

MORPHIC ETHICAL EQUITIES FUND

Monthly Report
October 2025



A proud founder of:



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	0.8%	7.6%	22.4%	21.0%	14.3%	10.7%	9.0%
Index ²	3.5%	6.8%	18.8%	22.7%	20.7%	16.2%	13.5%

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

Source: Ellerston Capital.

Performance Summary

MEC returned **+0.8%** net during the month, versus the MSCI All Countries World Daily Total Return Net Index which returned **+3.5%** over the same period.

Portfolio Commentary

October saw a large bifurcation in market returns with the S&P500 and Nasdaq hitting new all time-highs on the back of a 25bp US rate cut, easing trade tensions and a strong start to corporate earnings. Conversely, the S&P Mid Cap 400 and Small Cap 600 fell -0.47% and -0.88% respectively.

Like much of the past year, the bulk of gains were attributed to a small number of stocks, namely Artificial Intelligence (AI) proxies such as the Magnificent Seven (+4.9%) and many stocks in the S&P500 Technology index (+6.2%). Enthusiasm was driven by continued deal making in the sector (OpenAI/AMD deal), strong early results from the hyper-scalers (with continued upgrades to their capital expenditure commitments) as well as other bullish commentary from AI suppliers.

Beneath the headline numbers however, market breadth was poor, with the S&P500 equal-weight index falling 0.9%, and roughly 60% of the index falling through the month. Said differently, non-AI stocks were broadly weak, impacted by sluggish growth in the real economy and a deteriorating low-end consumer.

Key Monthly Contributors and Detractors

Advantest (6857-JT), a Japanese business that manufacturers critical testing equipment for semi-conductors, rallied 58% in the month, helped by AI enthusiasm and strong results. Despite the strong current demand environment, we still see the business as inherently cyclical and view the current valuation on a 'look through' basis as relatively full. As a result, we used the strength after results to trim our holding, which we have continued to do in recent weeks.

Nebius (NBIS-US), an emerging AI neo-cloud business, rallied 17% through the month. This follows on from its strong performance in September, where it signed a landmark compute agreement with Microsoft. Having grown to a large position, we used the strength through the month to trim our holdings. Nebius remains a core holding and we believe it is likely to continue to benefit from the strong demand environment for GPU compute capacity.

Aritzia (ATZ-CN), a Canadian apparel retail, rallied 16% through the month on the back of strong 3QCY25 results. The business reported >20% sales growth and reiterated its margin outlook despite tariff headwinds. We continue to see Aritzia as well placed to keep gaining share in an otherwise sluggish retail environment, with significant upside if the spending environment improves or tariffs are eased.

Itron (ITRI-US) fell 19% through the month, detracting 48bps from performance. Itron Inc. provides technology, software, and services for energy and water resource management, helping utilities and municipalities measure, manage, and optimize the delivery of electricity, gas, and water. 3Q results were strong, though future order activity remains weak, owing to power utilities pausing many new projects as they assess new grid applications as well as inflation in projects against fixed budgets.

Corpay (CPAY-US) fell 10% through the month, detracting 45bps 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 was likely worried about CPAY's exposure to US fuel volumes and weak gas prices (where it earns a spread). Subsequent to month end the company has since posted reassuring results.

Top 10 Positions*

Stocks	Industry	Region
AerCap Holdings NV	Industrials	North America
Aritzia, Inc.	Consumer Discretionary	North America
Cellnex Telecom S.A.	Communication Services	Europe
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.

Risk Measures	
Net Exposure ³	95.17%
Gross Exposure ⁴	95.17%
VAR ⁵	5.71%
Best Month	9.59%
Worst Month	-8.94%
Average Gain in Up Months	2.73%
Average Loss in Down Months	-2.92%
Annual Volatility	13.09%
Index Volatility	10.46%

Source: Ellerston Capital.

