

# MORPHIC ETHICAL EQUITIES FUND

Monthly Report  
June 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.) <sup>^</sup>
MEC <sup>1</sup>	7.20%	15.03%	8.47%	21.51%	14.11%	10.12%	8.38%
Index <sup>2</sup>	2.61%	6.05%	3.97%	18.38%	19.25%	14.78%	12.71%

Source: Ellerstion Capital

## Performance Summary

MEC returned **+7.20%** net during the month, versus the MSCI All Countries World Daily Total Return Net Index which returned **+2.61%** over the same period. Over the quarter, the Fund delivered **+15.03%** (net) vs the index return of **+6.05%**.

## Portfolio Commentary

Equity markets continued their rally in June, with the S&P 500 and Nasdaq 100 up double digits and ending the quarter at new all-time highs. Offsetting US equity market performance was the continued decline of the USD, with the DXY falling 7% in the quarter and 11% over the calendar year, marking the biggest 6 month decline in 16 years (since the GFC). The fall in the USD is in part responsible for the continued strength in gold and alternative assets like Bitcoin.

The equity rally has been led by a number of factors previously mentioned in past updates, including US trade deal optimism, cooling inflation data, better than expected corporate earnings, and a quicker than expected end to Middle East Geopolitical tensions (with crude oil prices still down 8% CYTD). Of note, technology stocks, particularly those levered to Artificial Intelligence spend, continued to lead, with the market still enthused by the growing wall of money being funnelled into power, data centres and GPUs.

## Key Quarterly Contributors

**Core Scientific (CORZ US)** rallied strongly through the quarter, contributing 2.87%pts of performance on press speculation that Coreweave (CRWW US), the company's sole customer, could potentially make a takeover offer. While neither company has yet commented publicly, at a high level we believe that a deal makes strategic sense for Coreweave, owing to the added vertical integration, significant financial accretion, and excess power assets that CORZ owns. For CORZ, we see a deal as a positive development given the market's unwillingness to fairly value their contract book and power portfolio.

**Nebius (NBIS US)** contributed 2.10%pts to performance. Nebius 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, Clickhouse, and Avride—which focus on advance data labelling, tech education, and autonomous driving technologies. The stock benefited through the quarter from the strong performance of peer Coreweave, as strong read-through valuations from external financing rounds in two of the group's subsidiaries.

**Curtiss-Wright Corporation (CW US)**, is a U.S.-based manufacturer and service provider headquartered in Davidson, North Carolina. The company specialises in engineered products and services for aerospace, defence, and power generation markets, operating through three segments: Aerospace & Industrial, Defence 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.

## Key Quarterly Detractors:

**Corpay (CPAY US)** fell 10% through the quarter, detracting -0.80%pts from performance. CPAY is a global payments and expense management company that facilitates cross-border payments, accounts payables, and corporate card solutions. In April, Mastercard invested \$300m for a 3% equity stake in the cross-border business at a valuation of 20x EBITDA, highlighting in our view the difficult to replicate network that CPAY has built and the value it has created. Despite this, the stock failed to rally with the market from its April lows on account of concerns around the impact of stablecoins on their payments business, which we see as overblown.

**Warner Music (WMG-US)** had a poor 1Q result, with the stock falling 17% through the quarter and detracting -0.65%pts from performance. Despite the underwhelming subscription revenue growth reported in the quarter, we believe WMG is likely to benefit from a material change to its revenue model with Spotify and other DSPs, which should commence in 2026. WMG is moving towards more consistent wholesale price increases for its catalogue, which should see more stable revenue growth.

## Outlook

Looking ahead, near term we expect volatility will likely remain elevated as the market continue to digest and trade news around US trade deals. Longer term, however, we continue to see a supportive outlook for our portfolio holdings, driven by continued record investment in AI infrastructure, normalising hedge fund positioning, easing inflation expectations and rising global liquidity.

