



Share Purchase
Plan

MORPHIC ETHICAL EQUITIES FUND



Share Purchase Plan

Morphic Ethical Equities Fund Limited (ASX: MEC) shareholders will have the opportunity to purchase a parcel of Shares up to the value of A\$15,000 under a Share Purchase Plan (**SPP**).

Date: 6 December 2018

Letter to Shareholders

Dear fellow shareholders,

The Morpic Ethical Equities Fund Limited (ASX: MEC)
Share Purchase Plan

The Morpic Ethical Equities Fund Limited (MEC, or the Company) Board of Directors is pleased to offer you the opportunity to participate in the MEC Share Purchase Plan (SPP) which was announced on 5 December 2018.

The SPP offers existing shareholders the opportunity to acquire up to \$15,000 worth of ordinary, fully paid MEC shares (Shares) without incurring any brokerage. The SPP will be offered to existing shareholders at a price of \$0.93 a share, being a 3.1% discount to the price on 3 December 2018 (being the last day on which trading in MEC Shares occurred before the SPP was announced). As at November 30th, 2018, the Pre-Tax NTA was \$1.11 per share and the Post Tax NTA was \$1.10 per share.

New Shares

The new shares issued under the SPP will rank pari-passu with existing ordinary shares. Shareholder approval is not required in relation to the SPP.

The maximum number of shares that can be issued under the SPP is 13,664,228 shares.

Background to the issue

On 5 December MEC closed a successful capital raising through a placement of shares to professional and sophisticated investors (Placement). The Placement was conducted at \$0.93 per share, being the same price as the SPP.

The Placement saw strong demand and MEC has accepted commitments for a total of 6,832,000 Placement Shares, which will raise \$6,353,760. The Placement Shares will rank equally with existing MEC shares. The Placement did not require shareholder approval as MEC utilised its existing placement capacity under ASX Listing Rule 7.1.

The Board is conscious that the SPP and the Placement will result in dilution of the NTA per share for any shareholders who will not participate.

The decision to proceed with the SPP and Placement was made after balancing this against the opportunity to make a permanent saving in the per share operating costs of running the Company by increasing its size.

Additionally the Board hopes that as the Company increases in size, the on-market liquidity for its shares will improve. This in turn is expected to result in increased interest from financial planners and direct investors. Over time the Board also hopes to see the Company attain broker and research coverage.

Dividend Policy

The SPP and the Placement do not change the Company's previously stated intention of paying steady semi-annual dividends, subject to the availability of distributable profits.

Even after allowing for the shares issued in the placement and the maximum number of shares that can be issued under the SPP, the Company has sufficient profits reserve to maintain the current dividend rate of one cent per share for at least the next four half-year periods.

Use of the Additional Capital

The proceeds of the additional capital will continue to be invested in accordance with the philosophy laid out in the prospectus for the MEC Initial Public Offer.

Interactions with investors confirm that MEC's unique combination of an ethically screened global equities fund combined with the tight risk focus inherent in its long-short strategy is finding increased resonance with investors.

Deadline for Acceptances

The final date for acceptance of the SPP is 18 January 2019.

I encourage you to read this SPP Offer Booklet carefully and in its entirety before making a decision to participate in the SPP. Updates on the MEC's NTA are released to the ASX weekly.

If you have any questions in relation to the SPP please contact Jack Lowenstein on (02) 9194 6701. Jack is a director of MEC and the Managing Director of MEC's Investment manager, Morpic Asset Management.

On Behalf of the MEC Board of Directors I thank you for your continued support.

Yours sincerely

JoAnna Fisher

Chairman

Morphic Ethical Equities Fund Limited

TIMETABLE

SPP Record Date	4 December 2018
Announcement of SPP	5 December 2018
Issue of this SPP Booklet	6 December 2018
SPP Opens	5pm (Sydney time) 6 December 2018
SPP Closing Date	7pm (Sydney time) 18 January 2019
Issue of SPP Shares	29 January 2019
Despatch of holding statements for SPP Shares	30 January 2019
SPP Shares expected to commence trading on ASX	30 January 2019

MEC may vary any of the above dates at its discretion (even if the offer has opened, or BPAY® payments or Application Forms have been received) by lodging a revised timetable with the ASX.

SPP TERMS AND CONDITIONS

The offer to purchase Shares under the SPP is not a recommendation to acquire Shares. If you are in any doubt about the SPP, you should obtain professional financial and/or taxation advice.

