Montgomery Global Equities Fund (Managed Fund)

ARSN 621 941 508

Annual report
For the period 10 October 2017 to 30 June 2018

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This annual report covers Montgomery Global Equities Fund (Managed Fund) as an individual entity.

The Responsible Entity of Montgomery Global Equities Fund (Managed Fund) is Perpetual Trust Services Limited (ABN 48 000 142 049) (AFSL 236648).

Responsible Entity's registered office is:
Level 18, 123 Pitt Street
Sydney NSW 2000

Directors' report

Perpetual Trust Services Limited (ABN 48 000 142 049) is the responsible entity (the "Responsible Entity") of Montgomery Global Equities Fund (Managed Fund) (the "Fund"). The directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the period ended 30 June 2018.

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund invests in a high conviction portfolio of 15 to 30 businesses listed on major global stock exchanges and cash in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund was constituted on 10 October 2017. The Fund is an Exchange Traded Managed Fund (ETMF) issued under the AQUA rules and admitted to trading status on ASX with official quotation of its securities commencing on 20 December 2017 (ASX:MOGL).

The Fund did not have any employees during the period.

There were no significant changes in the nature of the Fund's activities during the period.

Directors

The Directors of Perpetual Trust Services Limited during the period and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

Name	
Andrew Cannane	Resigned as Director on 23 February 2018
Glenn Foster	
Christopher Green	
Michael Vainauskas	
Andrew McIver	Alternate Director for Michael Vainauskas
Vicki Riggio	Appointed as Alternate Director for Christopher Green on 1 December 2017 Resigned as Alternate Director for Andrew Cannane on 23 February 2018 Resigned as Alternate Director for Christopher Green on 20 April 2018 Appointed as a Director on 20 April 2018
Rodney Garth Ellwood	Resigned as Alternate Director for Christopher Green on 1 December 2017
Gillian Larkins	Appointed as Alternate Director for Glenn Foster on 14 July 2017
Neil Wesley	Resigned as Alternate Director for Glenn Foster on 14 July 2017
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018

Review and results of operations

During the period, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's Constitution.

Directors' report (continued)

Review and results of operations (continued)

The performance of the Fund, as represented by the results of its operations, was as follows:

	For the period 10 October 2017 to 30 June 2018
Operating profit/(loss) for the period ($'000)	**5,812**
Distributions	
Distributions paid and payable ($'000)	**1,979**
Distributions (cents per unit)	**8.60**

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial period.

Matters subsequent to the end of the financial period

Phillip Blackmore was appointed as an alternate director for Christopher Green and Vicki Riggio on 6 July 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may have a significant effect on:

(i) the operations of the Fund in future financial years;
(ii) the results of those operations in future financial years; or
(iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity and its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the period are disclosed in Note 17 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the period.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial period are disclosed in Note 17 to the financial statements.

Directors' report (continued)

Units in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 10 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

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 5.

This report is made in accordance with a resolution of the directors of Perpetual Trust Services Limited.

Director
Perpetual Trust Services Limited

Sydney
17 September 2018

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Auditor's Independence Declaration to the Directors of Perpetual Trust Services Limited

As lead auditor for the audit of Montgomery Global Equities Fund (Managed Fund) for the financial period from 10 October 2017 to 30 June 2018, 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*;* and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
Sydney
17 September 2018

Statement of comprehensive income

	Note	For the period 10 October 2017 to 30 June 2018 $'000
Investment income		
Dividend and distribution income		**836**
Net foreign exchange gain/(loss)		**21**
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	**6,180**
Total investment income/(loss)		**7,037**
Expenses		
Management fees	17	**288**
Responsible entity fees	17	**38**
Performance fees	17	**475**
Custody and administration fees		**110**
Auditor fees	16	**26**
Withholding taxes		**97**
Transaction costs		**132**
Other expenses		**59**
Total expenses		**1,225**
Operating profit/(loss) for the period		**5,812**
Other comprehensive income		**-**
Total comprehensive income for the period		**5,812**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Note	As at 30 June 2018 $'000
Assets		
Cash and cash equivalents	12	**18,764**
Receivables	14	**29**
Financial assets held at fair value through profit or loss	7	**65,737**
Total assets		**84,530**
Liabilities		
Distribution payable	11	**1,979**
Payables	15	**657**
Financial liabilities held at fair value through profit or loss	8	**508**
Total liabilities		**3,144**
Net assets attributable to unitholders – equity	10	**81,386**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Note	For the period 10 October 2017 to 30 June 2018 $'000
Total equity at the beginning of the financial period		-
Comprehensive income for the period		
Profit/(loss) for the period		5,812
Other comprehensive income		-
Total comprehensive income		5,812
Transactions with unitholders		
Applications	10	82,659
Redemptions	10	(5,106)
Distributions paid and payable	10	(1,979)
Total transactions with unitholders		75,574
Total equity at the end of the financial period		81,386

