A proud founder of: Climate Action 100+

Signatory of: PRI Principles for Responsible Investment

MORPHIC ETHICAL EQUITIES FUND

Monthly Report
June 2026

Fund Objective

The Morphic Ethical Equities Fund Limited (MEC) seeks to provide investors a way to grow their wealth and feel confident they do so without investing in businesses that harm the environment, people, and society.

MEC excludes direct investments in entities involved in environmental destruction, including coal and uranium mining, oil and gas, intensive animal farming and aquaculture, tobacco and alcohol, armaments, gambling and rainforest and old growth logging.

Investment returns*

	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	ITD (p.a.)^
MEC[1]	2.7%	24.6%	21.0%	27.4%	16.1%	8.9%	10.3%
Index[2]	3.0%	13.6%	7.1%	17.0%	18.1%	12.8%	13.2%

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

Performance Summary

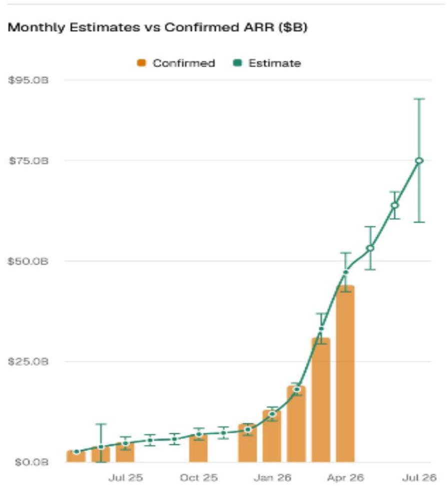
MEC returned **+24.6%** net during the quarter, versus the MSCI All Countries World Daily Total Return Net Index which returned **+13.6%** over the same period. For the FY26, MEC returned **+27.4%** vs the Benchmark return of **+17.0%.**

Market Commentary

Markets posted one of the strongest broad based advances in decades over the quarter. The S&P500 and Nasdaq100 recorded their best quarter since Q2 2020, with the Nasdaq100 posting its second best quarterly performance in 25 years. The rally started narrowly in April, led by large cap growth and hyperscalers rebounding off the March lows, before broadening out meaningfully by quarter end, with small cap, microcap, equal weight benchmarks all finishing the quarter at new record highs.

AI remained the dominant theme through most of the quarter, supported by new AI model launches, strong cloud growth at the major hyperscalers, continued upgrades to the AI capex outlook, as well as rising GPU rental prices (indicating robust demand for AI products). Reflecting this, the Philadelphia Semiconductor Index (SOX) recorded double digit gains in all three months of the quarter, its best quarterly performance (+87.8%) since the index's inception in 1994. We believe the outlook for AI demand continues to remain robust. At the time of writing, the current annual recurring revenue for Anthropic (a leading frontier AI model) is estimated by one source (Funda) to be close to US$75b, compared to just US$9b at the end of 2025, and US$4b this time last year. To support this level of growth, Anthropic (as well as other hyperscalers), will need to continue to invest in key bottlenecks across the AI supply chain, namely physical infrastructure; power, cooling and data centre capacity. We think this will take years to resolve at the current demand curve, benefiting many of our holdings which have access to either latest generation GPUs or difficult to source power (or in some cases both). The recent entry of Nvidia as a revenue/funding backstop for many of our holdings is likely to further accelerate their growth.

Anthropic ARR



Source: Funda

Beyond AI, one interesting observation from the quarter was the change in market leadership as the quarter progressed. April and May were dominated by a narrow, tech led rally. In May, only 3 of 11 S&P500 sectors were positive, with nearly all of the gain attributable to technology. June saw a shift as new Fed Chairman, Kevin Warsh, struck a surprisingly hawkish tone, with markets subsequently pricing in further rate hikes by year end rather than cuts. This drove a rotation out of growth/momentum positions and into more cyclical and defensive areas, with industrials, financials and healthcare outperforming in June, while AI names lagged on profit taking (impacting the strategy's June performance). Throughout June, we added to a number of non-AI, cyclical positions (detailed below), while retaining our core AI infrastructure holdings.