Nothing contained in these terms and conditions (**SPP Terms and Conditions**), the SPP application form (**Application Form**) or any other accompanying documentation constitutes investment or financial product advice or is intended to influence your decision whether or not to participate in the SPP. References in these SPP Terms and Conditions to A\$ or AUD should be read as Australian dollars. If you apply to participate in the SPP by making a BPAY® payment or completing and returning the Application Form with a cheque, bank draft or money order, you are accepting the risk that the market price of the Shares may change.

1. Eligible Shareholders

- (a) You are eligible to participate in the SPP if you (**Eligible Shareholder**):
- (i) are a registered as a as holders of fully paid ordinary Shares in MEC (**Shares**) at 7.00pm (Sydney time) on 4 December 2018 (**Record Date**);
 - (ii) have a registered address is in Australia or New Zealand; and
 - (iii) are not in the United States and are not acting for the account or benefit of a person in the United States
- (b) Directors and employees of MEC who are Eligible Shareholders may participate in the SPP.
- (c) Shareholders who:
- (i) hold Shares on behalf of persons who reside outside Australia or New Zealand;
 - (ii) are in the United States; or
 - (iii) are acting for the account or benefit of a person in the United States,
- are not entitled to participate in the SPP on behalf of those persons.

- (d) A trustee, nominee or custodian must not participate in the SPP on behalf of, nor distribute this document or any other document relating to the SPP to, any person in the United States. The Shares to be issued under this SPP have not been and will not be registered under the United States Securities Act of 1933, as amended (**U.S. Securities Act**), or the securities laws of any state or other jurisdiction of the United States. Accordingly, Shareholders who are located in the United States or are acting for the account or benefit of a person in the United States are not Eligible Shareholders and are not entitled to participate in the SPP.
- (e) To the extent that you hold Shares on behalf of another person resident outside Australia or New Zealand, it is your responsibility to ensure that any application complies with all applicable foreign laws. You must not distribute any documents relating to the SPP to any person in the United States. Consistent with the representations, warranties and acknowledgements contained in section 3 of this booklet and the Application Form included with these SPP Terms and Conditions, you may not submit any completed Application Forms for any person in the United States or who is acting for the account or benefit of a person in the United States. Failure to comply with these restrictions may result in violations of applicable securities laws.
- (f) Shareholders who are joint holders of Shares are taken to be a single registered holder of Shares for the purposes of determining whether they are an Eligible Shareholder, and the certification under section 2(b) by one joint holder will be effective in respect of the other joint holder(s).
- (g) If you are a custodian (as defined in Australian Securities and Investments Commission (**ASIC**) Class Order [CO 09/425]), you may apply for up to A\$15,000 worth of Shares for each beneficiary subject to you delivering a certificate addressed to MEC with the following information (**Custodian Certificate**) before 5.00pm (Sydney time) on **18 January 2018 (Closing Date)**:
- (i) confirmation of either or both of the following:
 - (A) that you hold Shares on behalf of one or more other persons (each a **participating beneficiary**) that are not custodians; or
 - (B) that another custodian (**downstream custodian**) holds beneficial interests in Shares on behalf of one or more other persons (each a **participating beneficiary**), and you hold the Shares to which those beneficial interests relate on behalf of the downstream custodian or another custodian;
 - (ii) confirmation that each participating beneficiary has subsequently instructed the following persons:
 - (A) where section 1(g)(i)(A) above applies – you; or
 - (B) where section 1(g)(i)(B) above applies – the downstream custodian, to apply for Shares on their behalf under the SPP;
 - (iii) the number of participating beneficiaries and their names and addresses;
 - (iv) in respect of each participating beneficiary:
 - (A) where section 1(g)(i)(A) above applies – the number of Shares that you hold on their behalf; or
 - (B) where section 1(g)(i)(B) above applies – the number of Shares to which the beneficial interests relate;

- (v) in respect of each participating beneficiary:
 - (A) where section 1(g)(i)(A) above applies – the number or the dollar amount of Shares they have instructed you to apply for on their behalf; or
 - (B) where section 1(g)(i)(B) above applies – the number or the dollar amount of Shares they have instructed the downstream custodian to apply for on their behalf;
- (vi) confirmation that there are no participating beneficiaries in respect of which the total of the application price for the following exceeds A\$15,000:
 - (A) the Shares applied for by you under the SPP in accordance with the instructions referred to in section 1(g)(v) above; and
 - (B) any other Shares issued to you in the 12 months before the application as a result of an instruction given by them to you or the downstream custodian to apply for Shares on their behalf under an arrangement similar to the SPP;
- (vii) confirmation that a copy of these SPP Terms and Conditions was given to each participating beneficiary; and
- (viii) where section 1(g)(i)(B) above applies – the name and address of each custodian who holds beneficial interests in the Shares held by you in relation to each participating beneficiary.
- (h) If you hold Shares as a trustee or nominee for another person, but are not a custodian as defined in ASIC Class Order [CO 09/425], you cannot participate for beneficiaries in the manner described above. In this case, the rules in section 2(b) apply.
- (i) Custodians wishing to participate on behalf of a beneficiary or beneficiaries must provide the certifications required by ASIC Class Order [CO 09/425] and should contact the registry on 1300 855 080 (within Australia) or + 61 3 9415 4000 (from overseas) to request a custodian Certificate that contains these certifications and other details required to be provided by the custodian.
- (j) If you are an Eligible Shareholder, your rights under the SPP are personal to you and are non-renounceable, which means you cannot transfer your rights to another person.