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Note	For the period 10 October 2017 to 30 June 2018 $'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss		**31,057**
Purchase of financial instruments held at fair value through profit or loss		**(90,106)**
Dividends and distributions received		**739**
Management fees paid		**(147)**
Auditor fees paid		**(26)**
Responsible entity fees paid		**(38)**
Custody and administration fees paid		**(86)**
Other expenses paid		**(203)**
Net cash inflow/(outflow) from operating activities	13(a)	**(58,810)**
Cash flows from financing activities		
Proceeds from applications by unitholders		**82,659**
Payments for redemptions by unitholders		**(5,106)**
Net cash inflow/(outflow) from financing activities		**77,553**
Net increase/(decrease) in cash and cash equivalents		**18,743**
Cash and cash equivalents at the beginning of the period		**-**
Effect of foreign currency exchange rate changes on cash and cash equivalents		**21**
Cash and cash equivalents at the end of the period	12	**18,764**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Contents

1 General information

These financial statements cover Montgomery Global Equities Fund (Managed Fund) (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 10 October 2017 and will terminate in accordance with the provisions of the Fund's Constitution or by Law. The Fund is an Exchange Traded Managed Fund (ETMF) issued under the AQUA rules and admitted to trading status on ASX with official quotation of its securities commencing on 20 December 2017 (ASX:MOGL).

The Responsible Entity of the Fund is Perpetual Trust Services Limited (ABN 48 000 142 049) (AFSL 236648) (the "Responsible Entity"). The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney NSW 2000. The financial statements are presented in Australian currency unless otherwise noted.

The Fund invests in a high conviction portfolio of 15 to 30 businesses listed on major global stock exchanges and cash in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unitholders, to assist with the liquidity of the Fund's units on ASX, the Responsible Entity has appointed Macquarie Securities (Australia) Limited (Macquarie) to provide market-making services with respect to the Fund. At the end of each business day, Macquarie will create or cancel units by applying for or redeeming its net position in units bought or sold on ASX. As such, the amount expected to be settled within 12 months cannot be reliably determined.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 10 October 2017 that would be expected to have a material impact on the Fund.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

- AASB 9 *Financial Instruments* (and applicable amendments) (effective from annual period beginning 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable for annual periods beginning before 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition, classification and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are all held at fair value through profit or loss, the change in impairment rules will not materially impact the Fund.

- AASB 15 *Revenue from Contracts with Customers* (effective from annual period beginning 1 January 2018)

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of AASB 15 to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

(b) Financial instruments

(i) Classification

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

- Financial instruments held for trading

These are investments in derivative financial instruments such as forward currency contracts. The Fund does not designate any derivatives as hedges in a hedging relationship.

- 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 exchange traded equity securities.

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 Fund's documented investment strategy as outlined in the Product Disclosure Statement. The Fund'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.

(ii) Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement

- Financial instruments held at fair value through profit or loss

At initial recognition, financial assets and liabilities held at fair value through profit or loss are measured at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, less impairment losses if any. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed in the statement of comprehensive income immediately.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the 'fair value of financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit and loss in the period in which they arise.

For further details on how the fair values of financial instruments are determined please see Note 5 to the financial statements.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has 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.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to unitholder.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

The units are classified as equity as they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation* :

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

Applications received for units in the Fund are recorded net of entry fees. Redemptions from the Fund are recorded gross of exit fees. The Fund recognises the units issued or redeemed when settled, which is trade date.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represent the Fund's main income generating activity.