Subsequent to quarter end we have seen a significant drawdown in AI and other 'momentum' related stocks, with the first week of July seeing 20% drawdown in the TMT Momentum basket – the worst result since the early 2000s. We think this is likely an outcome of momentum related stocks simply becoming too stretched, though there are ongoing questions around the sustainability of token demand, the level of capacity entering the GPU cloud market and sky rocketing inflation in key AI hardware inputs, namely memory prices. While we see AI stocks as likely to remain volatile near term, we view many of these underlying issues as either non-events, or less relevant to our particular holdings.

Select Monthly Contributors and Detractors

Key contributors:

SharonAI increased 272% through the quarter. The company completed a significant (and well supported capital raise) through the quarter and has recently announced an innovative revenue/financing backstop solution with Nvidia, which should help secure GPUs, customers and power to further accelerate growth. An Australian IPO is expected in the coming months.

Nebius Group (NBIS-US) increased 166% across the quarter. Nebius now sits on a contracted backlog approaching $50 billion for the 2027 to 2031 period, against 2025 revenue of just $530 million, and should be a major beneficiary from the strong GPU rental prices in the market.

Forgent Power Solutions (FPS-US) increased 91% through the quarter. Forgent designs and manufactures electrical equipment such as transformers and switchgear, serving its two largest end markets, data centres and the grid. We used weakness following a secondary sell-down to establish a position.

Key detractor:

GFL Environmental (GFL-US) decreased 12% through the quarter. GFL is a North American solid waste and environmental services company, providing collection, transfer, recycling and disposal services across the US and Canada. The poor share price performance is likely an outcome of the generally poor performance of 'quality' businesses, as well as the acquisition of Secure Waste Infrastructure, which has been poorly received by the market. We continue to see GFL as attractively valued, supported by recent news post quarter end that the business is potentially exploring a take private transaction, with the CEO willing to entertain $50 per share (vs $40 at the time of writing).

GDS Holdings (9698-HK) fell 27% through the quarter. GDS is one of China's leading data centre operators, providing colocation and managed infrastructure services to hyperscale and enterprise cloud customers. The company has also been expanding internationally through its DayOne platform, targeting data centre demand across Southeast Asia and other overseas markets. We exited our position in the quarter given the broad based weakness in Chinese equities and continuation of deteriorating liquidity, particularly in the Hong Kong exchange.

Albemarle (ALB-US) fell 25% through the quarter. ALB is one of the world's largest lithium producers, supplying battery grade lithium chemicals for electric vehicles and energy storage, alongside smaller bromine and catalysts businesses. The stock has been highly sensitive to lithium price cycles, with recent oversupply and rising USD weighing heavily on the lithium price.

Portfolio changes:

We used the volatility and factor rotation through the quarter, and particularly through June, to broaden the portfolio beyond AI infrastructure exposure and into a small number of cyclical and value names where we see attractive risk reward.

LGI Homes (LGIH-US), Suncrete (RMIX-US) and Construction Partners (ROAD-US) were all added as new positions in June, giving exposure to the broadening strength in the US economy, and prospects for rate cuts in time, complementing our existing position in QXO.

Exits through the quarter included Circle Internet Group (CRCL-US), Albemarle (ALB-US), Tradeweb Markets (TW-US), MonotaRO (3064-JP) and GDS Holdings (9698-HK).

We also added to MasTec, Galaxy Digital and Cipher Digital, and trimmed Nebius, Forgent Power Solutions, Core Scientific and Anritsu, in each case as positions approached or moved away from our internal valuation targets.

