



**MORPHIC  
ETHICAL  
EQUITIES FUND**

ASX: MEC

# ASX ANNOUNCEMENT

17 August 2023

**Market Announcements Platform  
Australian Securities Exchange  
20 Bridge Street  
Sydney NSW 2000**

## 2023 Full Year Results and Dividend

Enclosed are Morphic Ethical Equities Fund Limited's (ASX: MEC, "Company") Appendix 4E and Annual Report for the year ended 30 June 2023.

The Company is pleased to announce a fully franked dividend of 3.5 cents per share (cps) in respect of the June quarter. If maintained, as we expect, at this level this will reflect an annualised dividend of 14.0 cps. We expect to pay two more fully franked quarterly dividend at this level from our existing stock of franking credits. Since its inception, MEC has declared 21.0 cps in fully franked dividends.

As of 30 June 2023, the Company's profit reserve was 47.8 cps, before the payment of the fully franked dividend of 3.5 cps. After the payment of the fully franked dividend, and including additions to the reserve in July 2023, the profit reserve balance of 45.5 cps represents approximately three and a half years of dividend coverage at the current annualised dividend rate of 14 cps. The Company will continue with quarterly dividend payments in FY24, expected to be at a rate of at least 3.5 cents per quarter. As noted above, in the absence of further tax payments, the current balance of franking credits is however expected, to be exhausted by the end of the first quarter of calendar year 2024.

The record date for this quarterly dividend will be 28 August 2023 and the payment date will be 14 September 2023. The Company's Dividend Reinvestment Plan (DRP) will apply for this dividend.

Please contact MEC's Investor Relations team on 02 9021 7701, if you require more information about this announcement.

Jack Lowenstein  
Chairman

**Morphic Ethical Equities Fund Limited**  
**Appendix 4E Preliminary Final Report**  
**Year ended 30 June 2023**

## Details of Reporting Period

Current: Year ended 30 June 2023

Previous: Period ended 30 June 2022

## Results for announcement to the market

	\$	movement (up/down)	% movement*
Net investment income/(loss)	12,144,324	up	182%
Profit/(Loss) for the year before income tax expense	10,724,204	up	166%
Profit/(Loss) for the year	7,558,999	up	167%

## Dividend information

	Cents per share	Franked amount per share	Tax rate for franking
Quarterly dividend paid in September 2022 (cents per share)	1.5	1.5	30%
Quarterly dividend paid in December 2022 (cents per share)	1.5	1.5	30%
Quarterly dividend paid in March 2023 (cents per share)	1.5	1.5	30%
Quarterly dividend paid in June 2023 (cents per share)	1.5	1.5	30%

## Final dividend dates

Ex-dividend date	25 August 2023
Record date	28 August 2023
Last election date for the Dividend Reinvestment Plan (DRP)	7 September 2023
Payment date	14 September 2023
Date for issue of shares under DRP	14 September 2023

## Net tangible assets

	30 June 2023	30 June 2022
Net Tangible Assets (per share) before tax	1.1823	1.0503
Net Tangible Assets (per share) after tax	1.1905	1.1062

## Dividend Reinvestment Plan (DRP)

The Dividend Reinvestment Plan (DRP) is in operation and the recommended fully franked dividend of 3.5 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the issue price. The relevant issue price will be the volume weighted average price (VWAP) of shares sold on the ASX (on an ex-dividend basis) five days from the ex-dividend date inclusive of the ex-dividend date.

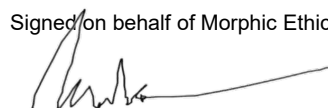
## Audit

This report is based on the financial report which has been audited. All the documents comprise the information required by Listing Rule 4.3A.

## Annual General Meeting

The Annual General Meeting (AGM) is to be held on 18 October 2023.

Signed on behalf of Morpic Ethical Equities Fund Limited



Jack Lowenstein  
Chairman

Sydney  
17 August 2023

**Morphic Ethical Equities Fund Limited**

**ASX: MEC**

ABN 52 617 345 123

**Annual report**

**For the year ended 30 June 2023**

**Morphic Ethical Equities Fund Limited**  
**ASX: MEC**  
ABN 52 617 345 123  
**Annual report**  
**For the year ended 30 June 2023**

<b>Contents</b>	<b>Page</b>
Chairman's Letter to Shareholders	2
Investment Manager's Report	4
Directors' Report	8
Auditor's Independence Declaration	14
Statement of Profit or Loss and Other Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19
Directors' Declaration	33
Independent Audit Report to the Members	34
Shareholder Information	36
Corporate Directory	37

## Chairman's Letter to Shareholders

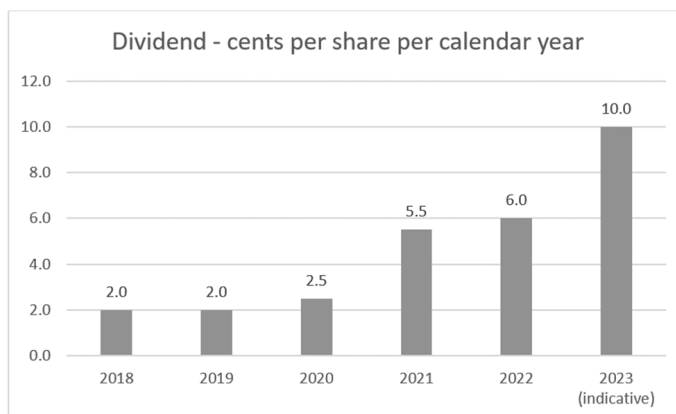
Dear fellow shareholder,

I am pleased to share the Company's annual results, which cover our sixth full year since listing (on 2 May 2017) on the Australian Securities Exchange, and covers the period from 1 July 2022 to the financial year end 30 June 2023.

On behalf of the Board of Directors, I thank all shareholders for their support of the Company and welcome shareholders who have joined us over the last year. MEC continues to deliver strong absolute portfolio performance, since its inception.

Commencing from the first quarter of the year 2022, the Company moved to quarterly dividend payments and has paid 1.5c per quarter fully franked for the three quarters of 2022-2023.

I am pleased to announce that the Board has declared a fully franked dividend of 3.5 cents per share (cps) in respect of the June quarter. If maintained, as we expect, at this level this will reflect an annualised dividend of 14.0 cps. We expect to pay two more fully franked quarterly dividend at this level from our existing stock of franking credits. Since its inception, MEC has declared 21.0 cps in fully franked dividends.



*Note: 2023 (Indicative) includes an indicative quarterly dividend of 1.5 cps paid in the December 2023 quarter.*

The record date for this quarterly dividend will be 28 August 2023 and the payment date will be 14 September 2023.

As of 30 June 2023, the Company's profit reserve was 47.8 cps, before the payment of the fully franked dividend of 3.5 cps. After the payment of the fully franked dividend, and including additions to the reserve in July 2023, the profit reserve balance of 45.5 cps represents approximately three and a half years of dividend coverage at the current annualised dividend rate of 14 cps. The Company will continue with quarterly dividend payments in FY24, expected to be at a rate of at least 3.5 cents per quarter. As noted above, in the absence of further tax payments, the current balance of franking credits is however expected, to be exhausted by the end of the first quarter of calendar year 2024.

The Company remains steadfast and confident in its aim to provide investors with a way to grow their wealth in the longer term, without investing in businesses that harm the environment, people, and society. We do this by continuing to provide shareholders with the opportunity to benefit from an actively managed portfolio of global mid and small-cap securities that have been screened to exclude companies involved in environmentally damaging activities including coal and uranium mining, oil and gas, animal cruelty, tobacco manufacture, armaments, alcohol and gambling.

The Responsible Investment Association of Australia reported that in 2020 only a quarter of investment managers could demonstrate consideration of ESG factors when valuing assets, construction of portfolios and the allocation of capital. Australia's responsible investment market continued to grow and reached \$1.54 trillion in 2021, up from \$1.28 trillion in 2020. These assets under management of leading practice responsible investors now position responsible investment with a 43% share of the total market (up from 40% in 2020). As an early leader in responsible investing, especially in the Listed Investment Company (LIC) category, the Company's screening rules continue to ensure that shareholders can be confident their investments are managed to maximise returns whilst doing so in an ethical manner. As a result, the Company remains certified by the Responsible Investment Association Australasia (RIAA) and the Manager, Morpheic Asset Management, remains a signatory to the Principals for Responsible Investment (PRI).

### COMPANY PERFORMANCE

During the period to 30 June 2023, the Company achieved a pre-tax operating profit of \$10,724,204 and a post-tax operating profit of \$7,558,999. It is also useful to consider the performance for a listed investment Company from the following perspectives:

#### 1. INVESTMENT PERFORMANCE

The Company's investment portfolio performance shows how the Manager has performed before deducting management fees and taxes, as compared to the Company's investment benchmark, the MSCI All Countries World Daily Total Return Net Index in AUD.

For the period to 30 June 2023, the portfolio returned 22.8% (pre-fee and taxes), compared to the benchmark return of 20.4%, in gross terms. The Investment Managers report provides further details on the drivers of this performance.

#### 2. NTA PERFORMANCE

From a shareholder perspective, it is also useful to consider movements in the Company's NTA per share, which adjusts for the impact of management fees and other Company related expenses.

At 30 June 2023 MEC's pre-tax NTA was \$1.1823 per share and its post-tax NTA was \$1.1905 per share. This compares to the pre-tax NTA of \$1.0623 and post-tax NTA of \$1.0736 at listing.

As at 30 June 2023 MEC's shares closed at \$1.01, versus a \$1.00 share price at 30 June 2022.

#### POSITIONING THE COMPANY FOR THE FUTURE

The unwarranted discount of the Company's share price to NTA earlier last financial year prompted the board to initiate a share buyback and announce a revision to the Company's dividend policy.

Up to 30 June 2023 the Company bought back a total of 1.07 million shares at an average price of \$0.980. Between year end and August 8, the Company has bought back a further 1.39 million shares at an average price of \$1.052.

At the Company's upcoming AGM shareholders will be asked to approve a further share buyback of up to 20% of the Company's shares outstanding at that date.

In addition the company has further revised its dividend policy to raise the dividend for the first quarter of financial 2023/24 to 3.5 cents a share fully franked. It is the present intention to pay out a further two quarterly fully franked dividend of the same amount over the following two quarters.

Nevertheless, even though the MEC share price discount to NTA is now one of the lowest among global share focussed Listed Investment Companies, the board still believes it is unsustainably high, and is accordingly considering what further actions may be needed.

#### ANNUAL GENERAL MEETING

This year's Annual General Meeting (AGM) will be held at 11:00 am on 18 October 2023, Relevant details for the AGM will be shared with shareholders in due course. The Directors encourage you to attend the meeting.