2. Applying for SPP Shares

- (a) Participation in the SPP is optional.
- (b) Eligible Shareholders can only apply for a maximum of A\$15,000 worth of Shares in aggregate under the SPP (unless you are applying as a custodian). This limitation applies even if Eligible Shareholders receive more than one Application Form due to multiple holdings, or if they hold Shares in more than one capacity such as if they are a sole Eligible Shareholder and a joint Eligible Shareholder and/or an Eligible Shareholder with more than one holding under a separate account or designation.
- (c) Eligible Shareholders may apply to purchase a parcel of Shares with a dollar amount of **A\$2,500, A\$5,000, A\$7,500, A\$10,000 or A\$15,000**. If you are an Eligible Shareholder and wish to participate in the SPP, you must follow the instructions on the Application Form and:
 - (i) if the Application Form provides for electronic applications, you may make payment by BPAY® equivalent to the dollar amount of the parcel of Shares you wish to apply for (including providing the customer reference number provided to you for the purposes of the SPP only) (**Electronic Application**) by 5.00pm (Sydney time) on the Closing Date; or

- (ii) irrespective of whether the Application Form provides for Electronic Applications, you may complete the Application Form and provide a cheque, bank draft or money order made payable to "*Morphic Ethical Equities Fund Limited*" and crossed "*Not Negotiable*" (**Written Application**). Payments must be made in Australian dollars. Please ensure that sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. A Written Application should be posted so that it is received by the registry by the Closing Date.

The number of Shares that you apply for will be calculated by dividing the relevant dollar amount by the Issue Price (see section 4). If this calculation produces a fractional number, the maximum number of Shares issued will be rounded down to the nearest whole Share.

If MEC receives an application amount that is not equal to **A\$2,500, A\$5,000, A\$7,500, A\$10,000 or A\$15,000**, MEC has the ability to accept the amount. If MEC receives less than A\$500, MEC will reject your application and refund your application monies in accordance with section 6.

If you make an Electronic Application, in applying for Shares, you represent to MEC that the total of the application price for the following does not exceed A\$15,000:

- (i) the Shares the subject of the application;
- (ii) any other Shares applied for under the SPP or any Shares issued under a similar arrangement in the 12 months before the application;
- (iii) any other Shares which you have instructed a custodian to acquire on your behalf under the SPP; and
- (iv) any other Shares issued to a custodian under an arrangement similar to the SPP in the 12 months before the application as a result of an instruction given by you to the custodian or another custodian and which resulted in you holding beneficial interests in the Shares.

It is noted that no Shares in MEC have been issued pursuant to an SPP or similar arrangement in the preceding 12 months.

- (d) Eligible Shareholders who receive more than one offer under the SPP (for example, because they hold Shares in more than one capacity) may apply on different Application Forms for Shares but may not apply for Shares with an aggregate dollar amount of more than A\$15,000.
- (e) MEC may accept or reject your application for Shares at its discretion. MEC may reject your application in the following circumstances (among others):
 - (i) your Application Form is incorrectly completed, incomplete or otherwise determined by MEC to be invalid;
 - (ii) you have provided MEC with application monies of less than A\$2,500;
 - (iii) your cheque is dishonoured or the cheque, bank draft or money order that you enclose with your Application Form is not made out for the amount referred to in your Application Form;
 - (iv) it appears that you are applying to acquire Shares with an aggregate application price (when aggregated with the application price of any Shares issued to you or a custodian on your behalf under the SPP or similar arrangement in the previous 12 months) in excess of A\$15,000;
 - (v) you are a custodian and you have not provided the required custodian Certificate;

- (vi) your Application Form is received after the Closing Date; or
- (vii) MEC believes you are not an Eligible Shareholder (subject to compliance with any applicable ASIC or ASX Limited (**ASX**) requirements).