Top 10 Positions*

Stocks	Industry	Region
AerCap Holdings NV	Industrials	North America
Clean Harbors, Inc.	Industrials	North America
Core Scientific Inc	Information Technology	North America
Corpay, Inc.	Financials	North America
Galaxy Digital Inc. Class A	Financials	North America
GFL Environmental Inc	Industrials	North America
InterContinental Hotels Group PLC	Consumer Discretionary	Europe
MasTec, Inc.	Industrials	North America
Nebius Group N.V. Class A	Information Technology	North America
Nexans SA	Industrials	Europe

*Source: Ellerston Capital. *Listed positions in alphabetical order.*

Risk Measures	
Net Exposure[3]	83.50%
Gross Exposure[4]	83.50%
VAR[5]	7.05%
Best Month	11.36%
Worst Month	-8.94%
Average Gain in Up Months	2.94%
Average Loss in Down Months	-2.67%
Annualised Volatility	13.52%
Annualised Index Volatility	10.45%

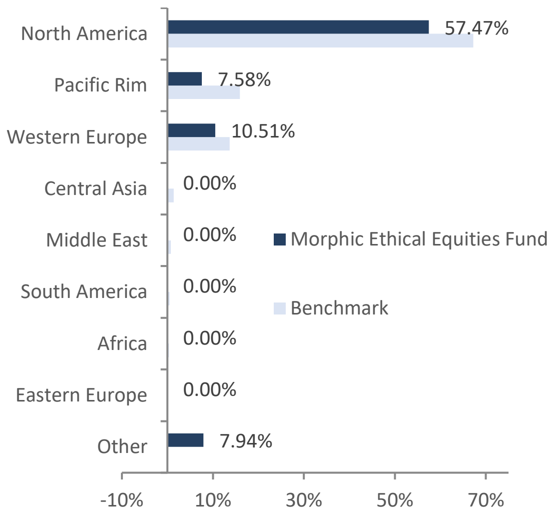
Net Tangible Assets (NTA)	
NTA value before tax[6]	$1.6021
NTA value after tax[6]	$1.4764

Source: Ellerston Capital.

Key Facts	
ASX code / share price	MEC / 1.335
Listing Date	3 May 2017
Profit Reserve[7]	$1.099
Management Fee	1.25%
Performance Fee[8]	15%
Market Capitalisation	$40.4m
Shares Outstanding	30,238,092
Dividend per share[9]	$0.01

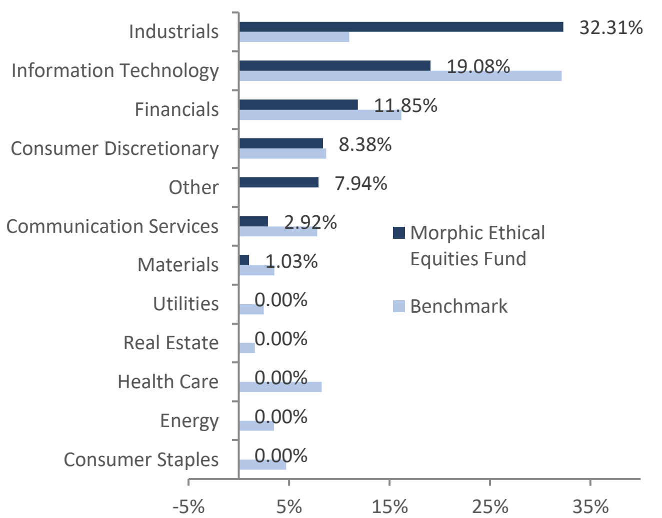
Source: Ellerston Capital.

Equity Exposure Summary[10] By region



Source: Ellerston Capital.

Equity Exposure Summary[10] By sector



Source: Ellerston Capital.

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[1] Performance is net of investment management fees, before company admin costs and taxes; [2] The Index is the MSCI All Countries World Daily Total Return Net Index (Bloomberg code NDUEACWF) in AUD; [3] Includes Equities and Commodities - longs and shorts are netted; [4] Includes Equities, Commodities and 10 year equivalent Credit and Bonds - longs and shorts are not netted; [5] Monthly VAR, gross return; [6] The figures are estimated and unaudited; [7] The reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments. The payment of franked dividends depends on the rate MEC realises taxable profits and generates franking credits; [8] The Performance Fee is payable annually in respect of MEC's out-performance of the Index. Performance Fees are only payable when MEC achieves positive absolute performance and is subject to a high-water mark; [9] Annual dividend per share. [10] Exposure Summary charts do not take into account derivative positions.