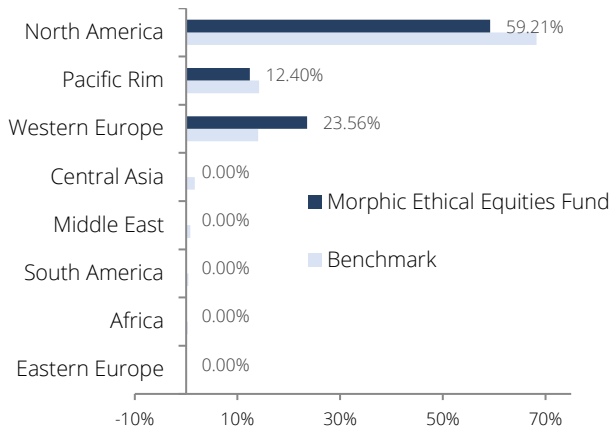
Key Facts	
ASX code / share price	MEC / 1.175
Listing Date	3 May 2017
Profit Reserve ⁷	\$0.894
Management Fee	1.25%
Performance Fee ⁸	15%
Market Capitalisation	\$37.6m
Shares Outstanding	31,984,162
Dividend per share ⁹	\$0.00

Source: Ellerston Capital.

Net Tangible Assets (NTA)	
NTA value before tax ⁶	\$1.3835
NTA value after tax ⁶	\$1.3161

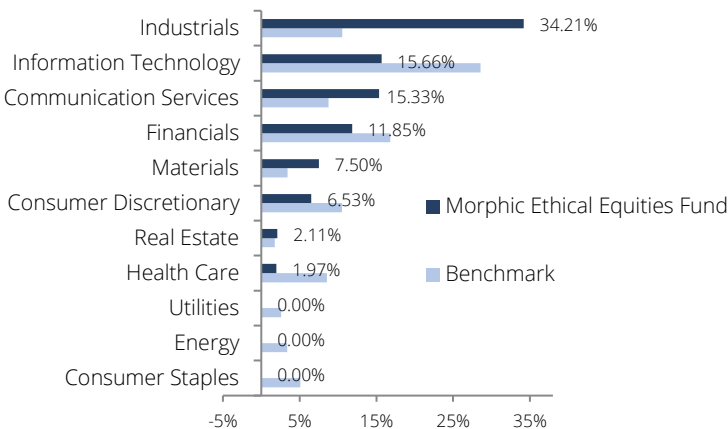
Source: Ellerston Capital.

Equity Exposure Summary¹⁰ By region



Source: Ellerston Capital.

Equity Exposure Summary¹⁰ By sector



Source: Ellerston Capital.

Contact us

Morphic Asset Management Pty Ltd

Level 11, 179 Elizabeth St

Sydney 2000

New South Wales

Australia

[Ellerston Capital – Morphic Ethical](#)

[Equities Fund](#)

Investor Relations

Phone: +61 2 9021 7701

Email: info@ellerstoncapital.com

This communication has been prepared by Morphic Ethical Equities Fund Limited ("MEC") (ACN 617 345 123) and its Manager, Morphic Asset Management Pty Ltd ("Morphic") (ACN 155 937 901) (AFSL 419916). The information contained in this Newsletter is current as of the date of this report, is for information purposes only, is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. Please note that, in providing this communication, MEC and Morphic have not considered the objectives, financial position or needs of any particular recipient. MEC and Morphic strongly suggest that investors consult a financial advisor prior to making an investment decision. No warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this communication. To the maximum extent permitted by law, none of MEC, its related bodies corporate, shareholders or respective directors, officers, employees, agents or advisors, nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence for any loss arising from the use of information contained in this communication. If this communication includes "forward looking statements", such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of MEC and its officers, employees, agents or associates that may cause actual results to differ materially from those expressed or implied in such statement. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. MEC and Morphic assume no obligation to update such information. This communication is not, and does not constitute, an offer to sell or the solicitation, invitation or recommendation to purchase any securities and neither this communication nor anything contained in it forms the basis of any contract or commitment. The Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that Morphic Ethical Equities Fund adheres to the strict disclosure practices required under the Responsible Investment Certification Program for the category of Product Provider. The Certification Symbol is a Registered Trademark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and Morphic Ethical Equities Fund's methodology, performance and stock holdings can be found at www.responsibleinvestment.org, together with details about other responsible investment products certified by RIAA. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed.

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.