Montgomery Global Equities Fund (Managed Fund)

ARSN 621 941 508

Annual report
For the year ended June 30, 2019

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These financial statements cover 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). The Responsible Entity's registered office is:

Level 18 Angel Place
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 year ended June 30, 2019.

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 October 10, 2017 and commenced operations on December 20, 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 December 20, 2017 (ASX: MOGL).

The Fund did not have any employees during the year.

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

Directors

The Directors of Perpetual Trust Services Limited during the year 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	Date of appointment/resignation
Glenn Foster	
Christopher Green	Resigned as Director on October 17, 2018
Michael Vainauskas	
Andrew McIver	Resigned as Alternate Director for Michael Vainauskas on September 2, 2019 Appointed as Alternate Director for Glenn Foster on September 2, 2019
Vicki Riggio	
Gillian Larkins	Resigned as Alternate Director for Glenn Foster on October 12, 2018
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on July 6, 2018 Resigned as Alternate Director for Christopher Green on October 17, 2018
Richard McCarthy	Appointed as a Director on October 17, 2018

Review and results of operations

During the year, 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.

Results

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

	Year ended June 30, 2019	For the period October 10, 2017 to June 30, 2018
Profit/(loss) for the year ($'000)	**6,858**	5,812
Distributions paid and payable ($'000)	**6,522**	1,979
Distributions (cents per unit)	**24.00**	8.60

Directors' Report (continued)

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 year.

Matters subsequent to the end of the financial year

On September 2, 2019, Andrew McIver resigned as the Alternate Director for Michael Vainauskas and was appointed as an Alternate Director for Glenn Foster.

No other matter or circumstance has arisen since June 30, 2019 that has significantly affected, or may significantly affect:

(i) the operations of the Fund in future financial years, or
(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 governing documents of the Fund and in accordance with 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 or its associates

Fees paid to the Responsible Entity and its associates out of Fund's property during the year are disclosed in Note 15 of the financial statements.

No fees were paid out of the Fund's property to the Directors of the Responsible Entity during the year.

The number of units in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 15 of the financial statements.

Units in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 10 of 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 of 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.

Directors' Report (continued)

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
September 11, 2019

Ernst & Young
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Sydney NSW 2000 Australia
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Auditor's Independence Declaration to the Directors of Perpetual Trust Services Limited as Responsible Entity for Montgomery Global Equities Fund (Managed Fund)

As lead auditor for the audit of the financial report of Montgomery Global Equities Fund (Managed Fund) for the year ended 30 June 2019, 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
11 September 2019

Statement of comprehensive income

	Notes	Year ended June 30, 2019 $'000	For the period October 10, 2017 to June 30, 2018 $'000
Investment income			
Dividend and distribution income		**1,292**	836
Net gains/(losses) on financial instruments at fair value through profit or loss	6	**7,269**	6,180
Net foreign currency gain/(loss)		**60**	21
Total investment income/(loss)		**8,621**	7,037
Expenses			
Responsible Entity's fees	15	**79**	38
Management fees	15	**780**	288
Performance fees	15	**-**	475
Administration and custody fees		**131**	110
Transaction costs		**392**	132
Remuneration to auditors	14	**36**	26
Other operating expenses		**345**	156
Total operating expenses		**1,763**	1,225
Profit/(loss) for the year		**6,858**	5,812
Other comprehensive income		**-**	-
Total comprehensive income for the year		**6,858**	5,812

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

Statement of financial position

	Notes	As at June 30, 2019 $'000	June 30, 2018 $'000
Assets			
Cash and cash equivalents	12	**9,627**	18,764
Dividends and distributions receivable		**51**	-
GST receivable		**152**	29
Due from brokers - receivable for securities sold		**1,936**	-
Financial assets at fair value through profit or loss	7	**90,901**	65,737
Total assets		**102,667**	84,530
Liabilities			
Distributions payable	11	**4,645**	1,979
Performance fees payable		**-**	475
Management fees payable		**71**	128
Administration and custody fees payable		**11**	24
Responsible Entity's fees payable		**7**	13
Remuneration to auditors payable		**3**	4
Other payables		**18**	13
Due to brokers - payable for securities purchased		**684**	-
Financial liabilities at fair value through profit or loss	8	**223**	508
Total liabilities		**5,662**	3,144
Net assets attributable to unitholders – equity	10	**97,005**	81,386

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

Statement of changes in equity

	Notes	Year ended June 30, 2019 $'000	For the period October 10, 2017 to June, 30 2018 $'000
Total equity at the beginning of the financial year		**81,386**	-
Comprehensive income for the year			
Profit/(loss) for the year		**6,858**	5,812
Other comprehensive income		**-**	-
Total comprehensive income		**6,858**	5,812
Transactions with unitholders			
Applications	10	**25,346**	82,659
Redemptions	10	**(10,979)**	(5,106)
Units issued upon reinvestment of distribution	10	**916**	-
Distributions paid and payable	10	**(6,522)**	(1,979)
Total transactions with unitholders		**8,761**	75,574
Total equity at the end of the financial year		**97,005**	81,386

