MORPHIC ETHICAL EQUITIES FUND

Monthly Report
September 2025

A proud founder of: Climate Action 100+

Signatory of: PRI Principles for Responsible Investment

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]	4.0%	6.6%	22.6%	23.9%	17.0%	10.5%	8.9%
Index[2]	2.3%	6.4%	12.9%	22.8%	21.9%	15.3%	13.1%

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

Performance Summary

MEC returned **+4.0%** net during the month, versus the MSCI All Countries World Daily Total Return Net Index which returned **+2.3%** over the same period. For the September quarter, MEC returned **+6.6%** net compared to the Benchmark return of **+6.4%.**

Portfolio Commentary

September saw another month of uniformly positive returns, with both the S&P500 and Nasdaq hitting new all time-highs through the month. Markets were buoyed by continued bets around interest rate cuts as well as the Artificial Intelligence ('AI') trade, which continued apace. Reflecting this, interest rate proxies like gold (+12%), as well as AI related sectors (technology +7.2%, communication +5.6%, utilities +4.2%) led markets.

September marked a month of major AI related capital raisings and agreements. These included Nvidia announcing a $100b partnership with OpenAI to build and deploy 10 gigawatts of compute, a record number of large fund raisings at AI start-ups (Anthropic raising $13b at $183b valuation, xAI raising $10b at $200b), as well as new multi-billion-dollar compute agreements between Microsoft and Nebius, as well as Coreweave and Nvidia. The circular nature of many of these agreements, i.e Nvidia investing in its largest (loss-making) end user, as well as absorbing excess capacity at large AI cloud customers, has raised obvious questions around the sustainability of the investment cycle longer term. However, alongside fresh capital raises across the industry, we believe this underwrites capital expenditure over the coming 12-24 months, providing some revenue certainty for 'picks and shovel' AI companies focused on data centre development.

Key Monthly Contributors and Detractors

Nebius (NBIS-US), an emerging AI neo-cloud business, rallied 64% after signing a $17.4b compute agreement with Microsoft and contributed 247bps to performance in September. This is a landmark agreement for Nebius, validating it as one of the world's few top-tier neo clouds capable of running demanding compute loads for hyper-scalers. The agreement is also a bullish signal for AI compute demand, particularly given Microsoft has historically avoided using third parties. We believe NBIS remains well placed to announce similar agreements, both within the US and abroad.

Galaxy Digital (GLXY-US) rallied 44% through the month in sympathy with Nebius, adding 146bps to performance. Galaxy Digital is a diversified financial services firm focused on digital asset trading, with a significant data centre development as well. We are particularly excited by the opportunities in the latter, with 800MW of contracted power with Coreweave, and significant growth potential. The Helios site has 3.5GW of potential power capacity, which if fully approved, would make it one of the top of five largest data centres in the world.

Corpay (CPAY-US) fell 12% through the month, detracting 63bps from performance. Corpay provides commercial payment cards (e.g corporate cards, fleet cards, virtual cards), accounts payable solutions, and cross border FX services. There was no company specific news flow, though the market likely remains wary of the impact that newly introduced stable coins may have on CPAY's cross-border FX business, which we see as unlikely to be meaningful.

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
Corpay, Inc.	Financials	North America
Galaxy Digital Inc. Class A	Financials	North America
GFL Environmental Inc	Industrials	North America
Nebius Group N.V. Class A	Information Technology	North America
Nexans SA	Industrials	Europe
TKO Group Holdings, Inc. Class A	Communication Services	North America
Warner Music Group Corp. Class A	Communication Services	North America

*Source: Ellerston Capital. *Alphabetical Order.*

Net Tangible Assets (NTA)	
NTA value before tax[6]	$1.3737
NTA value after tax[6]	$1.3091

Source: Ellerston Capital.

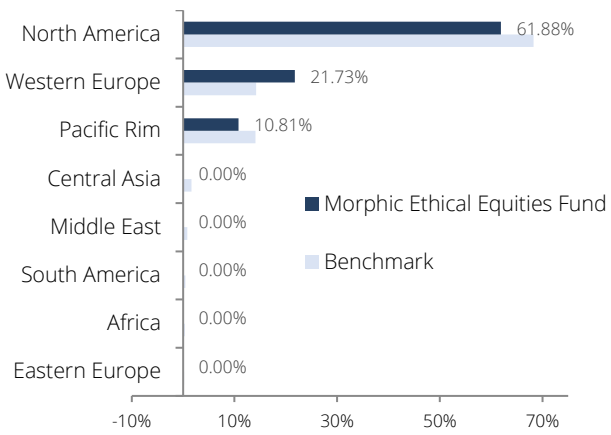
Risk Measures	
Net Exposure[3]	94.42%
Gross Exposure[4]	94.42%
VAR[5]	6.66%
Best Month	9.59%
Worst Month	-8.94%
Average Gain in Up Months	2.75%
Average Loss in Down Months	-2.92%
Annual Volatility	13.16%
Index Volatility	10.48%

Source: Ellerston Capital.

Key Facts	
ASX code / share price	MEC / 1.180
Listing Date	3 May 2017
Profit Reserve[7]	$0.875
Management Fee	1.25%
Performance Fee[8]	15%
Market Capitalisation	$38.4m
Shares Outstanding	32,502,290
Dividend per share[9]	$0.00

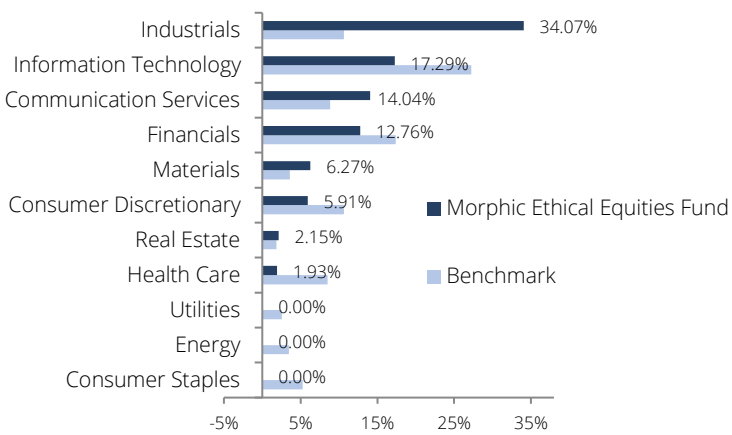
Source: Ellerston Capital.

Equity Exposure Summary[10] By region



Source: Ellerston Capital.

Equity Exposure Summary[10] 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.