the Portfolio (payable monthly in arrears and calculated on the last business day of each month).

(ii) Performance fee

the Manager is entitled to be paid by the Company a fee (Performance Fee) equal to 15% (plus GST) of the Portfolio's outperformance relative to the MSCI All Countries Total Return Daily Index ("the Index") in Australian dollars (Benchmark) over the 12 month period, subject to the Portfolio generating absolute gains since inception and the recoupment of prior underperformance.

Management fees paid to the Manager during the year were as follows:

	Year ended 30 September 2021 \$	Year ended 30 September 2020 \$
Management fees paid and payable during the year	913,267	788,020
Management fees payable at year end	86,428	65,530

There were no performance fees earned or paid during the year.

15. Related party transactions (continued)

(b) Remuneration of Directors and Other Key Management Personnel

In accordance with Section 300A of the *Corporations Act 2001*, all detailed information regarding the remuneration of Directors and other key management personnel has been included in the Remuneration Report in the Directors' Report of the Annual Report.

A summary of the remuneration of Directors and other key management personnel for the year is set out below:

	Year ended 30 September 2021 \$	Year ended 30 September 2020 \$
Cash salary, fees and commissions	122,137	127,855
Short-term employee benefits	122,137	127,855
Superannuation	11,762	12,145
Post-employment benefits	11,762	12,145
Total employment benefits	133,899	140,000

(c) Shareholdings

2021	Opening balance	Acquisitions	Disposals	Balance at 30 September 2021
Ordinary Shares				
JoAnna Fisher	105,331	3,689	-	109,020
Jack Lowenstein	778,850	27,271	-	806,121
Mark Forstmann	42,133	42,291	-	84,424

Virginia Malley resigned as a director on 4 December 2020 holding 55,085 shares on resignation date. She did not purchase or dispose any shares during the period 1 October 2020 to date of resignation.

Chad Slater resigned as an alternate director on 19 October 2020 holding 55,409 shares on resignation date. He did not purchase or dispose any shares during the period 1 October 2020 to date of resignation.

There has been no movement in the equity instruments held by the Directors between 30 September 2021 and the date of the Director's report

2020	Opening balance	Acquisitions	Disposals	Balance at 30 September 2020
Ordinary Shares				
JoAnna Fisher	103,163	2,168	-	105,331
Jack Lowenstein	579,837	199,013	-	778,850
Mark Forstmann	41,266	867	-	42,133
Virginia Malley	53,954	1,131	-	55,085
Chad Slater	56,529	6,141	(7,261)	55,409

(d) Options to acquire shares

There were no options acquired or disposed during the years 2020 and 2021.

16. Contingent liabilities and commitments

As at 30 September 2021, the Company had no contingent liabilities or commitments.

17. Dividends

	Year ended 30 September 2021 \$	Year ended 30 September 2020 \$
(a) Dividends paid in the current year		
A fully franked final dividend on ordinary shares in respect of the 2020 year was declared by the Directors on 4 November 2020 of 1.50 cents per share and was paid on 17 December 2020 (2020: A fully franked final dividend on ordinary shares in respect of the 2019 year was declared by the Directors on 1 November 2019 of 1.00 cent per share and was paid on 17 December 2019)	793,067	527,286
A fully franked interim dividend on ordinary shares was declared by the Directors on 18 May 2021 of 2.5 cents per share and was paid on 29 July 2021 (2020: A fully franked dividend on ordinary shares was declared by the Directors on 21 May 2020 of 1.00 cent per share and was paid on 31 July 2020)	1,323,837	528,294
	<u>2,116,904</u>	<u>1,055,580</u>
(b) Dividend franking account		
Opening balance of franking account	70,249	70,234
Franking credits on dividends received	-	407
Franking credits on dividends paid	(907,244)	(400,392)
Tax payments made	909,506	400,000
Closing balance of franking account	<u>72,511</u>	<u>70,249</u>

Following payment of the current year's tax liability of \$3,822,853, the franking credits account balance will be \$3,895,363 which will be available for use in subsequent reporting periods.