Regards,



Jack Lowenstein  
Chairman

## Investment Manager's Report

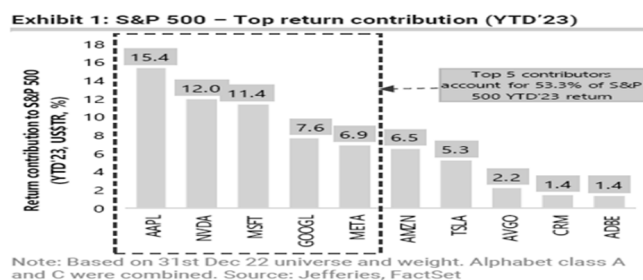
At the time of writing, we have seen a pretty strong start to global equity markets for calendar year 2023. Recent inflation prints are bolstering confidence that global core inflation will continue to fall from the highs experienced over the past several months while global growth and corporate earnings (to date) have held up much better than many had been expecting.

This soft landing scenario is also being underpinned by a consumer who is seemingly adapting to the higher cost of money associated with one of the fastest rate increase environments we have seen in generations, supply chain repair which is lowering freight and input costs (although pockets of semiconductor tightness continues) and an inventory cleanse in many industries which could set us up for a recovery in global manufacturing as inventory stocks will need replenishing.

Returns during the financial year ending June 30, 2023 were quite pleasing given the extreme narrowness of stock performance, which was exceptionally pronounced in the second half of the financial year. There has been a small handful of mega-cap names dubbed "the magnificent seven" that have driven broader indices higher while the average performance of individual stocks outside these names coming in quite lackluster over the period.

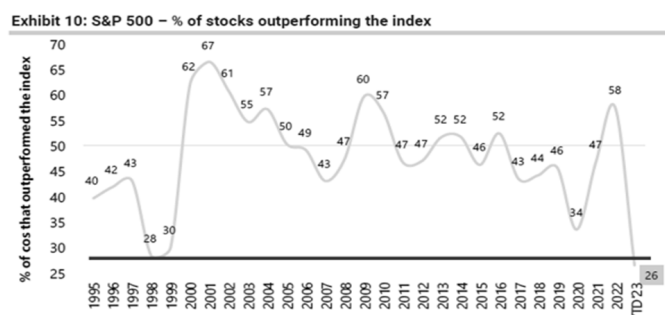
It really did seem like the majority of businesses included in the S&P500 were telegraphing a difficult macro environment associated with tightening financial conditions and the follow-on effects of reduced lending as regional banks came under pressure in March, while the mega-cap tech names soldiered on.

To put this in context, according to Jefferies research, the top five of these stocks (namely Apple, Nvidia, Microsoft, Alphabet and Meta) accounted for over 53% of index returns since the beginning of calendar year 2023 to mid-July 2023:

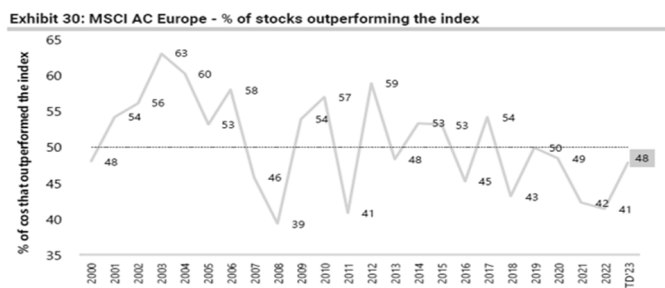


What this setup really demonstrated over the period was the lack of contribution from the rest of the market. Again, up to mid-July 2023 only about 26% of stocks actually outperformed the S&P500 index which resulted in a difficult environment to keep up with the market if you did not have exposure to these mega-cap names or the thematics which are underpinning them.

As you can see in the following graph, the last time we saw this level of narrowness was in the lead up to the dot com bubble, after which the market breadth really expanded at the expense of technology stocks:



The situation in Europe is quite different as European indices don't have the same significant mega-cap stock concentration as seen in the US. Close to 50% of the companies are outperforming the index with earnings revisions in the region coming in pretty broad based. That said, underlying growth in the region remains relatively muted with the focus on earnings resiliency even more important:



During the past financial year equities have had to overcome three main hurdles:

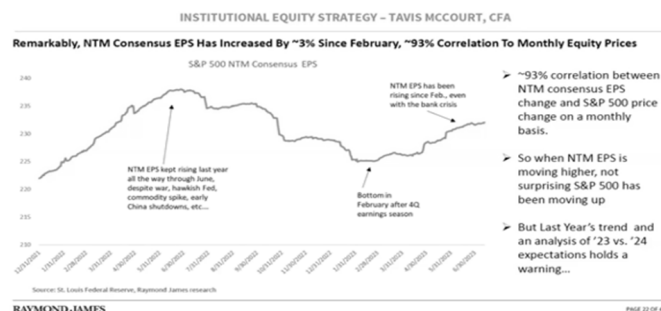
Firstly, global inflation – after the steep rise experienced in 2022, we are seeing inflation trending down pretty markedly around the world and especially in the US. The conditions in Europe are a bit more mixed however given the continent lagged the US in entering a substantial rise in inflation, we would expect a similar trajectory over the coming months.

Secondly, global central bank rate hikes – While the market is still divided on whether we have seen the last of rate increases in the US or if there are more to come, what does seem certain is that we are closer to the end of the rate hiking cycle than the beginning.

## Investment Manager's Report (Continued)

Thirdly, recession concerns – While recent economic indicators are decelerating, economies around the world have been more resilient than expected. The cost of money has increased markedly in this rate cycle while the availability of money has reduced as lending standards have increased as well. Typically, this would lead to a recession (which many have anticipated) however with nominal growth still working its way through the system it appears we will be “anticipating” a recession for the next several months.

So, with inflation concerns subsiding, a rate rise cycle which is pretty much complete and recession concerns being pushed out, earnings expectations have been revised upwards over the past several months and these have a very high correlation with equity market performance:



As it takes time for monetary policy to work through financial markets, it will be interesting to see how the second half of the calendar year 2023 performs from an earnings perspective. We have been saying for some time that 2022 was characterized with inflation and the Fed as bad news stories while earnings remained a good news story. This year inflation and the Fed are non-events in our mind while the focus has to be squarely on earnings resiliency and robustness in the companies we own.

Advantest was the largest positive contributor to the Fund over the year. The company is a global leader in the system on chip (SoC) testing market and operates in a duopoly with US listed Teradyne. Advantest ended its last financial year in March 2023 with a sharp increase in global market share from 47% in 2022 to around 57% this year. While the global semiconductor industry is undergoing a supply digestion period, over the long-term Advantest will benefit from new applications including electric vehicles and large language processing such as ChatGPT which will contribute to strong secular growth.

The next largest contributor to the Fund over the year was Flex Group which is one of the largest contract manufacturers in the world. Flex is benefiting from a number of megatrends in the market including electric vehicles, cloud computing spend and the digitisation of healthcare devices to name a few. One of the key value drivers this year was the spin out and IPO of its Nextrackr business which is the largest solar tracking company in the world. The IPO has been very successful and while Flex has done a couple of sell-downs (generating substantial cash) it still owns >50% of the business.

The largest detractor to the Fund over the period was Assurant which was actually one of the largest positive contributors last year. The company is a global leader operating under a business to business to consumer model partnering with some of the world's largest consumer brands offering protection and integrated services across mobile devices, automobiles, and homes. Unfortunately, the business has been impacted by the significant increase in construction costs which have impacted margins in its home insurance business. We have found the underlying growth opportunities not as attractive as previously thought and as such have exited the position.

Digital Bridge was the next largest detractor to Fund performance however we consider this position will prove to be one of the best demonstrations of our price discovery philosophy. Management has sold down non-core assets and deployed these monies into its digital infrastructure strategy. As a result, it is now a leading global digital infrastructure asset manager with >\$72bn of assets under management. Calendar year 2023 is a transition year for the business as it fully deconsolidates operating assets which will result in a high growth, high return asset manager. It is uniquely positioned in tower, data center, small cell and fiber assets which should see long tail secular growth associated with Generative AI power and capacity requirements.

## OUTLOOK

### So with a solid start to calendar year 2023 how does the setup look into the second half?

With inflation waning there seems to be some hope priced into equities that the Fed will pivot and begin to cut rates. While it seems clear that we are closer to the end of the rate hiking cycle than the beginning, we contend that outside of a serious market damaging event, the Fed could maintain rates higher for longer than the market expects. With a firm focus on reigning in inflation (and especially inflation expectations) it really isn't consistent for policymakers to support markets while concurrently taming inflation and they will need several quarters to confirm that the job is done.

Labour markets and subsequently the consumer have been very resilient. As consumer balance sheets remain in great shape and the tight employment market provides a solid bid to wages, it does not seem like a serious consumer downdraft is on the cards. That said, with inflation eating into past savings it is also difficult to envision an uptick in discretionary spending.

We have experienced one of the fastest rate hiking cycles in generations and when coupled with more restrictive lending standards associated with the US regional bank crisis, liquidity required to grease the economic wheels does seem more restrictive. Tighter financial conditions typically take time to work its way through the economy so we may see more of an impact later this year and into next. While inflation is moderating now, any perceived reacceleration remains a concern for the market as the rate hiking cycle would then have further to go. In this environment, good data would be bad (higher rates) while bad data could underpin the risk of entering a recession.

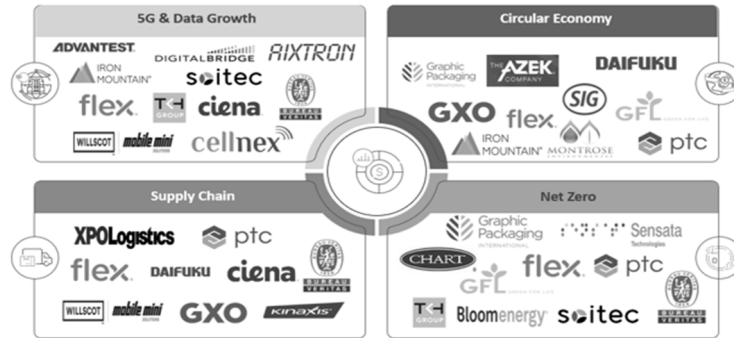
As it pertains to a potential recession, hard landing, soft landing, no landing – we have no edge on predicting the outcome however do consider that the tightening of financial conditions, coupled with the recent US regional bank stress, should lead to a slowing of economic activity which would impact earnings. We remain steadfast in our approach in identifying and investing in businesses with strong secular or structural growth opportunities. While these companies will not be totally immune from a slowing economy, they should be relatively insulated and come out the other side in an even stronger competitive position.



## Investment Manager's Report (Continued)

### OUTLOOK (continued)

We continue to have differentiated exposure to some pretty powerful long term thematic which should drive long term compounding benefits to us all as investors. These include 5G and the growth in data as Industrial IoT, AI and large language networks such as ChatGPT and next generation applications associated with 5G drive data demand, companies that enable our push to a circular economy, beneficiaries of deglobalisation as well as those helping to improve supply chain efficiency and companies which are levered to the multi trillion-dollar spending required for our "Road to Net Zero".