3. Effect of Making an Application

- (a) If you make an Electronic Application or Written Application, by making that application:
 - (i) you warrant that you have read and accepted these SPP Terms and Conditions in full and you declare that all details and statements in your Application Form are true and complete and not misleading;
 - (ii) you acknowledge that you are an Eligible Shareholder using the unique identifier provided to you for purposes of the SPP only;
 - (iii) you irrevocably and unconditionally agree to these SPP Terms and Conditions and the terms of the Application Form and agree not to do any act or thing that would be contrary to the spirit, intention or purpose of the SPP;
 - (iv) you acknowledge your application is irrevocable and unconditional and cannot be varied;
 - (v) you certify that the total of the application price for the following does not exceed A\$15,000:
 - (A) the Shares the subject of your application;
 - (B) any other Shares you applied for under the SPP or any Shares issued under a similar arrangement in the 12 months before the application;
 - (C) any other Shares which you have instructed a custodian to acquire on your behalf under the SPP; and
 - (D) any other Shares issued to a custodian under an arrangement similar to the SPP in the 12 months before the application as a result of an instruction given by you to the custodian or another custodian and which resulted in you holding beneficial interests in the Shares.
 - (vi) you, and each person for whose account or benefit you are acting, are not in the United States and you are not acting for the account or benefit of a person in the United States;
 - (vii) you acknowledge that the Shares have not, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States, and accordingly, the Shares may not be offered, sold or resold in the United States;
 - (viii) you represent that you have not, and you agree that you will not, send any materials relating to the SPP to any person in the United States or to any person acting for the account or benefit of a person in the United States;
 - (ix) you accept the risk associated with any refund that may be dispatched to your address or to your nominated bank account as shown on the MEC register;
 - (x) you are responsible for any dishonour fees or other costs MEC may incur in presenting a cheque for payment that is dishonoured;

- (xi) you acknowledge that no interest will be paid on any application monies held pending the issue of the Shares or subsequently returned to you for any reason;
 - (xii) you acknowledge that you have not been provided with investment advice or financial product advice by MEC or the registry and that neither of them has any obligation to provide this advice in relation to your consideration as to whether or not to participate in the SPP; and
 - (xiii) you acknowledge that MEC is not liable for any exercise of its discretions referred to in these SPP Terms and Conditions.
- (b) In addition, if you make a Written Application, by making that Written Application:
- (i) you authorise MEC to correct minor errors in your Application Form and to complete the Application Form by inserting any missing minor detail; and
 - (ii) you acknowledge that MEC may determine that your Application Form is valid, in accordance with these SPP Terms and Conditions, even if the Application Form is incomplete, contains errors or is otherwise defective.

4. Price of Shares issued under the SPP

- (a) The Issue Price is A\$0.93 per new Share, which represents a discount of **3.1%** to the closing price of Shares on 3 December 2018 (A\$0.96) and a **5.4%** discount to the VWAP over the 5 trading days ending on 3 December 2018 (being the last day on which trading in MEC shares occurred before the SPP was announced).
- (b) You agree to pay the Issue Price per Share for the number of Shares calculated under section 2(a) or, if there is a Scale back (as defined below), the number of Shares calculated under section 6.
- (c) You acknowledge the risk that the market price of the Shares may change (i.e. rise or fall) between the date of this booklet and the date the Shares are issued to you under the SPP (**Issue Date**) which may mean that the Issue Price you pay for the Shares may exceed or be less than the market price of the Shares on the Issue Date.

5. Ranking of Shares

Shares issued under the SPP will rank equally in all respects with existing Shares quoted on the ASX, with the same voting rights, dividend rights and other entitlements.

6. Scale back and refunds

- (a) MEC may in its absolute discretion allocate to you less than the number of Shares you have applied for (**Scale back**). If there is a Scale back, MEC may in its absolute discretion determine to apply the Scale back to the extent and in the manner that it sees fit.
- (b) If there is a Scale back, you may receive less than the parcel of Shares for which you applied. If a Scale back produces a fractional number of Shares when applied to your parcel, the number of new Shares you will be allocated will be rounded down to the nearest whole number of new Shares.
- (c) In the event of a Scale back, the difference between the application monies received, and the number of new Shares allocated to you multiplied by the Issue Price, will be refunded to you in accordance with section 7 of this booklet.

