A proud founder of: Climate Action 100+

Signatory of: PRI Principles for Responsible Investment

MORPHIC ETHICAL EQUITIES FUND

Monthly Report

April 2022

Fund Objective

The Morphic Ethical Equities Fund Limited (the Fund) seeks to provide investors a way to grow their wealth and feel confident they do so without investing in businesses that harm the environment, people, and society.

The Fund excludes direct investments in entities involved in environmental destruction, including coal and uranium mining, oil and gas, intensive animal farming and aquaculture, tobacco and alcohol, armaments, gambling and rainforest and old growth logging.

Investment returns*

	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	ITD (p.a.)
Morphic Ethical Equities Fund[1]	-0.64%	-9.74%	-12.06%	-3.33%	8.29%	7.79%
Index[2]	-2.79%	-9.23%	-6.60%	2.78%	9.06%	10.58%

* Past Performance is not an indication of future performance.

ESG in Focus

As highlighted in our latest blog, e-waste is a large and growing problem. It is estimated that 57.4m tonnes of e-waste was generated in 2021 which is greater than the weight of the Great Wall of China (the worlds heaviest artificial object). Due to the technological advancements, we are seeing product life cycles becoming shorter and due to increased complexity, repair options are becoming increasingly limited.

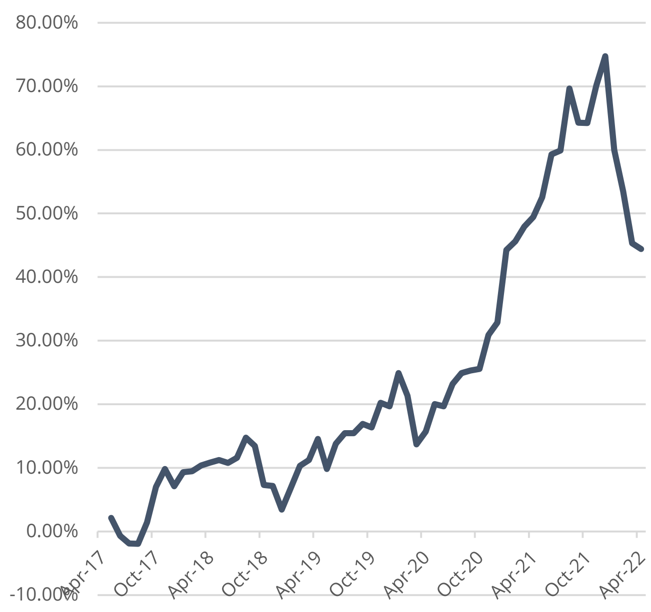
We need all stakeholders from households, businesses and governments to get behind an improved circular network right from design to end of life to facilitate a system where the devices can be repaired or recycled. This would have multiple benefits as valuable materials could be recovered from old devices, the impact on landfills becomes less onerous and people in lower income households and countries could have access to relatively new technology.

Redundant devices that cannot remain in circulation due to damage or advanced wear and tear should be responsibly recycled. Each year we will have more and more electronic devices enter the system and while technology and innovation are important, this should not come at the expense of our environment, especially when considering we have the means and tools to repurpose and reuse the incredibly large e-waste stream that we are swimming in.

Net Tangible Assets (NTA)

NTA value before tax[3]	$ 1.1976
NTA value after tax[3]	$ 1.2119

Investment Returns since inception[4]



Portfolio Commentary

Global equity markets continued to come under pressure during April with the S&P 500 down 8.7% and Nasdaq 100 down 13.2%. Europe tended to fair much better with the French CAC and German DAX indices down 1.3% and 3.0% respectively.

The Morphic Ethical Equities Fund returned -0.64% net during the month, outperforming the MSCI ACWI (AUD) which declined 2.79% over the same period.

The portfolio's top three contributors Graphic Packaging, Soitec and PTC added 74bps to performance while WillScot Mobile Mini, GXO Logistics and XPO Logistics detracted 194bps. The Fund had 16 portfolio companies reporting quarterly results or trading updates in April.

The standouts this reporting season included PTC which delivered above guidance results with bookings up mid-teens as its CAD and PLM businesses continue to drive solid growth. PTC is really benefiting from the digital transformation of its manufacturing customers as they look to drive production efficiencies.