It is this nexus of interesting stock stories, coupled with a strong ESG focus, that the portfolio continues to seek out globally and where we continue to believe that ethical investing can be rewarding for both the investor and the world alike as our companies generally "do good" for the environment and society.

As always in investing there are risks and opportunities, we try to be cognizant of both in our investing decisions in growing your capital with a firm eye on capital preservation.

There are many unknowns in the world however the one constant is our appreciation of our shareholders and continued support.

## Portfolio Composition

### Investment Portfolio at 30 June 2023

EQUITIES	FAIR VALUE (\$)
GFL Environmental Inc	3,590,670
PTC INC	3,035,619
WillScot Mobile Mini Holdings	2,686,622
Chart Industries INC	2,645,843
Option Care Health Inc	2,625,557
Cellnex Telecom SAU	2,551,471
Graphic Packaging Holding Company	2,487,655
GXO Logistics Inc	2,406,629
TKH Group NV	2,248,935
Rentokil Initial Plc	2,190,981
Ciena Corporation	2,166,853
Iron Mountain Inc	2,142,540
Bureau Veritas SA	2,126,929
Sensata Technology Holding	1,946,942
Webster Financial Corporation	1,944,126
Flexitronics Intl Ltd	1,926,724
DigitalBridge Group	1,914,322
Kinaxis Inc	1,613,998
Advantest Corp	1,401,670
SIG COMBIBLOC GROUP AG	1,392,468
S.O.I.T.E.C.	1,384,861
AIXTRON SE	1,299,391
AZEK CO INC	1,256,422
XPO Logistics	1,239,208
First Watch Restaurant Group	1,101,617
Daifuku Co Ltd	1,042,922
Floor & Decor Holdings Inc	927,698
Bloom Energy Corporation	917,236
Zillow Group Inc Class A	884,735
Montrose Environmental Group Inc	624,666
	<b>55,725,310</b>
Forward Currency Contracts	(19,595)
<b>Total Portfolio</b>	<b>55,705,715</b>

## Directors' Report

The Directors present their Report together with the Financial Report of Morpheic Ethical Equities Fund Limited ("Company") for the year ended 30 June 2023. The financial statements cover the year ended 30 June 2023 and the comparative information cover the period from 1 October 2021 to 30 June 2022 due to change in the financial year from 30 September to 30 June to align the Company's annual reports with the standard Australia financial year and to leverage operational efficiencies. Therefore, the financial information presented is not comparable.

### Information on directors

The following persons were directors of the Company from registration date and up to the date of this report (unless otherwise indicated):

#### Jack Lowenstein

#### Non-Independent Chairman (appointed on 8 November 2022)

##### **Experience and Expertise**

Jack had careers in corporate finance and as an international financial journalist and has been involved in the research and investment of global equities and other Securities for more than 30 years.

He was the founding Managing Director and Joint Chief Investment Officer of Morpheic Asset Management until 2020. Prior to that he was the Deputy Chief Investment Officer at Hunter Hall, responsible for risk management and portfolio construction. He joined Hunter Hall when it had just \$13m under management in 1997 and played a key role in building it to a peak of just under \$3 billion in FUM. In his ten years as a Portfolio Manager with Hunter Hall he generated substantial out-performance. Jack resigned as a non-remunerated, non-shareholder Director of Morpheic Asset Management in May 2023.

Jack has a BA and a MA from Oxford University and in 2009 he completed the three year part time Owner/President Management Course at Harvard Business School.

##### **Other Current Directorships**

Tissue Repair Limited.

##### **Former directorships in the last 3 years**

Fiji Kava Limited.

##### **Special responsibilities**

Chairman of the Board and member of the Audit & Risk Committee.

##### **Interests in shares and options**

Details of Jack's interests in shares of the Company are included later in this report.

##### **Interest in contracts**

Jack has no interests in contracts of the Company.

#### JoAnna Fisher

#### Independent Chairman (resigned on 8 November 2022)

##### **Experience and Expertise**

JoAnna has a long-standing and international career in the financial sector in investment management, wholesale banking and capital markets. Her more than 20 years of experience encompasses business performance improvement, governance, compliance and risk management.

JoAnna spent 12 years at Bankers Trust Corporation in the USA, Japan, the UK and Australia, managing funds and developing the institutional funds management businesses. She is also a former General Manager - Strategy and Marketing for the Commonwealth Bank. JoAnna is a graduate of the Australian Institute of Company Directors and holds a Bachelor of Arts (Asian Studies) and a Bachelor of Economics from The Australian National University.

JoAnna is a Non-Executive Director and Chairman of Colonial First State Investments Limited.

JoAnna is a member of the Investment Committee of the Australian Catholic Superannuation and Retirement Fund. She is also a trustee of the Australian Chamber Orchestra (ACO), the Chairman of the ACO Instrument Fund and a member of the ACO Finance, Audit and Risk Committee.

##### **Other Current Directorships**

Nil

##### **Former directorships in the last 3 years**

Mainstream Group Holdings Limited.

##### **Special responsibilities**

Chairman of the Board and member of the Audit & Risk Committee.

##### **Interests in shares**

Details of JoAnna's interests in shares of the Company are included later in this report.

##### **Interest in contracts**

JoAnna has no interests in contracts of the Company.

## Mark Forstmann

## Independent Director

### Experience and Expertise

Mark has 28 years' experience in investment markets including equities, currencies and fixed interest. His career spans investment markets and film and television production. He holds a B.Sc. from Sydney University, a Graduate Diploma from AFTRS, and has studied B.A. Communications at University of Technology Sydney.

Mark worked at Bank of America in Sydney, Banque Indosuez in both Sydney and Paris. He was also a director at Hunter Hall International for 15 years. He was a fund manager at Future Super and Grosvenor Pirie from 2016 to 2019.

Mark served on the Board of the Nature Conservation Trust of NSW between December 2009 and May 2015.

### Other Current Directorships

Totem Films Pty Ltd  
Moebius Right Pty Ltd

### Former directorships in the last 3 years

Nil.

### Special responsibilities

Mark is Chairman of the Audit & Risk Committee.

### Interests in shares

Details of Mark's interests in shares of the Company are included later in this report.

### Interest in contracts

Mark has no interests in contracts of the Company.

## Kirstin Anne Hunter

## Independent Director (appointed on 8 November 2022)

### Experience and Expertise

Kirstin is the Managing Director (NSW) at Techstars, the world's largest pre-seed technology investor. Between 2017 and 2021 Kirstin was a Director and Chief Executive Officer of Future Super, a retail superannuation fund established in 2014, with a focus on consumer engagement through ethical and fossil fuel free investing.

Outside of these roles Kirstin has held executive, board and mentoring roles in several businesses within the Australian start-up technology ecosystem, including Chief People, Risk and Legal Officer at Brighte, Chief of Staff at Human, Director and Accelerator Mentor at Startmate, and Founding Chairperson at Ocean Impact Organisation. Previously she worked at management consultants Bain and Company in Australia and Canada, and at Freehills law firm in Sydney.

Kirstin holds degrees in arts, law and medical science. She was admitted as a solicitor to the Supreme Court of NSW in 2008 and is a graduate of the Australian Institute of Company Directors.

### Other Current Directorships

Nil.

### Former directorships in the last 3 years

Nil.

### Interests in shares

Kirstin has no interests in shares.

### Interest in contracts

Kirstin has no interests in contracts of the Company.

## Company Secretary

The following person held the position of Company Secretary at the end of the year:

### Mark Licciardo (appointed on 1 April 2023)

### Experience and Expertise

Mark is the founder of Merton's Corporate Services, now part of Acclime Australia and is responsible for Acclime Australia's Listed Services Division.

He is also an ASX-experienced director and chair of public and private companies, with expertise in the listed investment, infrastructure, bio-technology and digital sectors.

He currently serves as a director on a number of Australian company boards as well as foreign controlled entities and private companies.

During his executive career, Mark held roles in banking and finance, funds management, investment and infrastructure development businesses, including being the Company Secretary for ASX:100 companies Transurban Group and Australian Foundation Investment Company Limited.

Mark holds a Bachelor of Business degree in accounting, a Graduate Diploma in Governance and is a Fellow of the Chartered Governance Institute, the Governance Institute of Australia and the Australian Institute of Company Directors.

## Attendance at Meetings

### Board of Directors Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
JoAnna Fisher (resigned on 8 November 2022)	2	2
Jack Lowenstein	5	5
Mark Forstmann	5	4
Kirstin Anne Hunter (appointed on 8 November 2022)	3	3

### Audit & Risk Committee Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
JoAnna Fisher (resigned on 8 November 2022)	1	1
Jack Lowenstein	2	2
Mark Forstmann	2	2
Kirstin Anne Hunter (appointed on 8 November 2022)	1	1

### Principal activity

The Company's principal activity is investing in global listed securities screened to exclude entities involved in environmentally damaging activities (including coal and uranium, mining and oil and gas), intensive farming and aquaculture, tobacco, armaments, alcohol and gambling.

The Company's investment objectives are to: deliver investors an ethically screened portfolio; generate superior risk adjusted returns; and provide capital growth and consistent income. No change in this activity took place during the year or is likely to in the future.

### Review of Operations

The Company's investments during the year resulted in operating profit of \$10,724,204 (30 June 2022: loss of \$16,218,643) before tax and \$7,558,999 (30 June 2022: loss of \$11,321,636) after tax. This reflects the performance of the investment portfolio over the year as outlined below.

Investment Returns	Returns Over the period 1 July 2022 to 30 June 2023		Returns Since Inception 2 May 2017 to 30 June 2023	
	Gross	Net	Gross	Net
Investment Portfolio	22.57%	20.75%	8.54%	7.56%
MSCI All Countries Total Return Daily Index	20.38%	20.38%	10.83%	10.83%
Outperformance/(Underperformance)	2.19%	0.37%	(2.29%)	(3.27%)

Gross return is before fees and taxes.

Net return is net of investment management fees, before Company administration costs and taxes.

### Dividends Paid or Recommended

On 22 August 2022, the Directors declared a fully franked quarterly dividend of 1.5 cents per share which amounted to \$799,523 and was paid on 23 September 2022.

On 4 November 2022, the Directors declared a fully franked quarterly dividend of 1.5 cents per share which amounted to \$800,602 and was paid on 8 December 2022.

On 20 February 2023, the Directors declared a fully franked quarterly dividend of 1.5 cents per share which amounted to \$801,789 and was paid on 24 March 2023.

On 22 May 2023, the Directors declared a fully franked quarterly dividend of 1.5 cents per share which amounted to \$801,465 and was paid on 23 June 2023.

Since the end of the financial year, on 17 August 2023 the Directors declared a fully franked quarterly dividend of 3.5 cents per share to be paid on 14 September 2023.

The Board is committed to paying fully franked dividends to shareholders and raising the dividend over time, provided the Company has distributable profits, franking credits and it is within prudent business practices.

### Net Assets

As at 30 June 2023 the net assets of the Company were \$62,648,121 (30 June 2022: \$58,963,827). Please refer to the Statement of Financial Position for further details.