2 Summary of significant accounting policies (continued)

(e) Investment income

(i) Interest income

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income on an accruals basis. Changes in fair value of financial instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

(ii) Dividends and distributions

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

Trust distributions are recognised on an entitlement basis.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

(h) Distributions

The Fund may distribute its distributable income, in accordance with the Fund’s Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the statement of changes in equity as transactions with unitholders.

(i) Distribution Reinvestment Plan (DRP)

The Fund's DRP was available to eligible unitholders during the period ended 30 June 2018.

Under the terms of the DRP, eligible unitholders are able to elect to reinvest their distribution in additional MOGL units, free of brokerage or other transaction costs. Units are issued and/or transferred to DRP participants at a predetermined price, less any discount that the Directors may elect to apply from time to time. No discount has been applied to the units issued under the DRP in respect of the distribution paid on 17 July 2018.

(i) Foreign currency translation

(i) Functional and presentation currency

Balances included in the Fund’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 Fund competes for funds and is regulated. The Australian dollar is also the Fund’s presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The Fund does not isolate that portion of unrealised gains or losses on financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates. Such fluctuations are included with the net gains/(losses) on financial instruments at fair value through profit or loss.

2 Summary of significant accounting policies (continued)

(j) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by period end. Trades are recorded on trade date, and normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, and the probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

(k) Receivables

Receivables may include amounts for interest and dividends. Dividends are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Receivables also include such items as Reduced Input Tax Credit (RITC). Amounts are generally received within 30 days of being recorded as receivables.

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(l) Payables

Payables include liabilities and accrued expenses owed by the Fund and any distributions declared which are unpaid as at the end of the reporting period.

A separate distribution payable is recognised in the statement of financial position.

Distributions declared effective 30 June in relation to unitholders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July in the following financial year.

(m) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

(n) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(o) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial period. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations, require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For more information on how fair value is calculated please see Note 4 to the financial statements.

2 Summary of significant accounting policies (continued)

(p) Comparative period

The Fund was constituted on 10 October 2017, registered with Australian Securities and Investments Commission on 11 October 2017 and commenced operations on 20 December 2017. The reporting period covers the period 10 October 2017 is the date of constitution, to 30 June 2018, hence there is no comparative information.

(q) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks. The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The management of these risks is conducted by the Fund's Investment Manager who manages the Fund's assets in accordance with its investment objective.

The Investment Manager of the Fund is aware of the risks associated with the business of investment management. A financial risk management framework has been established by the Fund's Investment Manager who conducts regular assessment processes in order to ensure that procedures and controls are adequately managing the risks arising from the Fund's investment activities.

This framework includes:

- Integrated computer systems and processes with checks and balances;
- Policies and procedures covering operations;
- Post trade investment compliance monitoring;
- Segregation of the dealing and investment management function from the administration and settlement function;
- An independent service provider for the valuation of securities, and
- A compliance function within the Investment Manager with a separate reporting line from the portfolio management team.
- Compliance is integrated into the day to day operations of the Responsible Entity Services team, a Perpetual Corporate Trust (CT) business unit.

The Responsible Entity also has in place a framework to identify, control, report and manage compliance and business obligations, and to ensure that the interests of unitholders in the Fund are protected.

The framework includes:

- Policies and procedures,
- Committee and board reporting,
- Staff training,
- Formal service provider agreements,
- Compliance reporting by the Investment Manager, Investment Administrator and Custodian (the "Service Providers"),
- Regular reviews of Service Providers, and
- Monitoring of Responsible Entity Services compliance in accordance with Control Self-Assessment methodology.

Responsible Entity Services team is ultimately responsible for compliance monitoring. The Responsible Entity Services team includes the roles of Head of Responsible Entity Services, Senior Risk Manager, Senior Manager - Corporate Clients, Client Manager - Corporate Clients.

3 Financial risk management (continued)

Responsible Entity Services undertakes monitoring visits of the Fund's Service Providers, focusing on the general control environment and investment management, administration and custodial functions as provided to the Responsible Entity of the Fund. This is conducted to ensure that the Service Providers continue to satisfy their obligations as detailed within the relevant service agreement entered into with the Responsible Entity.

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's PDS and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. The Fund uses derivative financial instruments to moderate and create certain risk exposures.