7. Refunds

- (a) Any difference between the value of the Shares you are issued (calculated using the Issue Price) and the application money you paid will be treated as follows:
- (i) the difference is less than A\$2.00, it will be retained by MEC; and
 - (ii) if the difference is A\$2.00 or more, it will be refunded to you without interest.
- (b) If you are entitled to a refund of all or any of your application monies, the refund will be paid to you, without any interest, as soon as practicable after the SPP closes, by direct credit to the Australian bank account nominated by you for payment of MEC dividends or by cheque to your address shown on the Register.

8. Costs of Participation

No brokerage, commissions or other transaction costs will be payable by Eligible Shareholders in respect of the application for, and the issue of, Shares under the SPP.

9. Compliance

The offer of Shares under the SPP is made in accordance with the requirements of ASIC Class Order [CO 09/425] (as amended).

In making this offer of Shares under the SPP to existing Shareholders in New Zealand, the Company is relying on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016, by virtue of which booklet is not required to be registered in New Zealand.

10. Dispute Resolution

MEC may settle in any manner it thinks fit, any difficulties, anomalies or disputes that may arise in connection with or by reason of the operation of the SPP and the decision of MEC will be conclusive and binding on all participants and other persons to whom the determination relates.

11. Waiver, amendment, suspension and withdrawal

MEC may, at its discretion, waive compliance with any provision of these SPP Terms and Conditions, amend or vary these SPP Terms and Conditions, or suspend or withdraw the offer at any time. Any such waiver, amendment, variation, suspension or withdrawal will be binding on all Eligible Shareholders even where MEC does not notify you of the event.

12. No Underwriting

The SPP will not be underwritten.

13. Governing Law

These SPP Terms and Conditions are governed by the laws in force in New South Wales.

14. Privacy Policy

- (a) Chapter 2C of the Corporations Act 2001 requires information about you as a Shareholder including your name, address and details of the Shares you hold to be included in the public register of the entity in which you hold Shares. This information must continue to be included in the public register if you cease to be a Shareholder. The *Privacy Amendment (Private Sector) Act 2000* does not alter these statutory obligations.
- (b) MEC and Computershare Investor Services Pty Limited (**Computershare**) may collect personal information to process your application and implement the SPP, and to administer your Shareholding.

- (c) The personal information contained on the MEC register is also used to facilitate payments and corporate communications (including financial results, annual reports and other information to be communicated to Shareholders) and to ensure compliance with legal and regulatory requirements, including Australian taxation laws and the Corporations Act 2001.
- (d) The personal information we collect may include your name, address, other contact details, bank account details and details of your MEC Shareholdings.
- (e) MEC Shareholders who are individuals and the other individuals in respect of whom personal information is collected, as outlined above, have certain rights to access, correct or update the personal information held about them, subject to some exceptions allowed by law. Such individuals should contact Computershare in writing; to the address in the Corporate Directory or by emailing privacy@computershare.com.au in the first instance if they wish to request access to that personal information. Reasons will be given if access is denied.
- (f) Your personal information may be disclosed to joint investors, registry, to securities brokers, to third party service providers (including print and mail service providers, technology providers, and professional advisers), to related entities of MEC and each of their agents and contractors, and to ASX and other regulatory authorities, and in any case, where disclosure is required or allowed by law (which may include disclosures to the Australian Taxation Office and other government or regulatory bodies or where you have consented to the disclosure). In some cases, the types of organisations referred to above to whom we will disclose your personal information may be located overseas including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America.
- (g) The main consequence of not providing the personal information sections in 14(a) to 14(d) above would be that MEC may be hindered in, or prevented from, processing your application, and from conducting and implementing the SPP.
- (h) Computershare's privacy policy is available on their website: <https://www.computershare.com/au>.

CORPORATE DIRECTORY

DIRECTORS

JoAnna Fisher (Chairman)
Jack Lowenstein
Mark Forstmann
Virginia Malley
Chad Slater (Alternate Director)

COMPANY SECRETARY

Josephine Jang

PRINCIPAL REGISTERED OFFICE

Level 3
139 Macquarie Street
Sydney NSW 2000

CONTACT DETAILS

P: (02) 9194 6707
www.morphicasset.com

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street,
Sydney NSW 2000
P: 1300 855 080 or + 61 3 9415 4000
www.computershare.com/au

LEGAL ADVISOR

Kardos Scanlan Pty Limited
Level 5, 151 Castlereagh Street
Sydney, NSW 2000

STOCK EXCHANGE LISTINGS

Morphic Ethical Equities Limited securities are listed on the Australian Stock Exchange under the following exchange code:

Shares: MEC



Morphic Ethical Equities Fund Limited
Level 3, 139 Macquarie Street, Sydney, NSW 2000, Australia

www.morphicasset.com