

MORPHIC ETHICAL EQUITIES FUND

Monthly Report
May 2025



Fund Objective

The Morphic Ethical Equities Fund Limited (MEC) 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.

MEC 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.)	5 Years (p.a.)	ITD (p.a.) [^]
MEC ¹	6.22%	1.39%	-0.86%	12.37%	8.36%	8.54%	7.54%
Index ²	5.14%	-0.94%	4.09%	17.45%	16.44%	14.07%	12.49%

* Past Performance is not an indication of future performance. ^ Fund listing on the ASX 3 May 2017

Source: Ellerston Capital

Performance Summary

MEC returned **+6.22%** net during the month, versus the MSCI All Countries World Daily Total Return Net Index which returned **+5.14%** over the same period.

Portfolio Commentary

Equity markets posted uniformly strong returns through May, driven by a de-escalation of the trade war between China and the US, strong corporate earnings and positive read-throughs for AI expenditure by large tech companies. Offsetting this, yields on 10 year US Treasury notes rose by 25bps through the month, finishing at an uncomfortably high 4.4% as Trump raised the spectre of tax cuts against a smaller than expected tariff and DOGE revenue/savings base. This saw US technology and consumer discretionary sectors and small cap indices post strong gains, with defensive equities and interest rate sensitive cyclical lagging.

Of particular note was the bullish tone of large technology companies towards AI expenditure. This was led by Microsoft, which at its 3Q25 result, saw a re-acceleration of its Azure business (including a higher contribution from AI revenues within this) and commentary that the business remains short of data centre capacity. In our view, this went a long way in allaying concerns around the impact of models like Deep Seek on the outlook for AI capital expenditure (see our January report for an overview), as well as rumours that Microsoft itself was cancelling leases. Reflecting this, AI stocks have had a strong rally through the month.

Key contributors through the month included Nebius Group, Aritzia and Curtiss-Wright Corporation.

Nebius Group N.V (NBIS US), is a technology company specializing in AI infrastructure. Emerging from Yandex's international operations, it focuses on full-stack AI solutions, including GPU clusters and cloud platforms. Subsidiaries include Toloka, TripleTen, and Avride—which focus on advance data labeling, tech education and autonomous driving technologies. We added to the position through the month following Microsoft's strong outlook for AI demand, which we believe is supportive of the broader demand outlook for Nebius' GPU cloud business.

Aritzia Inc. (ATZ CN), is a multi-brand Canadian apparel retailer marketing "Everyday Luxury" items. It designs and sells exclusive in-house brands like Wilfred, Babaton, and TNA through over 130 boutiques across North America and online. The company continues to grow strongly, benefiting from high demand within its brands and a store roll out program across the US. More certainty on tariffs saw investors refocus on the company's strong underlying fundamentals through May.

Curtiss-Wright Corporation (CW US), is a U.S.-based manufacturer and service provider headquartered in Davidson, North Carolina. The company specializes in engineered products and services for aerospace, defense, and power generation markets, operating through three segments: Aerospace & Industrial, Defense Electronics, and Naval & Power. The company's nuclear technology is likely to be a key beneficiary of the growing power needs for AI related data centres.

Top 10 Positions*

Stocks	Industry	Region
AerCap Holdings NV	Industrials	North America
Aritzia, Inc.	Consumer Discretionary	North America
Bureau Veritas SA	Industrials	Europe
Cellnex Telecom S.A.	Communication Services	Europe
Clean Harbors, Inc.	Industrials	North America
Core Scientific Inc	Information Technology	North America
Corpay, Inc.	Financials	North America
Curtiss-Wright Corporation	Industrials	North America
GFL Environmental Inc	Industrials	North America
Greatland Gold plc	Materials	Europe

Source: Ellerston Capital *Alphabetical Order

Net Tangible Assets (NTA)

NTA value before tax⁶ \$1.2089

NTA value after tax⁶ \$1.1825

Source: Ellerston Capital

Risk Measures

Net Exposure ³	91.83%
Gross Exposure ⁴	91.83%
VAR ⁵	6.59%
Best Month	9.59%
Worst Month	-8.94%
Average Gain in Up Months	2.71%
Average Loss in Down Months	-2.92%
Annual Volatility	13.16%
Index Volatility	10.65%

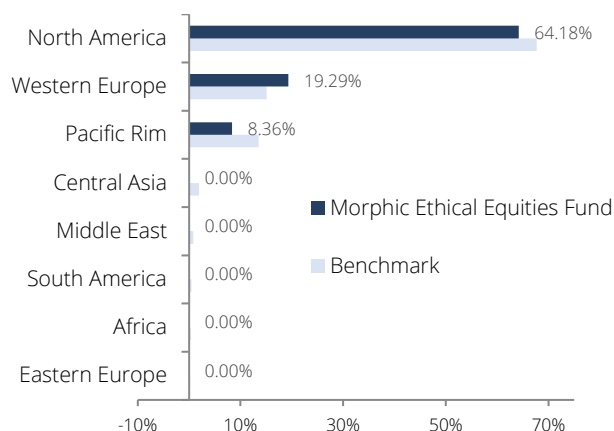
Source: Ellerston Capital

Key Facts

ASX code / share price	MEC / 1.050
Listing Date	3 May 2017
Profit Reserve ⁷	\$0.728
Management Fee	1.25%
Performance Fee ⁸	15%
Market Capitalisation	\$35.7m
Shares Outstanding	33,997,117
Dividend per share ⁹	\$0.00

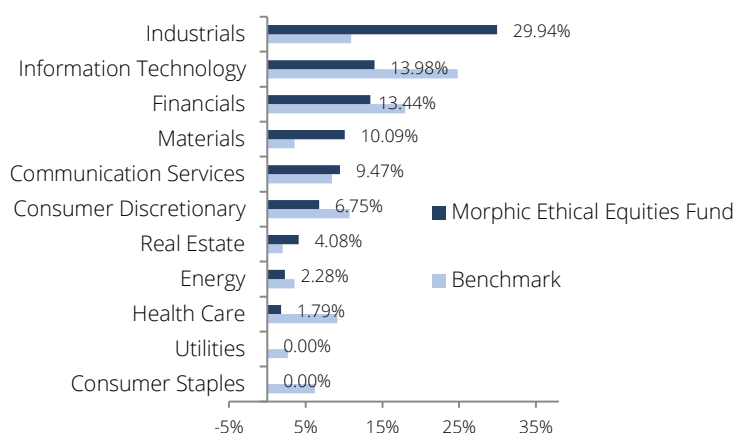
Source: Ellerston Capital

Equity Exposure Summary¹⁰ By region



Source: Ellerston Capital

Equity Exposure Summary¹⁰ By sector



Source: Ellerston Capital

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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 Includes Equities and Commodities - longs and shorts are netted; ⁴ Includes Equities, Commodities and 10 year equivalent Credit and Bonds - longs and shorts are not netted; ⁵ Monthly VAR, gross return; ⁶ The figures are estimated and unaudited; ⁷ 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 MEC realises taxable profits and generates franking credits; ⁸ The Performance Fee is payable annually in respect of MEC's out-performance of the Index. Performance Fees are only payable when MEC achieves positive absolute performance and is subject to a high water mark; ⁹ Annual dividend per share. ¹⁰ Exposure Summary charts do not take into account derivative positions.