WillScot Mobile Mini raised full year EBITDA guidance by >5% as leasing conditions for its modular offices remain robust and pricing continues to grow at a high teens pace.

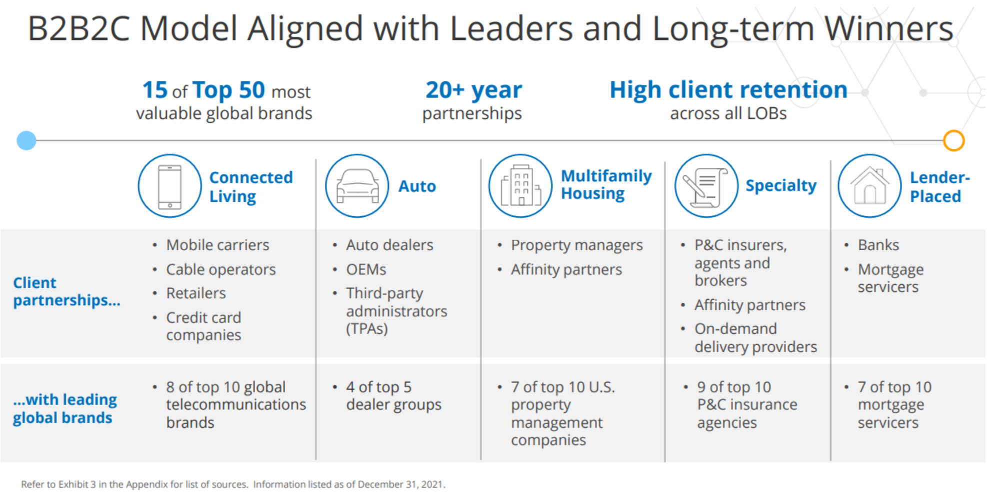
TKH Group provided a trading update which highlighted >28% organic growth and over 80% EBITDA growth as all segments contributed to the result. Management also announced capacity increases as it responds to increased market demand for its energy (cables connecting wind farms), digitisation (fibre optic cables) and tire building systems.

Conversely, Anritsu reported a disappointing quarter as supply chain disruptions in electrical components continue to impact its ability to provide its customers with 5G testing equipment.

Stock in Focus: Assurant (AIZ US, $10.2bn Market Cap)

Assurant is a global leader operating under a business to business to consumer model partnering with some of the world's largest consumer brands offering protection and integrated services across mobile devices, automobiles, and homes. It has operations in 21 countries which highlights its global mindset and market opportunity with very long-term partnerships underpinned by its high customer retention rates. Approximately 80% of its earnings are fee-based and capital light with market leadership positions providing significant scale advantages for its specialised solutions.

The business is organised into two main segments, Global Lifestyle, which houses its connected living and automotive business and Global Housing which comprises its multifamily, specialty and lender placed offerings. The businesses are exposed to attractive industries with favourable tailwinds which are generally insulated from major macroeconomic risk:



Source: Assurant.

As part of its extensive service portolio, Assurant operates a comprehensive set of electronic repair capabilities and trade in services that wraps around its mobile protection business. Assurant is the clear market leader supporting global trade-in services counting some of the largest mobile operators as customers. Management anticipates increasing its focus on other consumer electronics and appliances underpinned by its existing capabilities in mobile phones.

Source: Assurant.

Lifestyle is expected to lead the growth for Assurant, generating low double-digit growth in 2022 and approximately 10 percent average annual growth in 2023 and 2024. Housing will also contribute with Adjusted EBITDA increasing each year between mid- to high-single-digits. Combined EPS growth for FY22 has been guided to come in between 16-20% ahead of last year with FY23 and FY24 EPS expected to grow >12% compound. Given the capital light nature of the business, Management also expects to generate >$2.9bn of cash from its business units which provides signficant captial allocation options to shareholders. At the time of writing, Assurant is trading on an attractive 11.5x forward earnings multiple.

