

MORPHIC ETHICAL EQUITIES FUND

Monthly Report
April 2026



A proud founder of:



Signatory 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	11.4%	7.6%	5.9%	29.6%	14.5%	7.9%	9.1%
Index ²	5.0%	0.9%	-1.9%	16.6%	16.5%	12.3%	12.4%

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

Source: *Ellerston Capital*.

Performance Summary

MEC returned **+11.4%** net during the month, versus the MSCI All Countries World Daily Total Return Net Index which returned **+5.0%** over the same period.

Market Commentary

April saw a powerful rally across nearly all markets and factors, driven by a strong relief rally as the US and Iran reached a fragile 'ceasefire', as well as a firming narrative around artificial intelligence ('AI'). The rally was compounded by the light positioning of hedge funds and other market participants, who respectively re-grossed and added US equity exposure through the month. Reflecting this, the tech heavy Nasdaq increased 15% in April, posting its best gain since April 2020. Alternatively, the S&P500 equal weight index, which has less tech exposure and normalises for market capitalisation, returned (a still healthy) 6%.

While a more permanent and palatable peace deal in the Middle East remains far from certain, we believe evidence of real-world AI 'usage' has been accelerating in recent months. In our view, the market's key concern until recently has been whether the trillions of dollars being cumulatively spent on AI development will ever generate a financial return, let alone an economic one. We believe the last few months have likely represented a form of turning point for the market's views on AI.

In short, this has been due to the release of increasingly powerful models from Anthropic and OpenAI that are finally creating useful AI applications for enterprise. Importantly, this has been coupled with evidence of demand, notably accelerating paid token usage, rising GPU rental prices, and further upgrades to the capital expenditure and outlooks of the key AI spenders in 2026 and 2027.

Recent result commentary from companies we track was encouraging. Cloud growth at the major hyper-scalers reaccelerated in 1Q26 (AWS +28%, Google Cloud +63%) and enterprise adoption is broadening from cost-reduction pilots into production workloads. Internally, the productivity claims from AI users are becoming more concrete. For example, Amazon rebuilt a major service with five engineers in 65 days versus an estimated 40 people over a year, and in the real economy, Waste Connections is guiding to ~100 basis points of margin improvement from AI tooling by 2028. The overall picture is one of a capital cycle that is deepening rather than plateauing, with demand signals firm enough that the largest spenders are explicitly committing to further increases in 2027.

One consistent theme from the 1Q26 reporting season is that the AI bottleneck has visibly shifted from model capability to physical infrastructure; power, cooling, and data centre capacity, which will take many years to resolve at the current demand curve. The vast majority our AI portfolio holdings are levered to this specific theme.

Select Monthly Contributors and Detractors

SharonAI Holdings (Unlisted) was written up 69% during the month in the Fund. SharonAI is one of the few Nvidia cloud partners in Australia, with potentially attractive power, financing, and customer opportunities. If realised, we believe the company is likely to grow earnings significantly. The company is expected to complement its US listing with an Australian IPO in the coming months.

Applied Optoelectronics (AAOI-US) increased 82% in the Fund through the month. AAOI makes high speed optical transceivers, the “fiber optic plugs” that move data between AI chips and servers inside large data centres. The stock still trades on a very modest earnings multiple versus what management is targeting for 2028 shipments, effectively pricing in a big execution discount on a business that now sits in the slipstream of an exceptionally strong AI infrastructure tailwind, where even “imperfect” delivery against plan could still translate into very attractive long term returns.

Nebius Group (NBIS-US) increased 32% in the Fund through the month. Nebius operates GPU clouds for hyperscalers and enterprises. In March 2026 the company signed a \$27 billion cloud deal with Meta. That same week, NVIDIA announced a \$2 billion direct equity investment in Nebius as a strategic partner for next-generation hyperscale AI infrastructure. In aggregate, Nebius is now sitting on a contracted backlog approaching \$50 billion for the 2027–2031 period, against 2025 revenue of just \$530 million.

IREN Limited (IREN-US) fell 12% in the Fund detracting through the month. IREN has one of the largest power and land banks in the AI data centre landscape, which we continue to view as carrying long term strategic value.

Top 10 Positions*

Stocks	Industry	Region
AerCap Holdings NV	Industrials	North America
Aritzia, Inc.	Consumer Discretionary	Canada
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
MasTec, Inc.	Industrials	North America
Nebius Group N.V. Class A	Information Technology	North America
Nexans SA	Industrials	France
SharonAI Holdings, Inc. Class A	Unlisted	Unlisted

Source: Ellerston Capital. *Alphabetical Order.

Risk Measures	
Net Exposure ³	89.20%
Gross Exposure ⁴	89.20%
VAR ⁵	6.56%
Best Month	11.36%
Worst Month	-8.94%
Average Gain in Up Months	2.85%
Average Loss in Down Months	-2.67%
Annualised Volatility	13.36%
Annualised Index Volatility	10.44%

Key Facts	
ASX code / share price	MEC / 1.210
Listing Date	3 May 2017
Profit Reserve ⁷	\$0.971
Management Fee	1.25%
Performance Fee ⁸	15%
Market Capitalisation	\$37.1m
Shares Outstanding	30,623,748
Dividend per share ⁹	\$0.01

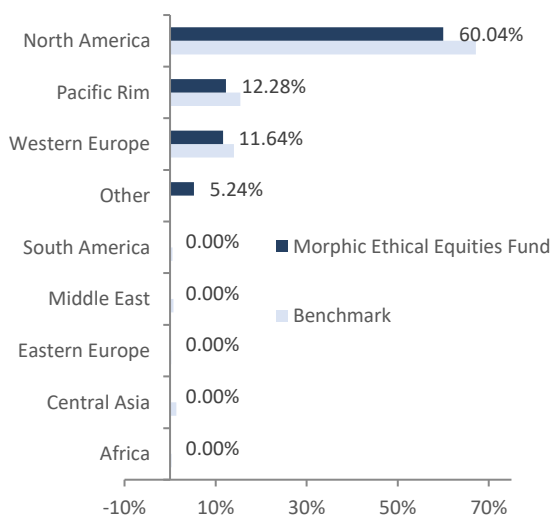
Source: Ellerston Capital.

Net Tangible Assets (NTA)

NTA value before tax ⁶	\$1.4465
NTA value after tax ⁶	\$1.3604

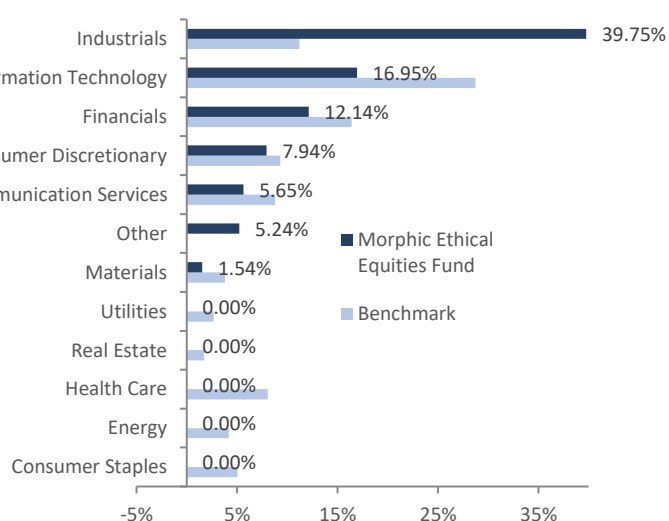
Source: Ellerston Capital.

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.