### State of Affairs

On 8 November 2022, JoAnna Fisher resigned as Director and Independent Chairman, Jack Lowenstein was appointed as non-independent chair and Kirstin Anne Hunter was appointed as an independent non-executive director.

On 18 April 2023, the Company announced the implementation of an on-market buy-back of up to 5,323,144 shares of the Company between 3 May 2023 and 3 May 2024.

On 21 July 2022, the Company announced to change its financial year end from 30 September to 30 June. The financial statements cover the year ended 30 June 2023 and the comparative information cover the period from 1 October 2021 to 30 June 2022 therefore the financial information presented is not comparable.

During the year there was no other significant change in the state of affairs of the Company.

### Events Subsequent to Balance Date

No other matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

### Likely Developments

The Company will be managed in accordance with the Constitution and investment objectives as detailed in the Prospectus dated 13 March 2017.

### Indemnification and insurance of officers and auditors

During the financial year, the Company paid a premium for an insurance policy insuring all directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

So long as the Directors and officers act in accordance with the Company's Constitution and the Law, the officers remain indemnified out of the assets of the Company against losses incurred while acting on behalf of the Company. The auditors of the Company are not indemnified out of the assets of the Company.

### Environmental Regulations

The Company's operations are not subject to any significant environmental regulations.

### Rounding of amounts to nearest dollar

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' report and in the financial report have been rounded to the nearest dollar, unless otherwise indicated.

## Remuneration Report (Audited)

This remuneration report sets out information about the remuneration of the Company's directors for the year ended 30 June 2023, under the requirements of Section 300A of the Corporations Act.

### Key Management Personnel

The directors and other key management personnel of the Company during the whole of the financial year, and up to the date of this report are (unless otherwise indicated):

JoAnna Fisher (resigned on 8 November 2022)  
Jack Lowenstein  
Mark Forstmann  
Kirstin Anne Hunter (appointed on 8 November 2022)

This report details the nature and amount of remuneration for each Director of the Company in accordance with the Corporations Act and the Company's Constitution.

The Company's board comprises of two Independent Directors and one is a Non-Independent Chairman. The Board from time to time determines remuneration of Directors and Chairman within the maximum amount approved by the Company at general meetings.

The Directors Remuneration reflects the demands that are made on them and their responsibilities. The performance of Directors is reviewed by the Board annually. The Board determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced directors.

The maximum total remuneration of the Directors has been set at \$140,000 per annum. The amount paid for the financial year ended 30 June 2023 was \$140,000 (30 June 2022: \$105,000, reflecting a pro-rata amount for nine months).

Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration is not directly linked to the Company's performance.

The following table shows details of the remuneration received or receivable by the Directors of the Company for the current year.

For the year ended 30 June 2023		Short-term employee benefits Cash salary	Post- employment benefits Superannuation	Total
Director	Position	\$	\$	\$
JoAnna Fisher	Independent Chairman (resigned on 8 November 2022)	19,329	2,030	21,359
Jack Lowenstein	Non-Independent Chairman (appointed on 8 November 2022)	47,856	5,024	52,880
Mark Forstmann	Independent Director	36,199	3,801	40,000
Kirstin Anne Hunter	Independent Director (appointed on 8 November 2022)	23,313	2,448	25,761
		<b>126,697</b>	<b>13,303</b>	<b>140,000</b>

For the period 1 October 2021 to 30 June 2022		Short-term employee benefits Cash salary	Post- employment benefits Superannuation	Total
Director	Position	\$	\$	\$
JoAnna Fisher	Independent Chairman	40,909	4,091	45,000
Jack Lowenstein	Non-Independent Director	27,273	2,727	30,000
Mark Forstmann	Independent Director	27,273	2,727	30,000
		<b>95,455</b>	<b>9,546</b>	<b>105,000</b>

The Company has no employees other than the Directors and therefore does not have a remuneration policy for employees.

The Directors are the only people considered to be key management personnel of the Company.

The following table reflects the Company's performance and Directors remuneration over four years:

	2023	2022*	2021	2020
Operating profit/(loss) after tax (\$)	7,558,999	(11,321,636)	13,937,960	2,432,846
Dividends (cents per share)	6.0	4.5**	5.5	2.5
Share price (\$ per share)	1.010	1.000	1.295	0.985
NTA after tax (\$ per share)	1.1905	1.1062	1.3791	1.1563
Total Directors remuneration (\$)	140,000	105,000	133,899	140,000
Shareholders equity (\$)	62,648,121	58,963,827	73,162,880	61,136,790

\*2022 reflects a nine-month transition period.

\*\*Total dividends declared in relation to the financial period from 1 October 2021 to 30 June 2022.

As outlined above, Directors fees are not directly linked to the Company's performance.

## Remuneration Report (continued)

### Director Related Entity Remuneration

Morphic Asset Management Pty Limited ("Morphic") (ABN 33 155 937 901, AFSL 419916) has been appointed as the Investment Manager of the Company. The Manager is privately owned and incorporated in 2012.

#### (a) Management fee

The Manager is entitled to be paid monthly a Management Fee equal to 1.25% (plus GST) per annum of the Value of the Portfolio (payable monthly in arrears and calculated on the last business day of each month).

#### (b) Performance fee

The Manager is entitled to be paid by the Company a fee (Performance Fee) equal to 15% (plus GST) of the Portfolio's outperformance relative to the MSCI All Countries Total Return Daily Index ("the Index") in Australian dollars (Benchmark) over the 12 month period, subject to the Portfolio generating absolute gains since inception and the recoupment of prior underperformance.

Management and performance fees paid to the Manager during the year/period were as follows:

	Year ended 30 June 2023 \$	For the period 1 October 2021 to 30 June 2022 \$
Management fees paid and payable during the year/period	730,846	669,917
Management fees payable at year/period end	64,086	61,304

There were no performance fees earned or paid during the year (30 June 2022: nil).

### Equity Instrument Disclosures Relating to Directors

The relevant interests of the Directors and their related entities in the Securities of the Company were:

Shares as at 30 June 2023	Opening balance	Acquisitions	Disposals	Number of shares
Director				
JoAnna Fisher (resigned on 8 November 2022)	114,405	7,291	-	121,696
Jack Lowenstein	845,939	53,910	-	899,849
Mark Forstmann	88,595	5,646	-	94,241
Kirstin Anne Hunter (appointed on 8 November 2022)	-	-	-	-

There has been no movement in the equity instruments held by Directors between 30 June 2023 and the date of the Director's report.

As at 30 June 2023 there were no outstanding options or issued during the year.

Shares as at 30 June 2022	Opening balance	Acquisitions	Disposals	Number of shares
Director				
JoAnna Fisher	109,020	5,385	-	114,405
Jack Lowenstein	806,121	39,818	-	845,939
Mark Forstmann	84,424	4,171	-	88,595

As at 30 June 2022 there were no outstanding options or issued during the period.

### End of remuneration report.

### Proceedings on behalf of the Company

There are no proceedings that the directors have brought, or intervened in, on behalf of the Company.

### Non-Audit services

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 13 did not compromise the external auditor's independence for the following reasons:

- (a) all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- (b) none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Jack Lowenstein', with a long horizontal line extending to the right.

Jack Lowenstein  
Chairman  
Morphic Ethical Equities Fund Limited

Sydney, 17 August 2023





**Building a better  
working world**

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## **Auditor's independence declaration to the directors of Morphic Ethical Equities Fund Limited**

As lead auditor for the audit of the financial report of Morphic Ethical Equities Fund Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Rita Da Silva  
Partner  
17 August 2023

**Statement of Profit or Loss and Other Comprehensive Income**

		Year ended 30 June 2023 \$	For the period 1 October 2021 to 30 June 2022 \$
<b>Investment income</b>			
Interest income on financial assets at amortised cost		143,665	-
Dividend income		456,463	336,892
Net gains/(losses) on financial instruments at fair value through profit or loss		12,072,160	(15,563,335)
Net gains/(losses) on foreign exchange		(527,964)	327,813
<b>Net Investment income/(loss)</b>		<b>12,144,324</b>	<b>(14,898,630)</b>
<b>Expenses</b>			
Audit and tax	13	63,878	60,236
Administration fees		91,720	64,764
Directors' fees	15 (b)	140,000	105,000
Dividends on borrowed stock		-	1,178
Interest expense (including on borrowed stock)		326	73,040
Management fees	15 (a)	730,846	669,917
Transaction costs		103,945	142,320
Withholding tax expense		60,802	47,328
Other expense		228,603	156,230
<b>Total expenses</b>		<b>1,420,120</b>	<b>1,320,013</b>
<b>Profit/(Loss) for the year/period before income tax expense</b>		<b>10,724,204</b>	<b>(16,218,643)</b>
Income tax expense/(benefit)	4(a)	3,165,205	(4,897,007)
<b>Profit/(Loss) for the year/period</b>		<b>7,558,999</b>	<b>(11,321,636)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year/period</b>		<b>7,558,999</b>	<b>(11,321,636)</b>
<b>Basic earnings/(losses) per share</b>	5	<b>14.15 cents</b>	<b>(21.3) cents</b>
<b>Diluted earnings/(losses) per share</b>	5	<b>14.15 cents</b>	<b>(21.3) cents</b>

*The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements which follow.*

Statement of Financial Position

	Note	As at 30 June 2023 \$	As at 30 June 2022 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14(a)	684,281	178,097
Receivables	6	56,910	41,211
Prepayments		71,839	85,007
Due from brokers		6,345,983	7,417,971
Financial assets at fair value through profit or loss	7	55,725,310	51,943,397
Current tax asset		778,307	166,455
<b>Total current assets</b>		<b>63,662,630</b>	<b>59,832,138</b>
<b>Non-current assets</b>			
Net deferred tax asset	4(b)	-	2,814,731
<b>Total non-current assets</b>		<b>-</b>	<b>2,814,731</b>
<b>Total assets</b>		<b>63,662,630</b>	<b>62,646,869</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Due to brokers		308,031	3,150,046
Payables	10	335,393	139,082
Financial liabilities at fair value through profit or loss	7	19,595	393,914
<b>Total current liabilities</b>		<b>663,019</b>	<b>3,683,042</b>
<b>Non-current liabilities</b>			
Net deferred tax liability	4(b)	351,490	-
<b>Total non-current liabilities</b>		<b>351,490</b>	<b>-</b>
<b>Total liabilities</b>		<b>1,014,509</b>	<b>3,683,042</b>
<b>Net assets</b>		<b>62,648,121</b>	<b>58,963,827</b>
<b>Equity</b>			
Issued capital	11	55,533,828	56,205,154
Accumulated losses	12(a)	(18,043,839)	(18,043,839)
Profits reserve	12(b)	25,158,132	20,802,512
<b>Total equity</b>		<b>62,648,121</b>	<b>58,963,827</b>

The above Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements which follow.