This disclosure is for the franking credits available for use in subsequent reporting periods and is calculated as per paragraph 14 of AASB 1054.

The Company's ability to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

18. 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 7 Investments, and Note 3 Fair Value Measurement.

19. Events subsequent to reporting date

Since the end of the year, the Directors declared a fully franked final dividend of 3.0 cents per share fully franked to be paid on 15 December 2021.

No other matters or circumstances have arisen since the end of the 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.

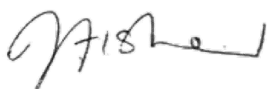
Director's Declaration

The Directors declare that:

- (a) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards, and giving a true and fair view of the financial position as at 30 September 2021 and performance of the Company, for the year ended 30 September 2021;
- (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;
- (c) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated on Note 1(b) of the financial statements;
- (d) The Directors have been given the declarations required by S.295A of the *Corporations Act 2001*; and
- (e) The remuneration disclosures contained in the Remuneration Report comply with S300A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to S295(5) of the *Corporations Act 2001*.

On behalf of the Directors



JoAnna Fisher
Chairman
Morphic Ethical Equities Fund Limited

Sydney, 2 November 2021

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

**Independent Auditor's Report
To the Members of Morphic Ethical Equities Fund Limited
ABN 52 617 345 123**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Morphic Ethical Equities Fund Limited ("the Company"), which comprises the statement of financial position as at 30 September 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Morphic Ethical Equities Fund Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 30 September 2021 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
Valuation, Existence and Completeness of Financial Assets and Liabilities Refer to Note 7: Investments	
<p>We focused our audit effort on the existence, completeness and valuation of the Company's financial assets and financial liabilities as they are its largest assets and liabilities and represent the most significant driver of the Company's Net Tangible Assets and profits.</p> <p>The Company's investments are considered to be non-complex in nature with fair value based on readily observable market data. Consequently, these investments are classified under Australian Accounting Standards as either "level 1" (i.e. where the valuation is based on quoted prices in active markets) or "level 2" (i.e. where key inputs to valuation are based on other observable inputs). All foreign investments are valued in presentation currency (Australian dollars) utilising the year end rates.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Understanding and evaluating the design and implementation of the investment management process and controls; ▪ Reviewing and evaluating the independent auditor's reports on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodians; ▪ Reviewing and evaluating the independent auditor's report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator; ▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate and where necessary performing additional procedures; ▪ Obtaining confirmations of the investment holdings directly from the Custodians; ▪ Recalculating and assessing the Company's valuation of individual investment holdings to independent sources; ▪ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and ▪ Assessing the adequacy of disclosures in the financial statements.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<i>Accuracy and Completeness of Management and Performance Fees</i> <i>Refer to Note 10: Payables, Note 15: Related party transactions</i>	
<p>We focused our audit effort on the accuracy of management and performance fees as they are significant expenses of the Company and their calculation requires adjustments for major events such as payment of company dividends and taxes, capital raisings and capital reductions in accordance with the Investment Management Agreement between the Company and the Investment Manager.</p> <p>In addition, to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Understanding and evaluating the design and implementation of the processes and controls for calculating the management and performance fees; ▪ Making enquiries with the Investment Manager and Those Charged with Governance with respect to any significant events during the period and associated adjustments made as a result, in addition to reviewing ASX announcements; ▪ Testing of adjustments such as company dividends, tax payments, capital raisings, capital reductions as well as any other relevant expenses used in the calculation of management and performance fees; ▪ Testing key inputs used in the calculation of management and performance fees and recalculation in accordance with our understanding of the Investment Management Agreement; ▪ Assessing the adequacy of disclosures made in the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 September 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 13 of the Directors' Report for the year ended 30 September 2021. In our opinion, the Remuneration Report of Morphic Ethical Equities Fund Limited, for the year ended 30 September 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



S M Whiddett
Partner



Pitcher Partners
Sydney

2 November 2021

Shareholder Information

The Shareholder information set out below was applicable at 30 September 2021.