There is a pre and post investment compliance monitoring. There is a compliance function within the Investment Manager, working in conjunction with an external Compliance manager, with a separate reporting line from the portfolio management team.

Financial risk management is carried out by the investment management team at Montgomery Global Investment Management Pty Ltd.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

(a) Market risk

Market risk is the risk that changes in market risk factors, such as equity prices, foreign exchange rates, interest rates and other market prices will affect the Fund's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Fund is exposed to market risks influencing investment valuations. The Fund may utilise derivatives to manage this risk.

(i) Price risk

The Fund is exposed to equity securities and derivative securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Investments are classified on the Statement of Financial Position as financial assets held at fair value through profit and loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Investment manager aims to reduce price and concentration risk with careful analysis of research from many sources and by interviewing those people who run companies and are responsible for changes which may impact on the Fund's investments. The Fund aims to provide capital growth and distributions over the long term from a portfolio of international equities. The Fund invests in securities including property trusts and hybrids, listed on international stock exchanges.

The Fund is exposed, particularly through its equity portfolio, to market risks influencing investment valuations. These market risks include changes in a company's internal operations or management, economic factors and also relate to changes in taxation policy, monetary policy, interest rates and statutory requirements.

The table on page 18 summarises the impact of an increase/decrease in the market value of the share portfolio on the Fund's net assets attributable to unitholders at 30 June and profit from operating activities. The analysis is based on the assumption that the security prices increased/decreased by 10% with all other variables held constant and that the fair value of the Fund's portfolio moved according to this.

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the portfolio investment in which the Fund invests moves by +/- 10% from the period end prices with all other variables held constant.

(ii) Foreign exchange risk

The Fund holds monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund invests in Australian and overseas stock exchanges, giving the Fund exposure to exchange risk. This risk is managed by strategically setting the Fund's foreign currency exposure to reflect the Investment Manager's medium to long term expectations within the mandate as set out in the PDS. However, for accounting purposes the Fund 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 and loss.

3 Financial risk management (continued)

(ii) Foreign exchange risk (continued)

The table below summarises the fair value of the Fund's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian currency.

As at 30 June 2018	**USD A$'000**	**EUR A$'000**	**HKD A$'000**	**CNH A$'000**	**SEK A$'000**	**Other foreign currencies A$'000**
Cash and cash equivalents	**49**	**2**	**2**	**-**	**2**	**2**
Financial assets held at fair value through profit or loss	**38,428**	**5,728**	**4,606**	**-**	**5,459**	**7,096**
Net exposure	**38,477**	**5,730**	**4,608**	**-**	**5,461**	**7,098**
Net increase/(decrease) in exposure from foreign forward currency contracts	**15,169**	**6,808**	**-**	**(12,350)**	**-**	**2,931**
Net exposure including foreign forward currency contracts	**53,646**	**12,538**	**4,608**	**(12,350)**	**5,461**	**10,029**

The table at Note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened and strengthened by 10% against the material foreign currencies to which the Fund is exposed.

(iii) Interest rate risk

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible, thus limiting the exposure of the Fund to interest rate risk.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to market risks. 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 foreign exchange rates, interest rates and the historical correlation of the Fund'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 movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/net assets attributable to unitholders			
	Price risk		**Foreign exchange risk**	
	-10% $'000	**+10% $'000**	**-10% $'000**	**+10% $'000**
As at 30 June 2018	**(6,523)**	**6,523**	**(1,262)**	**1,262**

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents and amounts due from brokers balances. None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and amounts due from brokers.

3 Financial risk management (continued)

(c) Credit risk (continued)

(i) Derivative financial instruments

For derivative instruments, the Investment Manager will use Exchange Traded Derivatives that settle through a futures exchange clearing mechanism. Further such exposure are restricted to 10% of the Fund Value.

The Fund also restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Credit risk associated with favourable contracts is reduced by master netting arrangements to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on a net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangements. Refer to Note 4 to the financial statements for further analysis of the Fund's master netting arrangement.

(ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A+ (as determined by Fitch Ratings) and A2 (as determined by Moody's) or higher.

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Exposure to liquidity risk for the Fund may arise from the requirement to fund foreign exchange related cash flow requirements.

Liquidity risk is managed by investing the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Investment Manager continuously monitors Fund investments for liquidity, through its risk assessment system.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during the period.