# Statement of Changes in Equity

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
<b>Balance at 30 September 2021</b>		<b>55,895,116</b>	<b>(3,224,077)</b>	<b>20,491,841</b>	<b>73,162,880</b>
Loss for the period		-	(11,321,636)	-	(11,321,636)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>(11,321,636)</b>	<b>-</b>	<b>(11,321,636)</b>
<b>Other</b>					
Transfer to profits reserve	12(a)(b)	-	(3,498,126)	3,498,126	-
		-	(3,498,126)	3,498,126	-
<b>Transactions with owners in their capacity as owners</b>					
Shares issued during the period	11	310,038	-	-	310,038
Dividends provided for or paid	17(a)	-	-	(3,187,455)	(3,187,455)
		<b>310,038</b>	<b>-</b>	<b>(3,187,455)</b>	<b>(2,877,417)</b>
<b>Balance at 30 June 2022</b>		<b>56,205,154</b>	<b>(18,043,839)</b>	<b>20,802,512</b>	<b>58,963,827</b>
Profit for the year		-	7,558,999	-	7,558,999
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>7,558,999</b>	<b>-</b>	<b>7,558,999</b>
<b>Other</b>					
Transfer to profits reserve	12(a)(b)	-	(7,558,999)	7,558,999	-
		-	(7,558,999)	7,558,999	-
<b>Transactions with owners in their capacity as owners</b>					
Shares issued during the year	11	379,798	-	-	379,798
Shares acquired under buy-back	11	(1,051,124)	-	-	(1,051,124)
Dividends provided for or paid	17(a)	-	-	(3,203,379)	(3,203,379)
		<b>(671,326)</b>	<b>-</b>	<b>(3,203,379)</b>	<b>(3,874,705)</b>
<b>Balance at 30 June 2023</b>		<b>55,533,828</b>	<b>(18,043,839)</b>	<b>25,158,132</b>	<b>62,648,121</b>

The above Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements which follow.

Statement of Cash Flows

		Year ended 30 June 2023 \$	For the period 1 October 2021 to 30 June 2022 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		35,764,486	54,617,530
Payments for purchase of financial instruments at fair value through profit or loss		(28,978,212)	(46,989,067)
Dividends received		449,383	452,925
Interest received		143,665	-
Interest paid		(326)	(73,040)
Amount received from/(paid to) brokers for collateral		(1,219,671)	706,852
Dividends on borrowed stock		(6,093)	(1,178)
Management fees paid		(728,064)	(695,041)
Directors' fees paid		(140,000)	(105,000)
Withholding tax paid		(60,802)	(47,328)
Other operating expenses paid		(398,974)	(292,931)
Transaction costs paid		(103,945)	(142,320)
Income tax paid		(610,836)	(4,709,833)
<b>Net cash inflow/(outflow) from operating activities</b>	14(b)	<b>4,110,611</b>	<b>2,721,569</b>
<b>Cash flows from financing activities</b>			
Payments for shares redeemed		(832,180)	-
Dividends paid net of dividend reinvestment		(2,823,581)	(2,877,417)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(3,655,761)</b>	<b>(2,877,417)</b>
<b>Net increase in cash and cash equivalents</b>		<b>454,850</b>	<b>(155,848)</b>
Effect of exchange rate fluctuations on cash and cash equivalents		51,334	126,363
Cash and cash equivalents at beginning of the financial year/period		178,097	207,582
<b>Cash and cash equivalents at end of the financial year/period</b>	14(a)	<b>684,281</b>	<b>178,097</b>
<b>Non-cash financing activities</b>			
Ordinary shares issued under dividend reinvestment plan	14(c)	379,798	310,038

*The above Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements which follow.*

## 1. General information and summary of significant accounting policies

Morphic Ethical Equities Fund Limited ("the Company") is a publicly listed company, incorporated and domiciled in Australia. The Company was incorporated with the Australian Securities and Investments Commission ("ASIC") on 13 February 2017. The registered office and principal place of business of the Company is Level 11, 179 Elizabeth Street, Sydney NSW 2000.

These general purpose financial statements are for the year ended 30 June 2023, and were authorised for issue by the Directors on 17 August 2023.

The Company's principal objectives are to:

- deliver investors an ethically screened portfolio;
- deliver investors superior risk adjusted returns; and
- provide capital growth and consistent income.

The Manager achieves this through a long and short equity strategy focusing on global securities.

The Company primarily invests in global listed securities. It may also invest in cash, unlisted global securities, fixed interest instruments, commodities, credit instruments and currencies through assets, exchange traded funds or other derivatives, including futures, options, forwards and swaps.

A summary of the material accounting policies adopted by the Company in the preparation of the financial statements are set out below:

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards, issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standard.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement of fair value of investment assets and liabilities.

The financial statements present reclassified comparative information where required for consistency with the current period's presentation.

On 21 July 2022, the Company announced to change its financial year end from 30 September to 30 June. The financial statements cover the year ended 30 June 2023 and the comparative information cover the period from 1 October 2021 to 30 June 2022 therefore the financial information presented is not comparable.

### (b) Statement of Compliance

The financial statements and notes thereto comply with Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### (c) Financial instruments

#### i) Recognition/derecognition

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

#### ii) Classification and Measurement

The Company's investments are classified as held at fair value through profit or loss. They comprise:

##### *Financial instruments held at fair value through profit or loss (financial instruments held for trading)*

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of profit or loss.

Derivative financial instruments such as futures, foreign exchange forward contracts, options and interest rates swaps are included under this classification. For accounting purposes, the Company does not designate any derivatives as hedges in a hedging relationship, and hence these derivative financial instruments are classified as at fair value through profit or loss.

##### *Financial instruments designated at fair value through profit or loss upon initial recognition*

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These are investments in listed equity securities. The fair value through profit or loss classification is available for the majority of financial assets and financial liabilities held by the Company.

Financial assets and liabilities designated at fair value through profit or loss at inception are those managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy as outlined in the Prospectus. The Company's policy is for the Investment Manager to evaluate information about these financial instruments on a fair value basis together with other related financial information.

#### iii) Fair Value

When a financial asset is measured at fair value for recognition or disclosure purposes the fair value is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

## 1. General information and summary of significant accounting policies (continued)

### (c) Financial instruments (continued)

#### iii) Fair Value (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset, assuming they act in their economic best interests. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets measured at fair value are classified into 3 levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Shares that are listed or traded on an exchange are fair valued using last sale prices, as at the close of business on the day the shares are being valued.

If a quoted market price is not available on a recognised stock exchange, the fair value of the instruments are estimated using valuation techniques, which include the use or recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

#### iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### (d) Foreign currency translation

#### i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Company competes for funds and is regulated. The Australian dollar is also the Company's presentation currency.

#### ii) Transactions and balances

Transactions during the year denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and currency, together with any accrued income, are translated at the exchange rate prevailing at the balance date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss. Net exchange gains and losses arising on the revaluation of investments are included in gains on investments.

### (e) Income tax

The charge for current income tax expense is based on the taxable income for the year. It is calculated using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or liability is settled. Current and deferred taxes are recognised in profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

### (f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as being part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (g) Income

Revenue is measured at the fair value of the consideration received or receivable.

Dividend income is recognised in profit or loss on the day on which the relevant investment is first quoted on an "ex-dividend" basis.

Interest revenue is recognised as it accrues using the effective interest method, taking into account the effective yield on the financial asset.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. This may also include foreign exchange gains and losses when applicable.

## 1. General information and summary of significant accounting policies (continued)

### (h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### (i) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

### (j) Receivables

Receivables may include amounts for dividends, interest and securities sold. Dividends are receivable when they have been declared and are legally payable. Interest is accrued at the balance date from the time of last payment. Amounts receivable for securities sold are recorded when a sale has occurred.

Receivables are reviewed at the end of each reporting period to determine the need to raise a loss allowance for expected credit losses. The entity has applied the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, review is undertaken of the nature of the receivables, the counterparty, the days overdue and the economic environment.

### (k) Payables

These amounts represent liabilities for amounts owing by the Company at year end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Amounts payable for securities purchased are recorded when the purchase has occurred.

### (l) Derivative financial instruments

The Company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to financial derivatives are included in profit or loss as part of gains/(losses) on investments.

### (m) Amounts due to/from brokers

Amounts due to/from brokers represent receivables for securities sold and payables for securities purchased that have not yet been settled at the year end and outstanding overdrafts when applicable. Due from broker also includes collateral against open derivative positions. Trades are recorded on trade date, and normally settled within two business days. Expected credit losses on amounts due to/from brokers are assessed utilising the simplified approach outlined in Note 1(j).

### (n) Profit Reserve

The profit reserve is made up of amounts transferred from current and retained earnings/accumulated losses that are preserved for future dividend payments.

### (o) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (p) Earnings per share

#### i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease the loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

### (q) Dividends

Provisions for dividends payable are recognised in the reporting period in which they are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

### (r) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of some assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant, and reasonable under the circumstance. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future year if the revision affects both current and future years. The methods used in the valuation of investments are set out in Note 1(c) to these financial statements. Judgement was also exercised in determining the recoverability of deferred tax assets for the accounting period, with reference to expected market performance.

### (s) New and amended standards adopted

There are no new accounting standards and interpretations that have been published and have been adopted for the 30 June 2023 reporting period that are material to the financial statements.



## 1. General information and summary of significant accounting policies (continued)

### (t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

### (u) Rounding of amounts to nearest dollar

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar, unless otherwise indicated.

### (v) Comparative revisions

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

## 2. Financial risk management

### (a) Objectives, strategies, policies and processes

The Company's Investment Strategy is to construct a portfolio of ethically screened global Securities and Derivatives, designed to provide superior risk adjusted returns to Shareholders. This return will comprise a combination of capital growth and income, thus allowing franked dividends to be paid to Shareholders when prudent, and provided the Company has sufficient profit reserves and franking credits available.

The Company will primarily invest in global listed Securities and Derivatives. The Company may also invest in unlisted Securities, fixed interest instruments, commodities, credit instruments and currencies, all of which may be invested through assets, Exchange Traded Funds or other Derivatives, including futures, options, forwards and swaps.

The portfolio 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. A minimum of 5% of the portfolio will be invested in the Securities of entities that the Manager believes are working to make a positive future for the world we live in.

The Company is managed from an Australian investor's perspective with tax and currency exposures forming important considerations in the daily management of the Company, whilst complying with the Company's Prospectus dated 13 March 2017. Financial risk management is carried out by the Investment Manager under the guidance of its Chief Investment Officer.

The Company's activities are exposed to different types of financial risks. These risks include credit risk, liquidity risk and market risk (including price risk, foreign currency risk and interest rate risk). The Company may employ derivative financial instruments to hedge these risk exposures in order to minimise the effects of these risks.

### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market prices generally incorporate credit risk assessments into valuations and risk of loss is implicitly provided for in the carrying value of assets and liabilities as they are marked to market at balance date.

The total credit risk for assets is therefore limited to the amount carried in the Statement of Financial Position.