Top 10 Active Positions

Stocks	Industry	Region	Position Weighting
Assurant	Financials	North America	4.53%
Cellnex	Communication Services	Europe	4.30%
Graphic Packaging	Materials	North America	4.19%
WillScot Mobile Mini	Industrials	North America	4.09%
Digital Bridge	Real Estate	North America	3.88%
Flex	Information Technology	North America	3.78%
Option Care Health	Health Care	North America	3.68%
Webster Financial	Financials	North America	3.68%
Sensata	Industrials	North America	3.64%
GXO Logistics	Industrials	North America	3.56%

Risk Measures	
Net Exposure[5]	82.12%
Gross Exposure[6]	94.11%
VAR[7]	1.50%
Best Month	8.60%
Worst Month	-8.44%
Average Gain in Up Months	2.40%
Average Loss in Down Months	-2.10%
Annual Volatility	10.82%
Index Volatility	10.56%

Top two alpha contributors[8] (bps)

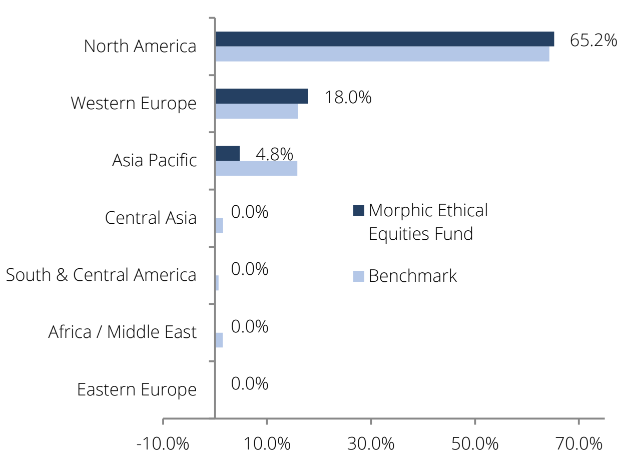
Graphic Packaging	**32 bps**
PTC Inc	**22 bps**
Soitec	**20 bps**

Top three alpha detractors[8] (bps)

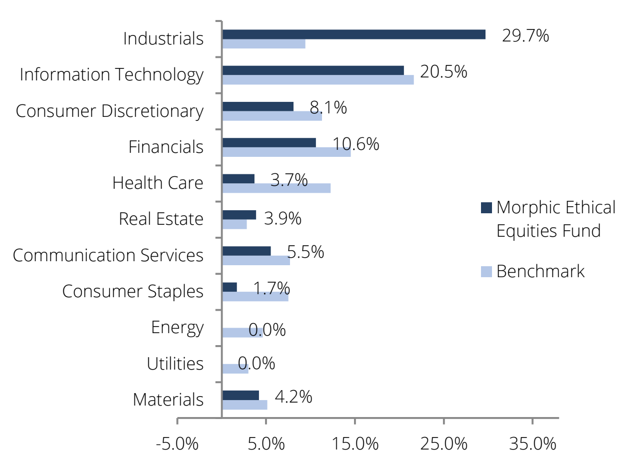
WillScot Mobile Mini	**-45 bps**
GXO Logistics	**-60 bps**
XPO Logistics	**-89 bps**

Key Facts	
ASX code / share price	MEC / 1.060
Listing Date	3 May 2017
Profit Reserve[9]	$ 0.406
Management Fee	1.25%
Performance Fee[10]	15%
Market Capitalisation	$ 56m
Shares Outstanding	53,231,448
Dividend per share[11]	$0.06

Equity Exposure Summary[12] By region



Equity Exposure Summary[12] By sector



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[1] Performance is net of investment management fees, before company admin costs and taxes; [2] The Index is the MSCI All Countries World Daily Total Return Net Index (Bloomberg code NDUEACWF) in AUD; [3] The figures are estimated and unaudited; [4] Performance is net of investment management fees, before dividends, company admin costs and taxes. Fund listing on the ASX 3 May 2017. Past performance is not an indication of future performance; [5] Includes Equities and Commodities - longs and shorts are netted; [6] Includes Equities, Commodities and 10 year equivalent Credit and Bonds - longs and shorts are not netted; [7] Based on gross returns since Fund's inception; [8] Attribution; relative returns against the Index excluding the effect of hedges; [9] The reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments. The payment of franked dividends depends on the rate the Fund realises taxable profits and generates franking credits; [10] The Performance Fee is payable annually in respect of the Fund's out-performance of the Index. Performance Fees are only payable when the Fund achieves positive absolute performance and is subject to a high water mark; [11] Annual dividend per share. [12] Exposure Summary charts do not take into account derivative positions.