(i) Maturities of non-derivative financial liabilities

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

As at 30 June 2018	Less than 1 month $'000	1 to 6 months $'000	6 to 12 months $'000	Over 12 months $'000	Total $'000
Distribution payable	1,979	-	-	-	1,979
Payables	657	-	-	-	657
Contractual cash flows (excluding derivatives)	**2,636**	**-**	**-**	**-**	**2,636**

(ii) Maturities of net settled derivative financial instruments

The table below analyses the Fund's net settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

As at 30 June 2018	Less than 1 month $'000	1 to 6 months $'000	6 to 12 months $'000	Over 12 months $'000	Total $'000
Forward currency contracts - assets/(liabilities)	336	-	-	-	336
Total	**336**	**-**	**-**	**-**	**336**

3 Financial risk management (continued)

(e) Market Making risk

To assist with the liquidity of the Fund's units on ASX, the Responsible Entity has appointed Macquarie Securities (Australia) Limited (Macquarie) to provide market-making services with respect to the Fund. At the end of each business day, Macquarie will create or cancel units by applying for or redeeming its net position in units bought or sold on ASX. Market making risk comprises:

i) the risk that the market making agents makes an error in executing the Fund's market making services. If the market making agent does not fulfill its settlement processing obligations in a correct and timely manner, the Fund could suffer a loss; and

ii) the risk of an error in the execution of market making activities, or in the price at which units are transacted on the ASX. As many overseas stock exchange markets in which the Fund invests are closed during the ASX trading day, it is not possible to hedge the Fund's market making activities. This may result in either a cost or a benefit to the Fund.

In order to mitigate this risk, Macquarie has the discretion to increase the spread at which it makes a market and also has the right to cease making a market subject to its obligations under the AQUA Rules and ASX Operating Rules.

4 Offsetting financial assets and financial liabilities

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 tables below.

	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts of financial assets	Gross amounts set off in the statement of financial position	Net amount of financial assets presented in the statement of financial	Amounts subject to master netting arrangement	Collateral received/ pledged	Net amount
	$	$	$	$	$	$
As at 30 June 2018						
Financial assets						
Derivative financial instruments	844	-	844	(508)	-	336
Total	**844**	**-**	**844**	**(508)**	**-**	**336**
Financial liabilities						
Derivative financial instruments	508	-	508	508	-	-
Total	**508**	**-**	**508**	**508**	**-**	**-**

5 Fair value measurement

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

- Financial assets held at fair value through profit or loss.

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and

- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

5 Fair value measurement (continued)

(a) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Fair value in an inactive or unquoted market (level 2 and 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account the current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

(c) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2018.

As at 30 June 2018	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets held for trading:				
Forward currency contracts	-	844	-	844
Financial assets designated at fair value through profit or loss:				
Equity securities	64,893	-	-	64,893
Total financial assets	**64,893**	**844**	**-**	**65,737**
Financial liabilities				
Financial liabilities held for trading:				
Forward currency contracts	-	508	-	508
Total financial liabilities	**-**	**508**	**-**	**508**

(d) 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.

(e) Financial instruments not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair values due to their short term nature.

Net assets attributable to unitholders' carrying value differ from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current period.

6 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and liabilities held at fair value through profit or loss:

	For the period 10 October 2017 to 30 June 2018 $'000
Financial assets	
Net gain/(loss) on financial assets held for trading	-
Net gain/(loss) on financial assets designated as at fair value through profit or loss	5,844
Net gains/(losses) on financial assets held at fair value through profit or loss	5,844
Net realised gain/(loss) on financial assets at fair value through profit or loss	1,083
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	4,761
Net gains/(losses) on financial assets held at fair value through profit or loss	5,844
Financial liabilities	
Net gain/(loss) on financial liabilities held for trading	336
Net gains/(losses) on financial liabilities held at fair value through profit or loss	336
Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	336
Net gains/(losses) on financial liabilities held at fair value through profit or loss	336
Total net gains/(losses) on financial instruments held at fair value through profit or loss	**6,180**