Top 10 Positions\*

Stocks	Industry	Region
AerCap Holdings NV	Industrials	North America
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
Galaxy Digital Inc. Class A	Financials	North America
GFL Environmental Inc	Industrials	North America
Greatland Resources Limited	Materials	Australia
Nexans SA	Industrials	Europe
TKO Group Holdings, Inc. Class A	Communication Services	North America

Source: Ellerston Capital \*Alphabetical Order

Risk Measures	
Net Exposure <sup>3</sup>	97.49%
Gross Exposure <sup>4</sup>	97.49%
VAR <sup>5</sup>	7.40%
Best Month	9.59%
Worst Month	-8.94%
Average Gain in Up Months	2.78%
Average Loss in Down Months	-2.92%
Annual Volatility	13.29%
Index Volatility	10.60%

Source: Ellerston Capital

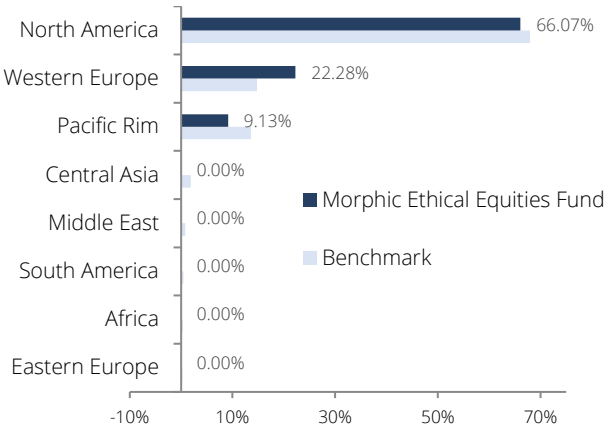
Key Facts	
ASX code / share price	MEC / 1.090
Listing Date	3 May 2017
Profit Reserve <sup>7</sup>	\$0.797
Management Fee	1.25%
Performance Fee <sup>8</sup>	15%
Market Capitalisation	\$36.3m
Shares Outstanding	33,273,106
Dividend per share <sup>9</sup>	\$0.00

Source: Ellerston Capital

Net Tangible Assets (NTA)	
NTA value before tax <sup>6</sup>	\$1.2946
NTA value after tax <sup>6</sup>	\$1.2477

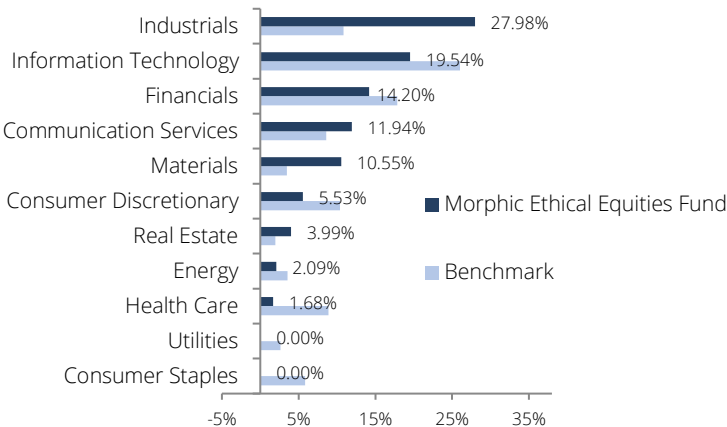
Source: Ellerston Capital

Equity Exposure Summary<sup>10</sup> By region



Source: Ellerston Capital

Equity Exposure Summary<sup>10</sup> By sector



Source: Ellerston Capital

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<sup>1</sup> Performance is net of investment management fees, before company admin costs and taxes; <sup>2</sup> The Index is the MSCI All Countries World Daily Total Return Net Index (Bloomberg code NDUEACWF) in AUD; <sup>3</sup> Includes Equities and Commodities - longs and shorts are netted; <sup>4</sup> Includes Equities, Commodities and 10 year equivalent Credit and Bonds - longs and shorts are not netted; <sup>5</sup> Monthly VAR, gross return; <sup>6</sup> The figures are estimated and unaudited; <sup>7</sup> 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; <sup>8</sup> 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; <sup>9</sup> Annual dividend per share. <sup>10</sup> Exposure Summary charts do not take into account derivative positions.