The Manager is responsible for ensuring there is appropriate diversification across counterparties and that they are of a sufficient quality rating. The Manager minimises the Company's concentration of credit risk by undertaking transactions in global listed securities with a number of approved brokers. Payment is only made once a broker has received securities and delivery of securities only occurs once the broker received payment.

The majority of the Company's cash and broker balances are held with financial institutions that have a Standard and Poor's credit rating of A-. The maturities are within three months. The weighted average interest rate of the Company's due from broker at 30 June 2023 is 2.16% (30 June 2022: 0.36%).

### (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Company's investment in financial instruments, which under market conditions are readily convertible to cash. In addition, the Company maintains sufficient cash and cash equivalents to meet normal operating requirements.

#### Maturity analysis for financial liabilities

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining year at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

As at 30 June 2023	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	Total \$
Due to brokers	308,031	-	-	-	308,031
Payables	335,393	-	-	-	335,393
Financial liabilities at fair value through profit or loss	-	19,595	-	-	19,595
<b>Contractual cash flows (excluding gross settled derivatives)</b>	<b>643,424</b>	<b>19,595</b>	<b>-</b>	<b>-</b>	<b>663,019</b>

## 2. Financial risk management (continued)

### (c) Liquidity risk (continued)

As at 30 June 2022	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	Total \$
Due to brokers	3,150,046	-	-	-	3,150,046
Payables	139,082	-	-	-	139,082
Financial liabilities at fair value through profit or loss	-	393,914	-	-	393,914
<b>Contractual cash flows (excluding gross settled derivatives)</b>	<b>3,289,128</b>	<b>393,914</b>	<b>-</b>	<b>-</b>	<b>3,683,042</b>

The table below analyses the Company's derivative financial assets and liabilities, that are included in the investments balances into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted gross cash outflow of the derivatives.

As at 30 June 2023	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	Total \$
Forward currency exchange contracts	-	493,397	-	-	493,397
<b>Total</b>	<b>-</b>	<b>493,397</b>	<b>-</b>	<b>-</b>	<b>493,397</b>

### As at 30 June 2022

Futures	(2,980,586)	-	-	-	(2,980,586)
Forward currency exchange contracts	-	14,976,684	-	-	14,976,684
<b>Futures</b>	<b>(2,980,586)</b>	<b>14,976,684</b>	<b>-</b>	<b>-</b>	<b>11,996,098</b>

### (d) Market risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Company is exposed to market risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets and liabilities at fair value through profit or loss.

The Company employs qualitative and quantitative methods to manage the level of risk in the Company. The following investment guidelines are used as part of the risk management process:

- Maximum exposure limits to single security positions;
- Stop-loss guidelines which set maximum loss tolerance for each individual position;
- Internal limits for aggregate exposures to individual countries, industries and asset classes;
- Value at Risk (VAR) calculations.

VAR calculations are monitored by the Manager to ensure they are within guidelines. Portfolio risk limits and guidelines are monitored daily and any breaches are to be fixed as soon as possible by adjusting the interests in the Portfolio.

#### (i) Interest rate risk

The Company's interest bearing financial instruments expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows, the risk is measured using sensitivity analysis on page 24.

The table below summarises the Company's exposure to interest rates risk. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity date.

As at 30 June 2023	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate \$	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>					
Cash and cash equivalents		-	-	684,281	684,281
Receivables		-	-	56,910	56,910
Prepayments		-	-	71,839	71,839
Due from brokers	2.16%	5,226,335	-	1,119,648	6,345,983
Financial assets at fair value through profit or loss		-	-	55,725,310	55,725,310
<b>Total Financial Assets</b>		<b>5,226,335</b>	<b>-</b>	<b>57,657,988</b>	<b>62,884,323</b>
<b>Financial Liabilities</b>					
Due to brokers	3.31%	3,143	-	304,888	308,031
Payables		-	-	335,393	335,393
Financial liabilities at fair value through profit or loss		-	-	19,595	19,595
<b>Total Financial Liabilities</b>		<b>3,143</b>	<b>-</b>	<b>659,876</b>	<b>663,019</b>

## 2. Financial risk management (continued)

### (d) Market risk (continued)

#### (i) Interest rate risk (continued)

As at 30 June 2022	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate \$	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>					
Cash and cash equivalents		-	-	178,097	178,097
Receivables		-	-	41,211	41,211
Prepayments		-	-	85,007	85,007
Due from brokers	0.36%	7,417,971	-	-	7,417,971
Financial assets at fair value through profit or loss		-	-	51,943,397	51,943,397
<b>Total Financial Assets</b>		<b>7,417,971</b>	<b>-</b>	<b>52,247,712</b>	<b>59,665,683</b>
<b>Financial Liabilities</b>					
Due to brokers	0.71%	3,150,046	-	-	3,150,046
Payables		-	-	139,082	139,082
Financial liabilities at fair value through profit or loss		-	-	393,914	393,914
<b>Total Financial Liabilities</b>		<b>3,150,046</b>	<b>-</b>	<b>532,996</b>	<b>3,683,042</b>

#### (ii) Other Price Risk

Other Price Risk is the risk that fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting the broader market. Other price risk exposure arises from the Company's investment portfolio.

#### (iii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Company holds assets denominated in currencies other than the Australian dollar (being the functional currency) and is therefore exposed to foreign currency risk when the value of assets denominated in other currencies fluctuates due to movements in exchange rates.

The Company may enter into foreign exchange forward contracts both to hedge the foreign exchange risk implicit in the value of portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities. For accounting purposes, the Company does not designate foreign exchange forward contracts as hedges in a hedging relationship.

The Company uses forward foreign exchange contracts to reduce currency risk on specific investments within the portfolio.

The following table summarises the Company's assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar as per below.

#### As at 30 June 2023

	USD \$	JPY \$	Euro \$	GBP \$	Other Currencies \$	Total \$
Receivables	34,975	-	-	-	-	34,975
Due from brokers	3,602,116	544,417	1	171	613	4,147,318
Financial assets at fair value through profit or loss	36,779,016	2,444,592	9,611,588	2,190,981	4,699,133	55,725,310
Due to brokers	(308,031)	-	-	-	-	(308,031)
	<b>40,108,076</b>	<b>2,989,009</b>	<b>9,611,589</b>	<b>2,191,152</b>	<b>4,699,746</b>	<b>59,599,572</b>
Net fair value of foreign currency forward contracts	-	(19,595)	-	-	-	(19,595)
<b>Net fair value</b>	<b>40,108,076</b>	<b>2,969,414</b>	<b>9,611,589</b>	<b>2,191,152</b>	<b>4,699,746</b>	<b>59,579,977</b>

#### As at 30 June 2022

Receivables	21,802	-	-	-	-	21,802
Due from brokers	1,001,279	-	-	-	-	1,001,279
Investments	39,564,970	1,965,361	8,014,189	2,025,861	-	51,570,381
Due to brokers	(2,178,207)	(125,315)	(675,419)	(106,541)	-	(3,085,482)
	<b>38,409,844</b>	<b>1,840,046</b>	<b>7,338,770</b>	<b>1,919,320</b>	<b>-</b>	<b>49,507,980</b>
Net fair value of foreign currency forward contracts	(177,071)	10,016	(82,476)	9,254	219,380	(20,897)
<b>Net fair value</b>	<b>38,232,773</b>	<b>1,850,062</b>	<b>7,256,294</b>	<b>1,928,574</b>	<b>219,380</b>	<b>49,487,083</b>

## 2. Financial risk management (continued)

### (d) Market risk (continued)

#### (iv) Sensitivity analysis

The following tables show the sensitivity of the Company's operating profit/(loss) to price risk, interest rate risk and foreign exchange risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Company's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the securities in which the Company invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price risk		Interest rate risk		Foreign exchange risk	
	Impact on operating profit/(loss)		Impact on operating profit/(loss)		Impact on operating profit/(loss)	
	-10%	+10%	-100 bps	+100 bps	-10%	+10%
30 June 2023	(5,570,572)	5,570,572	(1,126)	1,126	(5,957,998)	5,957,998
30 June 2022	(5,154,948)	5,154,948	216	(216)	(4,948,708)	4,948,708

## 3. Fair value measurement

The Company measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis.

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

#### Fair value hierarchy

AASB 13: *Fair value measurement* requires disclosure of fair value measurements by level of the fair value hierarchy:

Level 1 - measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - measurements based on inputs other than quoted prices included in level 1 that are observable for the asset or liability; and

Level 3 - measurements based on unobservable inputs from the asset or liability.

#### (i) Recognised fair value measurements

The following table presents the Company's assets and liabilities measured and recognised at fair value as at 30 June 2023 and 30 June 2022.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at 30 June 2023</b>				
<b>Financial assets</b>				
Listed equities	55,725,310	-	-	55,725,310
<b>Total financial assets at fair value through profit or loss</b>	<b>55,725,310</b>	-	-	<b>55,725,310</b>
<b>Financial liabilities</b>				
Forward currency exchange contracts	-	19,595	-	19,595
<b>Total financial liabilities at fair value through profit or loss</b>	-	<b>19,595</b>	-	<b>19,595</b>
<b>As at 30 June 2022</b>				
<b>Financial assets</b>				
Listed equities	51,321,592	-	-	51,321,592
Futures	248,789	-	-	248,789
Forward currency exchange contracts	-	373,016	-	373,016
<b>Total financial assets at fair value through profit or loss</b>	<b>51,570,381</b>	<b>373,016</b>	-	<b>51,943,397</b>
<b>Financial liabilities</b>				
Forward currency exchange contracts	-	393,914	-	393,914
<b>Total financial liabilities at fair value through profit or loss</b>	-	<b>393,914</b>	-	<b>393,914</b>

#### (ii) Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

#### (iii) Fair value of financial instruments not carried at fair value

The carrying value of cash and cash equivalents, due to/from broker, trade receivables and trade payables approximate their fair value because of the short-term nature of the instruments and low credit risk.