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report, is listed below.

A. Distribution of securities

Distribution of equity securities

Holding Ranges	Investors	Shares	Percentage %
1 to 1000	126	69,302	0.13
1001 to 5000	278	847,879	1.60
5001 to 10000	183	1,542,977	2.91
10001 to 100000	580	20,361,847	38.38
100001 and Over	94	30,228,427	56.98
Total	1,261	53,050,432	100.00

B. Equity security holders

Twenty largest equity security holders

Name	Shares	%
FUTURE GENERATION GLOBAL INVESTMENT COMPANY LIMITED	5,343,842	10.07
SYSHA PTY LTD <SYDNEY GOODMAN FAMILY A/C>	2,350,000	4.43
LEKK PTY LTD <HILTON GORDON FAMILY A/C>	1,800,000	3.39
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,202,909	2.27
NATIONAL NOMINEES LIMITED	1,080,814	2.04
JORLYN PTY LTD <ROBERT JORDAN FAMILY A/C>	900,000	1.70
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	749,731	1.41
CITICORP NOMINEES PTY LIMITED	673,543	1.27
MR JACK THESEUS LOWENSTEIN	545,098	1.03
MRS CATHERINE ANNE MARSON + MR JOSEPH MARSON <THE MARSON FAMILY S/F A/C>	522,261	0.98
GEAT INCORPORATED <GEAT-PRESERVATION FUND A/C>	480,000	0.90
DURNANDCO PTY LTD <DURNANDCO P/L SUPER FUND A/C>	417,366	0.79
NAMBIA PTY LTD <ANTHON FAMILY S/F A/C>	416,075	0.78
G W HOLDINGS PTY LTD <EDWINA A/C>	376,365	0.71
BURKE SUPER FUND PTY LIMITED <BURKE SUPER FUND A/C>	375,000	0.71
MR RONALD GORDON SINCLAIR + MR SCOTT SINCLAIR + MISS SAMANTHA SINCLAIR <RON SINCLAIR :>	367,000	0.69
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	366,800	0.69
MR JAMES WILLIAM TAYLER	344,792	0.65
MR MALCOLM JAMES DOIG + MRS LISA JOY DOIG <DOIG FUTURE SUPER FUND A/C>	341,316	0.64
BOND STREET CUSTODIANS LIMITED <WILFFR - V19700 A/C>	327,298	0.62

C. Substantial shareholders

	%
Future Generation Global Investment Company Limited and its associated entities.	10.07

D. Voting rights

The voting rights attaching to each class of equity security are set out below:

Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. Options do not have any voting rights until they vest and are exercised.

E. Stock exchange listing

Quotation has been granted for all of the ordinary shares and options of the Company on all Member exchanges of the ASX Limited.

F. Unquoted securities

There are no unquoted securities.

G. Investment transactions

There were 429 investment transactions during the year, total brokerage paid on these transactions was \$355,183.

Corporate Directory

Directors	JoAnna Fisher (Chairman) Jack Lowenstein Mark Forstmann
Company Secretary	Ian Kelly (appointed on 5 August 2021)
Registered Office	Level 11 179 Elizabeth Street Sydney NSW 2000
Contact Details	P: (02) 9021 7701 www.ellerstoncapital.com/funds/morphic-ethical-equities-fund
Manager	Morphic Asset Management Pty Ltd ACN 155 937 901 Level 11, 179 Elizabeth Street SYDNEY NSW 2000
Auditor	Pitcher Partners Level 16, Tower 2 Darling Park 201 Sussex Street Sydney NSW 2000 P: (02) 9221 2099
Share Registry	Computershare Level 3, 60 Carrington Street Sydney NSW 2000 P: (02) 9221 2099
Stock Exchange Listings	Morphic Ethical Equities Limited shares are listed on the Australian Stock Exchange under the following exchange code: MEC