7 Financial assets held at fair value through profit or loss

	As at 30 June 2018 $'000
Held for trading	
Forward currency contracts	844
Total held for trading	844
Designated at fair value through profit or loss	
Equity securities	64,893
Total designated at fair value through profit or loss	64,893
Total financial assets held at fair value through profit or loss	**65,737**

8 Financial liabilities held at fair value through profit or loss

	As at 30 June 2018 $'000
Held for trading	
Forward currency contracts	508
Total held for trading	508
Total financial liabilities held at fair value through profit or loss	**508**

9 Derivative financial instruments

In the normal course of business, the Fund 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 many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund'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 Fund against a fluctuation in market values, foreign exchange risk 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.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds the following derivatives:

(a) Forward currency contracts

Forward currency contracts are primarily used by the Fund to economically hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Fund 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 bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

The Fund's derivative financial instruments at period end are detailed below:

	Contractual/ notional $'000	Assets $'000	Liabilities $'000
As at 30 June 2018			
Forward currency contracts	48,429	844	(508)
	48,429	844	(508)

Information about the Fund's exposure to credit risk, foreign exchange, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 4 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

10 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments that meet the definition of a financial liability are to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

10 Net assets attributable to unitholders (continued)

Movements in the number of units and net assets attributable to unitholders during the period were as follows:

	For the period 10 October 2017 to 30 June 2018	
	Units ('000)	**$'000**
Opening balance	**-**	**-**
Applications	**24,060**	**82,659**
Redemptions	**(969)**	**(5,106)**
Distributions paid and payable	**-**	**(1,979)**
Profit/(loss) for the period	**-**	**5,812**
Closing balance	**23,091**	**81,386**

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Units are redeemed on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Capital risk management

The Fund considers its net assets attributable to unitholders as equity.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders.

11 Distributions to unitholders

The distributions declared during the period were as follows:

	For the period 10 October 2017 to 30 June 2018	
	$	**CPU**
Distributions		
Distribution paid and payable - June	**1,979**	**8.60**
Total distributions	**1,979**	**8.60**

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

12 Cash and cash equivalents

	As at 30 June 2018 $'000
Cash at bank	**18,764**
Total cash and cash equivalents	**18,764**

13 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	For the period 10 October 2017 to 30 June 2018 $'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	
Profit/(loss) for the period	5,812
Proceeds from sale of financial instruments held at fair value through profit or loss	31,057
Purchase of financial instruments held at fair value through profit or loss	(90,106)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(6,180)
Net foreign exchange gain/(loss)	(21)
Net change in receivables	(29)
Net change in payables	657
Net cash inflow/(outflow) from operating activities	**(58,810)**

14 Receivables

	As at 30 June 2018 $'000
GST receivable	29
Total receivables	**29**

15 Payables

	As at 30 June 2018 $'000
Management fees payable	128
Responsible entity fees payable	13
Performance fees payable	475
Custody and administration fees payable	24
Other fees payable	17
Total payables	**657**

16 Remuneration of auditor

During the period the following fees were paid or payable for services provided by the auditor of the Fund:

	For the period 10 October 2017 to 30 June 2018
Ernst & Young	
Audit and other assurance services	
Audit and review of financial statements	**14,500**
Total remuneration for audit and other assurance services	**14,500**
Taxation services	
Tax compliance services	**9,500**
Total remuneration for tax compliance services	**9,500**
Total remuneration of Ernst & Young	**24,000**
PricewaterhouseCoopers	
Audit and other assurance services	
Audit of compliance plan	**2,475**
Total remuneration for audit and other assurance services	**2,475**
Total remuneration of PricewaterhouseCoopers	**2,475**

The auditor's remuneration is borne by the Fund. Fees are stated exclusive of GST.

17 Related party transactions

The Responsible Entity of Montgomery Global Equities Fund (Managed Fund) is Perpetual Trust Services Limited (ABN 48 000 142 049) (AFSL 236648). Accordingly, transactions with entities related to Perpetual Trust Services Limited are disclosed below.

The Responsible Entity has contracted services to Montgomery Global Investment Management Pty Limited, to act as Investment Manager for the Fund, Macquarie Securities (Australia) Limited to act as Market Maker for the Fund and Mainstream Fund Services Pty Limited act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

(a) Key management personnel

(i) Directors

Key management personnel include persons who were directors of Perpetual Trust Services Limited at any time during or since the end of the financial period and up to the date of this report.