#### 4. Taxation

##### (a) Numerical reconciliation of income tax expense/(benefit)

	As at 30 June 2023 \$	As at 30 June 2022 \$
Prima facie tax payable on profit/(loss) before income tax at 25% (FY22: 30%)	2,681,051	(4,865,593)
Adjusted for tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Withholding tax on dividends received	15,200	14,199
Tax effect on income tax rate change to 25%	468,954	-
Other differences	-	(45,613)
<b>Income tax expense/(benefit)</b>	<b>3,165,205</b>	<b>(4,897,007)</b>
Applicable weighted average effective tax rate	29.5%	30.2%
The income tax expense/(benefit) results from movement in a:		
Current tax asset/(liability)	(1,016)	720,524
Deferred tax asset	1,686,891	(2,765,548)
Deferred tax liability	1,479,330	(2,851,983)
<b>Income tax expense/(benefit)</b>	<b>3,165,205</b>	<b>(4,897,007)</b>

##### (b) Deferred taxes

	As at 30 June 2023 \$	As at 30 June 2022 \$
<b>Deferred tax liabilities</b>		
Deferred income tax comprises the estimated tax payable at the current income tax rate of 25% (FY22: 30%) on the following items:		
Tax on unrealised gains on investment portfolio	(1,532,898)	-
Other	(17,680)	(71,248)
<b>Deferred tax liabilities</b>	<b>(1,550,578)</b>	<b>(71,248)</b>
<b>Movements:</b>		
Opening balance	(71,248)	(2,923,231)
Adjustment of tax rate to opening balance	11,875	-
Charged / credited to profit or loss	(1,491,205)	2,851,983
<b>Closing balance</b>	<b>(1,550,578)</b>	<b>(71,248)</b>
<b>Deferred tax assets</b>		
Deferred tax assets comprises the estimated tax deductible at the current income tax rate of 25% (FY22: 30%) on the following items:		
Tax on unrealised losses on investment portfolio	-	2,831,249
Tax losses	1,166,236	-
Other	32,852	54,730
<b>Deferred tax assets</b>	<b>1,199,088</b>	<b>2,885,979</b>
<b>Movements:</b>		
Opening balance	2,885,979	120,430
Adjust opening balance to change in corporate tax rate from 30% to 25%	(480,997)	
Prior year tax adjustment	(1,016)	
Charged / credited to profit or loss	(1,203,179)	2,768,606
Charged / credited to equity	(1,699)	(3,057)
<b>Closing balance</b>	<b>1,199,088</b>	<b>2,885,979</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>(351,490)</b>	<b>2,814,731</b>

#### 5. Earnings/(losses) per share

	As at 30 June 2023 \$	As at 30 June 2022 \$
<b>Basic earnings/(losses) per share</b>	<b>14.15 cents</b>	<b>(21.3) cents</b>
<b>Diluted earnings/(losses) per share</b>	<b>14.15 cents</b>	<b>(21.3) cents</b>
Profit/(loss) used in calculating basic earnings per share	7,558,999	(11,321,636)
Profit/(loss) used in calculating diluted earnings per share	7,558,999	(11,321,636)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	53,418,710	53,157,061
Weighted average number of shares used in the calculation of diluted earnings per share	53,418,710	53,157,061

The weighted average number of shares used as a denominator in calculating basic and diluted earnings per share is based on the weighted average number of shares during the year.

Basic and diluted earning per share is the same as there are no potentially dilutive securities outstanding as at balance date.

	As at 30 June 2023 \$	As at 30 June 2022 \$
<b>6. Receivables</b>		
Dividends receivable	34,975	21,802
GST receivable	21,935	19,409
<b>Total receivables</b>	<b>56,910</b>	<b>41,211</b>

	As at 30 June 2023 \$	As at 30 June 2022 \$
<b>7. Financial instruments at fair value through profit or loss</b>		
<b>Financial assets</b>		
Listed equities	55,725,310	51,321,592
Futures	-	248,789
Forward currency exchange contracts	-	373,016
<b>Total financial assets at fair value through profit or loss</b>	<b>55,725,310</b>	<b>51,943,397</b>
<b>Financial liabilities</b>		
Forward currency exchange contracts	19,595	393,914
<b>Total financial liabilities at fair value through profit or loss</b>	<b>19,595</b>	<b>393,914</b>

## 8. Derivative financial instruments

In the normal course of business the Company enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as swaps, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Company's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Company against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

The Company holds the following derivative instruments:

### (a) Forward currency contracts

Forward currency contracts are primarily used by the Company to mitigate against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Company agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing closing price at the end of each reporting period. The Company recognises a gain or loss equal to the change in fair value at the end of each reporting period.

### (b) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts values are usually settled net daily with the exchange.

The Company's derivative financial instruments at 30 June 2023 and 30 June 2022 are detailed below.

#### As at 30 June 2023

	Contractual/ notional value \$	Fair values Assets \$	(Liabilities) \$
Forward currency exchange contracts	493,397	-	19,595
	<b>493,397</b>	<b>-</b>	<b>19,595</b>

#### As at 30 June 2022

Futures	(2,980,586)	248,789	-
Forward currency exchange contracts	14,976,684	373,016	393,914
	<b>11,996,098</b>	<b>621,805</b>	<b>393,914</b>

## 9. Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the following table:

	Effects of offsetting on the statement of financial position			Related amounts not offset	
	Gross amounts of financial instrument \$	Gross amounts set off in the statement of financial position \$	Net amount of financial assets/(liabilities) presented in the statement of financial position \$	Amounts subject to master netting arrangement \$	Net amount \$
<b>As at 30 June 2023</b>					
<b>Financial liabilities</b>					
Forward currency contracts	(19,595)	-	(19,595)	-	(19,595)
<b>Total</b>	<b>(19,595)</b>	<b>-</b>	<b>(19,595)</b>	<b>-</b>	<b>(19,595)</b>
<b>As at 30 June 2022</b>					
<b>Financial assets</b>					
Futures	248,789	-	248,789	-	248,789
Forward currency contracts	373,016	-	373,016	-	373,016
<b>Total</b>	<b>621,805</b>	<b>-</b>	<b>621,805</b>	<b>-</b>	<b>621,805</b>
<b>Financial liabilities</b>					
Forward currency contracts	(393,914)	-	(393,914)	-	(393,914)
<b>Total</b>	<b>(393,914)</b>	<b>-</b>	<b>(393,914)</b>	<b>-</b>	<b>(393,914)</b>

## 10. Payables

	As at 30 June 2023 \$	As at 30 June 2022 \$
Other accruals	46,213	65,478
Management fees payable	64,086	61,304
Administration fees payable	6,150	12,300
Buyback payable	218,944	-
	<b>335,393</b>	<b>139,082</b>

## 11. Issued capital

### Ordinary shares

Fully paid ordinary shares entitle the holder to receive dividends as declared and the proceeds on winding up the Company in proportion to the number and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

### Capital risk management

The Company's policy is to maintain a strong capital base so as to maintain investor and market confidence. The overall strategy remains unchanged. To achieve this, the Board of Directors regularly monitor NTA results, investment performance and share price movements. The Board is focused on maximising returns to shareholders with capital management a key objective of the Company. The Company is not subject to any externally imposed capital requirements.

	Year ended 30 June 2023		For the period 1 October 2021 to 30 June 2022	
	Shares	\$	Shares	\$
<b>Movements in ordinary share capital</b>				
Opening balance	53,301,524	56,205,154	53,050,432	55,895,116
Ordinary shares issued under dividend reinvestment plan	396,219	379,798	251,092	310,038
Ordinary shares acquired under buy-back	(1,072,538)	(1,051,124)	-	-
<b>Closing balance</b>	<b>52,625,205</b>	<b>55,533,828</b>	<b>53,301,524</b>	<b>56,205,154</b>

On 18 April 2023, the Company announced the implementation of an on-market buy-back of up to 5,323,144 of its shares, commencing on 3 May 2023 and continuing until 3 May 2024 unless the maximum number of shares were bought back prior to this date or MEC decided to cease the buy-back. During the year ended 30 June 2023, the Company had bought back 1,072,538 shares (FY22: Nil), 2.00% of its issued ordinary shares.

	As at 30 June 2023 \$	As at 30 June 2022 \$
<b>12. Reserves and accumulated losses</b>		
<b>(a) Accumulated losses</b>		
Balance at the beginning of the year/period	(18,043,839)	(3,224,077)
Net profit/(loss) attributable to members of the Company	7,558,999	(11,321,636)
Transfer to profit reserve	(7,558,999)	(3,498,126)
<b>Balance</b>	<b>(18,043,839)</b>	<b>(18,043,839)</b>
<b>(b) Profits reserve</b>		
The reserve is made of amounts transferred from current profits that are preserved for future dividend payments.		
Balance at the beginning of the year/period	20,802,512	20,491,841
Transfer from retained earnings/(losses)	7,558,999	3,498,126
Dividends provided for or paid	(3,203,379)	(3,187,455)
<b>Balance</b>	<b>25,158,132</b>	<b>20,802,512</b>

### 13. Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	Year ended 30 June 2023 \$	For the period 1 October 2021 to 30 June 2022 \$
<b>Ernst &amp; Young</b>		
Audit and other assurance services	59,488	56,056
Taxation Services	4,390	4,180
<b>Total Audit and taxation services</b>	<b>63,878</b>	<b>60,236</b>
Other consulting and advisory services	-	5,242
<b>Total remuneration of Ernst &amp; Young</b>	<b>63,878</b>	<b>65,478</b>

The Company's Audit and Risk Committee oversees the relationship with the Company's External Auditors. The Audit and Risk Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other audit-related tax compliance services provided by the audit firm, to ensure that they do not compromise independence.

	As at 30 June 2023 \$	As at 30 June 2022 \$
<b>14. Cash flow information</b>		
<b>(a) Components of cash and cash equivalents</b>		
Cash as at the end of the financial year/period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash at bank	684,281	178,097
	<b>684,281</b>	<b>178,097</b>
<b>(b) Reconciliation of net profit/(loss) attributable to members of the Company to net cash outflow from operating activities</b>		
Profit/(loss) attributable to members of the Company	7,558,999	(11,321,636)
Proceeds from sale of financial instruments at fair value through profit or loss	35,764,486	54,617,530
Payments for purchase of financial instruments at fair value through profit or loss	(28,978,212)	(46,989,067)
Net (gains)/losses on financial instruments at fair value through profit or loss	(12,072,160)	15,563,335
Net (gains)/losses on foreign exchange	527,964	(327,813)
Amount received from/(paid to) brokers for collateral	(1,219,671)	706,852
Net change in prepayments	13,168	(43,902)
Net change in receivables	(15,699)	121,256
(Increase)/decrease in deferred tax assets	2,814,731	(2,814,731)
Increase/(decrease) in deferred tax liabilities	351,490	(2,802,801)
(Increase)/decrease in current tax assets	(611,852)	(166,455)
Increase/(decrease) in current tax liabilities	-	(3,822,853)
Net change in payables	(22,633)	1,854
<b>Net cash inflow/(outflow) from operating activities</b>	<b>4,110,611</b>	<b>2,721,569</b>



#### 14. Cash flow information (continued)

	Year ended 30 June 2023 \$	For the period 1 October 2021 to 30 June 2022 \$
(c) <b>Non-cash financing activities</b>		
During the year/period, the following dividend payments were satisfied by the issue of shares under the dividend reinvestment plan	379,798	310,038

#### 15. Related party transactions

All transactions with related entities were made on normal commercial terms and conditions no more favourable than transactions with other parties unless otherwise stated.

##### (a) Management and Performance Fees

Morphic Asset Management Pty Limited (Morphic) (ABN 33 155 937 901, AFSL 419916) has been appointed as the Investment Manager of the Company. The Manager is a wholly owned subsidiary of Ellerston Capital Limited and was incorporated in 2012. Jack Lowenstein is a director of the Manager.

##### (i) Management fee

the Manager is entitled to be paid monthly a Management Fee equal to 1.25% (plus GST) per annum of the Value of the Portfolio (payable monthly in arrears and calculated on the last business day of each month).

