



Signatory of:



MORPHIC GLOBAL OPPORTUNITIES FUND

Monthly Report
March 2018

Fund Objective

The Fund seeks long term capital growth by investing in global shares and excluding direct investments in entities involved in environmental destruction, intensive animal farming, tobacco, alcohol, armaments and gambling. The Fund aims to have exposures in companies that are cheap, of high quality and where momentum supports the investment thesis. The Fund can also hedge to manage risk.

Investment returns

	1 Month	3 Months	CYTD	1 Year (p.a.)	3 Years (p.a.)	5 Years (p.a.)	ITD p.a.
Morphic Global Opportunities Fund	0.72%	2.68%	2.68%	15.45%	7.67%	15.89%	17.15%
Index ¹	-0.58%	0.99%	0.99%	14.22%	7.97%	16.12%	17.25%

Portfolio review

The Fund rose 0.7% in March, outperforming global markets. Global markets fell 2.4% in USD terms, offsetting this the Australian dollar fell over 1%. For the first quarter, the Fund rose 2.7%, against a backdrop of volatile markets.

March saw the end of a see-sawing quarter. It began with a strong rally in January; a swift collapse of markets driven by the extinction of many volatility funds; a rally back; and then another fall on Trump's tariff war with China. Investors could be forgiven for pining for 2017 returns.

Emerging Markets were the best performing sector (+1.1% USD) for the quarter, which is unusual in risk-off periods, with Europe (-2.6%) the worst region. Retailing was the best sector (+8.9%) with Staples and Telecom (-6%) the worst.

The Fund's largest contributor for the month was the short position in Swiss freight forwarder, Panalpina. Panalpina reported worse than expected numbers for their final quarter result, leading to concerns that expectations of a turnaround in 2018/19 may not materialise.

The long position in Alstom was the second largest contributor. During the month, the company reported that agreement of merger terms with Siemens had progressed and closing of the deal this year remains on track. The stock continues to trade at a large discount to the merged entity's fair value.

The largest detractor was the Fund's long position in China Everbright (CEI). Towards the end of the month, news emerged about a government plan to restrict Private Public Partnership (PPP) financing deals in the future. CEI does not have exposure to PPP deals per se, though higher financing costs could affect the debt costs for future projects. We remain holders.

Outlook

We have consistently held a somewhat more optimistic view towards the [2018 outlook](#) than others seem to hold, though the last month is testing that view.

If one steps back, it should be noted that earnings continue to be revised higher globally; indicators of economic growth are not consistent with falling earnings; and valuations outside the US are not demanding (Japan trades on 13.5x P/E). The behaviour of Emerging Markets making new highs relative to the US market is also not consistent with sustained risk-off.

Offsetting this, corporate credit spreads have widened this year and the cost of capital continues to rise with the Federal Reserve tightening. The manager is less concerned about the esoteric funding spreads being obsessed over.

As such the view of markets remains net-net positive at this stage. The Fund remains overweight Japan and Asia.

Performance of AUD \$10,000



Key Facts^{2,3}

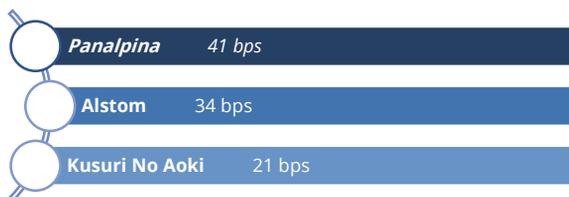
Launch Date	August 2 nd , 2012
Minimum Initial Investment	AUD 10,000
Pricing and Liquidity	Daily
Distributions	January and July
Management Fee ⁴	1.35%
Performance Fee ⁵	15.375%
Entry and Exit Fees	Zero
Buy/Sell Spread	0.3% each side
Unit Price	\$ 1.6951
Funds Under Management – Fund (AUD)	\$ 145m
Funds Under Management – Strategy (AUD)	\$ 202m

Top 10 Active Positions

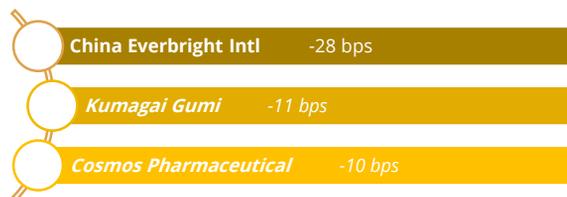
Stocks (Shorts)	Theme	Region	Position Weighting
Alstom	Global Rail	Europe	4.3%
China Everbright Intl	Environmental & Facilities	Asia Pacific	2.9%
Service Corp	US Deathcare	North America	2.6%
Open House	Japanese Homebuilders	Asia Pacific	2.3%
Macromill	Global Research	Asia Pacific	2.3%
Haseko	Japanese Homebuilders	Asia Pacific	2.0%
Western Alliance	US Quality Banks	North America	1.7%
DSV	Global Freighters	Europe	1.7%
Eagle Bancorp	US Quality Banks	North America	1.6%
Phillips Lighting	Electrical Equipment	Europe	1.6%