Name	
Andrew Cannane	Resigned as Director on 23 February 2018
Glenn Foster	
Christopher Green	
Michael Vainauskas	
Andrew McIver	Alternate Director for Michael Vainauskas
Vicki Riggio	Appointed as Alternate Director for Christopher Green on 1 December 2017 Resigned as Alternate Director for Andrew Cannane on 23 February 2018 Resigned as Alternate Director for Christopher Green on 20 April 2018 Appointed as a Director on 20 April 2018
Rodney Garth Ellwood	Resigned as Alternate Director for Christopher Green on 1 December 2017

17 Related party transactions (continued)

(a) Key management personnel (continued)

(i) Directors (continued)

Name	
Gillian Larkins	Appointed as Alternate Director for Glenn Foster on 14 July 2017
Neil Wesley	Resigned as Alternate Director for Glenn Foster on 14 July 2017
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018

(ii) Other key management personnel

There were no other key management personnel, except as disclosed in Note 17(g) below, with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial period.

(b) Transactions with key management personnel

There were no transactions with key management personnel, except as disclosed in Note 17(g) below, during the reporting period, except as disclosed in Note 17(g) below.

(c) Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2018.

(d) Key management personnel compensation

Key management personnel are paid by Perpetual Trust Services Limited. Payments made from the Fund to Perpetual Trust Services Limited do not include any amounts directly attributable to the compensation of key management personnel.

(e) Key management personnel loans

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally related entities at any time during the reporting period.

(f) Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial period and there were no material contracts involving management personnel's interests existing at period end.

(g) Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager are entitled to receive management fees of 1.27% p.a.

The Investment Manager is also entitled to a performance fee of 15.38% (inclusive of GST less RITC) of the investment return above the performance benchmark (being the MSCI World Net Total Return Index, in Australian Dollars, after other fees and expenses have been deducted) and achieves positive performance.

17 Related party transactions (continued)

(g) Responsible Entity and Investment Manager's fees and other transactions (continued)

The transactions during the period and amounts payable as at period end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	For the period 10 October 2017 to 30 June 2018 $
Investment management fees for the period	**288,092**
Investment management fees payable for the period	**128,345**
Performance fees for the period	**474,870**
Performance fees payable for the period	**474,870**
Responsible Entity fees for the period	**38,153**
Total fees payable to the Responsible Entity at period end	**12,869**

(h) Responsible Entity and Investment Manager's fees and other transactions

For information on how management and performance fees are calculated please refer to the Fund's Product Disclosure Statement.

(i) Related party unit holdings

Parties related to the Fund (including Perpetual Trust Services Limited, its related parties and other schemes managed by Perpetual Trust Services Limited and the Investment Manager) held no units in the Fund as at 30 June 2018.

The management fees borne by the Fund are paid to the Investment Manager, who in turn provides the on-payment of the fees to the respective service providers. Expense recoveries include Responsible Entity fees, Custodian and Administrator fees and other expenses.

Investment Management fees reimbursed represent monies put into the Fund to ensure that the Fund's overall management costs remain within that disclosed in the Product Disclosure Statement.

(j) Investments

The Fund did not hold investments in Perpetual Trust Services Limited or its related parties during the period.

18 Events occurring after the reporting period

Phillip Blackmore was appointed as an alternate director for Christopher Green and Vicki Riggio on 6 July 2018.

No other significant events have occurred since the end of the period which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2018 or on the results and cash flows of the Fund for the period ended on that date.

19 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) The financial statements and notes set out on pages 6 to 28 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the financial period ended on that date.

(b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

(c) Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Perpetual Trust Services Limited.

Director
Perpetual Trust Services Limited

Sydney
17 September 2018

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Independent auditor's report to the unitholders of Montgomery Global Equities Fund (Managed Fund)

Opinion

We have audited the financial report of Montgomery Global Equities Fund (Managed Fund) (the “Fund”), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period from 10 October 2017 to 30 June 2018, notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

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

a) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its financial performance for the financial period from 10 October 2017 to 30 June 2018; 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 Fund 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* (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.

Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information is the directors’ report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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 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 Fund'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 Fund 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 entity'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 Fund'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 Fund 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.

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
Sydney
17 September 2018