##### (ii) Performance fee

the Manager is entitled to be paid by the Company a fee (Performance Fee) equal to 15% (plus GST) of the Portfolio's outperformance relative to the MSCI All Countries Total Return Daily Index ("the Index") in Australian dollars (Benchmark) over the 12 month period, subject to the Portfolio generating absolute gains since inception and the recoupment of prior underperformance.

Management fees paid to the Manager during the year/period were as follows:

	Year ended 30 June 2023 \$	For the period 1 October 2021 to 30 June 2022 \$
Management fees paid and payable during the year/period	730,846	669,917
Management fees payable at year/period end	64,086	61,304

There were no performance fees earned or paid during the year (30 June 2022: nil).

##### (b) Remuneration of Directors and Other Key Management Personnel

In accordance with Section 300A of the *Corporations Act 2001*, all detailed information regarding the remuneration of Directors and other key management personnel has been included in the Remuneration Report in the Directors' Report of the Annual Report.

A summary of the remuneration of Directors and other key management personnel for the year/period is set out below:

	Year ended 30 June 2023 \$	For the period 1 October 2021 to 30 June 2022 \$
Cash salary, fees and commissions	126,697	95,455
<b>Short-term employee benefits</b>	<b>126,697</b>	<b>95,455</b>
Superannuation	13,303	9,545
<b>Post-employment benefits</b>	<b>13,303</b>	<b>9,545</b>
<b>Total employment benefits</b>	<b>140,000</b>	<b>105,000</b>

## 15. Related party transactions (continued)

### (c) Shareholdings

2023	Opening balance	Acquisitions	Disposals	Balance at 30 June 2023
<b>Ordinary Shares</b>				
JoAnna Fisher (resigned on 8 November 2022)	114,405	7,291	-	121,696
Jack Lowenstein	845,939	53,910	-	899,849
Mark Forstmann	88,595	5,646	-	94,241
Kirstin Anne Hunter (appointed on 8 November 2022)	-	-	-	-

There has been no movement in the equity instruments held by the Directors between 30 June 2023 and the date of the Director's report.

2022	Opening balance	Acquisitions	Disposals	Balance at 30 June 2022
<b>Ordinary Shares</b>				
JoAnna Fisher	109,020	5,385	-	114,405
Jack Lowenstein	806,121	39,818	-	845,939
Mark Forstmann	84,424	4,171	-	88,595

### (d) Options to acquire shares

There were no options acquired or disposed during the year ended 30 June 2023 and period ended 30 June 2022.

## 16. Contingent liabilities and commitments

As at 30 June 2023 and 30 June 2022, the Company had no contingent liabilities or commitments.

## 17. Dividends

	Year ended 30 June 2023 \$	For the period 1 October 2021 to 30 June 2022 \$
<b>(a) Dividends paid in the current year</b>		
A fully franked final dividend on ordinary shares in respect of the 2022 financial year of 3.00 cents per share and was paid on 15 December 2021.	-	1,591,513
A fully franked dividend on ordinary shares for the quarter ended 31 March 2022 of 1.5 cents per share was paid on 31 March 2022.	-	797,470
A fully franked dividend on ordinary shares for the quarter ended 30 June 2022 of 1.5 cents per share was paid on 24 June 2022.	-	798,472
A fully franked dividend on ordinary shares for the quarter ended 30 June 2022 of 1.5 cents per share was paid on 23 September 2022.	799,523	-
A fully franked dividend on ordinary shares for the quarter ended 30 September 2022 of 1.5 cents per share was paid on 8 December 2022.	800,602	-
A fully franked dividend on ordinary shares for the quarter ended 31 December 2022 of 1.5 cents per share was paid on 24 March 2023.	801,789	-
A fully franked dividend on ordinary shares for the quarter ended 31 March 2023 of 1.5 cents per share was paid on 23 June 2023.	801,465	-
	<b>3,203,379</b>	<b>3,187,455</b>
<b>(b) Dividend franking account</b>		
Opening balance of franking account	3,249,837	72,511
Franking credits on dividends paid	(1,372,877)	(1,366,052)
Tax payments made	610,836	4,709,833
Tax refundable	(611,852)	(166,455)
Closing balance of franking account	<b>1,875,944</b>	<b>3,249,837</b>

This disclosure is for the franking credits available for use in subsequent reporting periods and is calculated as per paragraph 14 of AASB 1054.

The Company's ability to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

**18. Segment information**

The Company has only one reportable segment and one industry. It operates predominantly in Australia and in the securities industry. It earns revenue from dividend income, interest income and other returns from the investment portfolio. The Company invests in different types of securities, as detailed at Note 7 Investments, and Note 3 Fair Value Measurement.

**19. Events subsequent to reporting date**

On 4 July 2023, the Board announced a change to the dividend policy of the Company.

No other matters or circumstances have arisen since the end of the period which significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

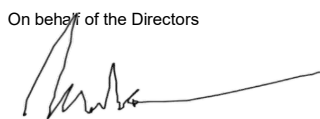
## Directors' Declaration

The Directors declare that:

- (a) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards, and giving a true and fair view of the financial position as at 30 June 2023 and performance of the Company, for the year ended 30 June 2023;
- (b) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated on Note 1(b) of the financial statements;
- (d) The Directors have been given the declarations required by S.295A of the *Corporations Act 2001*; and
- (e) The remuneration disclosures contained in the Remuneration Report comply with S300A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to S295(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Jack Lowenstein**  
Chairman  
Morphic Ethical Equities Fund Limited

Sydney, 17 August 2023

## Independent auditor's report to the members of Morphic Ethical Equities Fund Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Morphic Ethical Equities Fund Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Morphic Ethical Equities Fund Limited is in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Investment Existence and Valuation

### Why significant

The Company has a significant investment portfolio consisting primarily of listed equity securities and derivatives. As at 30 June 2023, the values of these financial assets and financial liabilities were \$55,725,310 and \$19,595 respectively, which represented 88% and 2%, of the total assets and total liabilities respectively of the Company.

As disclosed in the Company's accounting policy Note 1(c) of the financial report, these financial assets and financial liabilities are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.

Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and financial liabilities, and the financial report. Accordingly, existence and valuation of the investment portfolio was considered a key audit matter.

### How our audit addressed the key audit matter

We assessed the effectiveness of the controls relating to the existence and valuation of investments.

We obtained and assessed the assurance report on the controls of the Company's administrator, in relation to the fund administration services for the year ended 30 June 2023 and considered the auditor's qualifications, competence, their objectivity and the results of their procedures.

We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2023.

We assessed the fair value of all investments in the portfolio held at 30 June 2023. For listed securities, the values were verified against independently sourced market prices. For unlisted derivatives, the values were verified using independently sourced observable market inputs applied to appropriate valuation models.

We assessed the adequacy of the disclosures in Note 3 of the financial report.

## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the Remuneration Report

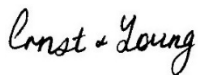
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 12 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Morphic Ethical Equities Fund Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Rita Da Silva  
Partner  
Sydney  
17 August 2023



## Shareholder Information

The Shareholder information set out below was applicable at 31 July 2023.

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report, is listed below.

### A. Distribution of securities

#### Distribution of equity securities

Holding Ranges	Investors	Shares	Percentage %
1 to 1000	142	69,011	0.13
1001 to 5000	274	815,676	1.57
5001 to 10000	173	1,432,380	2.76
10001 to 100000	545	18,906,156	36.42
100001 and Over	78	30,684,559	59.11
<b>Total</b>	<b>1,212</b>	<b>51,907,782</b>	<b>100.00</b>

### B. Equity security holders

#### Twenty largest equity security holders

Name	Shares	%
FUTURE GENERATION GLOBAL INVESTMENT COMPANY LIMITED	5,382,734	10.37
NATIONAL NOMINEES LIMITED	2,621,590	5.05
SYSHA PTY LTD <SYDNEY GOODMAN FAMILY A/C>	2,350,000	4.53
LEKK PTY LTD <HILTON GORDON FAMILY A/C>	1,800,000	3.47
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,202,909	2.32
JORLYN PTY LTD <ROBERT JORDAN FAMILY A/C>	900,000	1.73
STERDA PTY LTD	900,000	1.73
CITICORP NOMINEES PTY LIMITED	795,890	1.53
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	675,698	1.30
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	614,579	1.18
MR JACK THESEUS LOWENSTEIN	608,478	1.17
MRS CATHERINE ANNE MARSON + MR JOSEPH MARSON <THE MARSON FAMILY S/F A/C>	522,261	1.01
GEAT INCORPORATED <GEAT-PRESERVATION FUND A/C>	472,000	0.91
NAMBIA PTY LTD <ANTHON FAMILY S/F A/C>	416,075	0.80
DURNANDCO PTY LTD <DURNANDCO P/L SUPER FUND A/C>	386,366	0.74
MR JAMES WILLIAM TAYLER	384,882	0.74
MR MALCOLM JAMES DOIG + MRS LISA JOY DOIG <DOIG FUTURE SUPER FUND A/C>	380,180	0.73
E V J HOLDINGS PTY LTD <EDWINA A/C>	376,365	0.73
BURKE SUPER FUND PTY LIMITED <BURKE SUPER FUND A/C>	375,000	0.72
MR RONALD GORDON SINCLAIR + MR SCOTT SINCLAIR + MISS SAMANTHA SINCLAIR <RON SINCLAIR S/FUND A/C>	367,000	0.71

### C. Substantial shareholders

	%
Future Generation Global Investment Company Limited and its associated entities.	10.37
Harvest Lane Asset Management Pty Ltd	5.76

### D. Voting rights

The voting rights attaching to each class of equity security are set out below:

Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. Options do not have any voting rights until they vest and are exercised.

### E. Stock exchange listing

Quotation has been granted for all of the ordinary shares and options of the Company on all Member exchanges of the ASX Limited.

### F. Unquoted securities

There are no unquoted securities.

### G. Investment transactions

There were 164 investment transactions during the year, total brokerage paid on these transactions was \$103,945.

## Corporate Directory

<b>Directors</b>	Kirstin Anne Hunter (appointed on 8 November 2022) Jack Lowenstein Mark Forstmann
<b>Company Secretary</b>	Mark Licciardo (appointed on 1 April 2023)
<b>Registered Office</b>	Level 11 179 Elizabeth Street Sydney NSW 2000
<b>Contact Details</b>	P: (02) 9021 7701 <a href="http://www.morphicasset.com">www.morphicasset.com</a>
<b>Manager</b>	Morphic Asset Management Pty Ltd ACN 155 937 901 Level 11, 179 Elizabeth Street SYDNEY NSW 2000
<b>Auditor</b>	Ernst & Young 200 George Street SYDNEY NSW 2000 GPO Box 2646 Sydney NSW 2001
<b>Share Registry</b>	Computershare Level 3, 60 Carrington Street Sydney NSW 2000 P: (02) 9221 2099
<b>Stock Exchange Listings</b>	Morphic Ethical Equities Limited shares are listed on the Australian Stock Exchange under the following exchange code:  MEC