Risk Measures	
Net Exposure ⁶	102%
Gross Exposure ⁷	127%
VAR ⁸	1.08%
Upside Capture ⁹	102%
Downside Capture ⁹	84%
Best Month	7.71%
Worst Month	-3.52%
Average Gain in Up Months	2.86%
Average Loss in Down Months	-1.77%
Annual Volatility	9.37%
Index Volatility	9.47%

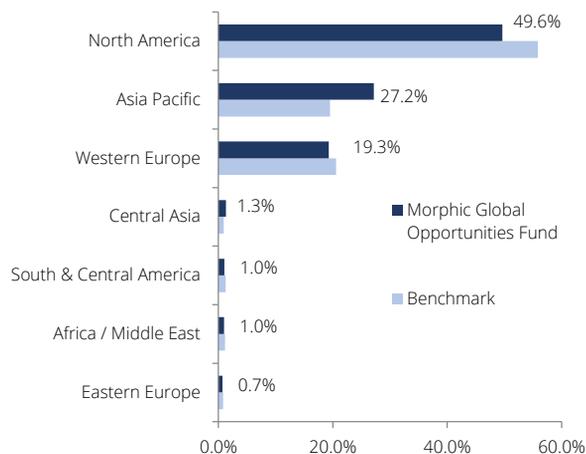
Top three alpha contributors¹¹ (bps)



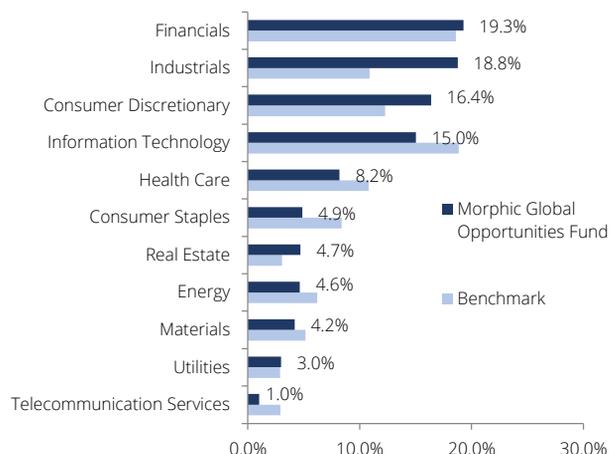
Top three alpha detractors¹¹ (bps)



Equity Exposure Summary By region



Equity Exposure Summary By sector



This report is for information purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security by the sender or Morphic Asset Management Pty Ltd ("Morphic") (ACN 155 937 901) (AFSL 419916). This report does not take into account the investment objectives, financial situation or particular needs of any particular person. Investors should obtain individual financial advice based on their own particular circumstances before making an investment decision. Any person considering investment in the Morphic Global Opportunities Fund ("MGOF") should first review the Product Disclosure Statement (PDS) for the Fund issued by Perpetual Trust Services Ltd dated 04/12/2017. Initial Applications for units in the MGOF can only be made pursuant to the application form in the PDS. Morphic does not guarantee repayment of capital or any particular rate of return from the MGOF. Past performance is no guarantee of future performance. Investment returns have been calculated in accordance with normal industry practice utilising movements in unit price and assuming reinvestment of all distribution of income and realised profits. Statements of fact in this report have been obtained from and are based upon sources that Morphic believes to be reliable, but Morphic does not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions and estimates included in this report constitute Morphic's judgement as at the date of this communication and are subject to change without notice.

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 Global Opportunities 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 Trade Mark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and Morphic Global Opportunities 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. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

1 The Index is the MSCI All Countries World Daily Total Return Net Index (Bloomberg code NDUEACWF) in AUD; 2 ISIN AU60PER06735, APRI PER0673AU; 3 All fees shown are inclusive of GST; 4 The Manager may also recoup a maximum of 0.27% in expenses related to operating the Fund; 5 The Performance Fee is payable semi-annually in respect of the Fund's out-performance of the Index. Performance Fees are only payable when the Fund achieves positive absolute performance and is subject to a high water mark; 6 Includes Equities and Commodities - longs and shorts are netted; 7 Includes Equities, Commodities and 10 year equivalent Credit and Bonds - longs and shorts are not netted; 8 VAR is Value at Risk based upon the 95th percentile with a 1 day holding period using a 1 year look back; 9 Based on gross returns since Fund's inception; 10 As a percentage of the Fund's Value at Risk (VaR) Limit; 11 Attribution: relative returns against the Index excluding the effect of hedges.