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

Statement of cash flows

	Notes	Year ended June 30, 2019 $'000	For the period October 10, 2017 to June 30, 2018 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**126,479**	31,057
Purchase of financial instruments at fair value through profit or loss		**(145,911)**	(90,106)
Dividends and distributions received		**1,110**	739
Net foreign currency gains/(losses)		**(25)**	21
Responsible Entity's fees paid		**(85)**	(38)
Management fees paid		**(837)**	(147)
Performance fees paid		**(475)**	-
Administration and custody fees paid		**(144)**	(86)
Remuneration paid to auditors		**(37)**	(26)
Other operating expenses paid		**(724)**	(203)
Net cash inflow/(outflow) from operating activities	13 (a)	**(20,649)**	(58,789)
Cash flows from financing activities			
Proceeds from applications by unitholders		**25,346**	82,659
Payments for redemptions by unitholders		**(10,979)**	(5,106)
Distributions paid		**(2,940)**	-
Net cash inflow/(outflow) from financing activities		**11,427**	77,553
Net increase/(decrease) in cash and cash equivalents		**(9,222)**	18,764
Cash and cash equivalents at the beginning of the year		**18,764**	-
Effects of foreign currency exchange rate changes on cash and cash equivalents		**85**	-
Cash and cash equivalents at the end of the year	12	**9,627**	18,764
Non-cash financing activities	13 (b)	**916**	-

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

Notes to the financial statements

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1 General information

These financial statements cover Montgomery Global Equities Fund (Managed Fund) (the “Fund”) as an individual entity. The Fund was constituted on October 10, 2017 and commenced operations on December 20, 2017. The Fund 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).

Perpetual Trust Services Limited (ABN 48 000 142 049) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity’s registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

The Responsible Entity is incorporated and domiciled in Australia.

The investment manager of the Fund is MGIM Pty Ltd (the "Investment Manager").

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 of the Responsible Entity (the "Directors of the Responsible Entity") on September 11, 2019. 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.

(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 are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets at fair value through profit or loss and financial 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 twelve months, however, an estimate of that amount cannot be determined as at year end.

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

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Fund

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

AASB 9 became effective for annual periods beginning on or after January 1, 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

AASB 9 has been applied retrospectively by the Fund without the use of hindsight andit has detremined that the adoption did not result in a change to the classification or measurement of financial instruments in either the current or comparative periods. The Fund has elected to restate the comparative period presented to comply with AASB 9. The Fund’s investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held to contractual cash flows that are solely payments of principal and interest continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New and amended standards adopted by the Fund (continued)

- AASB 15 *Revenue from Contracts with Customers* (effective from January 1, 2018)

AASB 15 *Revenue from Contracts with Customers* became effective for annual periods beginning on or after January 1, 2018. The adoption of this standard did not have a material impact on the Fund's accounting policies nor the amounts recognised in the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning January 1, 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(b) Financial instruments

(i) Classification

The Fund’s investments are classified at fair value through profit or loss. They comprise:

- Assets:

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund’s portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund’s documented investment strategy. The Fund’s policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

- Liabilities:

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

(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 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 Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

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

Further details on how the fair value of financial instruments are determined are disclosed in Note 5.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iv) Impairment

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash, due from broker and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the amortised cost. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(v) 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.

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

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the units back to the Fund. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when 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 it 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.

The Fund's units have been classified as equity as they satisfied all the above criteria.

(d) Cash and cash equivalents

Cash comprises deposits held at custodian bank(s). Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

2 Summary of significant accounting policies (continued)

(e) Investment income

Interest income from financial assets at amortised cost is recognised on an accrual basis using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate.

Dividend and distribution income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend and distribution income when the Fund's right to receive payments is established.

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.

Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

(f) Expenses

All expenses, including management fees, performance fees, Responsible Entity's fees, administration fees and custody fees, are recognised in the Statement of comprehensive income on an accrual basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

(h) Distributions and Dividends

Distributions are payable as set out in the Fund's offering document. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial instruments. Unrealised gains and losses on financial instruments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

(i) Distribution Reinvestment Plan (DRP)

The Fund's DRP was available to eligible unitholders during the year ended June 30, 2019. 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 July 17, 2019.

(i) Foreign currency translation

(i) Functional and presentation currency

Items 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.

2 Summary of significant accounting policies (continued)

(j) Foreign currency translation (continued)

(ii) Transactions and balances

Assets and liabilities in foreign currencies are translated into the functional currency at the prevailing exchange rate at the valuation date. Transactions denominated in foreign currencies are translated into the functional currency at the prevailing exchange rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income. The Fund's income earned and expense incurred on foreign denominated balances are translated into the functional currency at the prevailing exchange rate on the date of such activity.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the Statement of comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit or loss.

(k) 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 the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(l) Receivables

Receivables may include amounts for interest, dividends and trust distributions. Interest is accrued at each dealing date in accordance with policy set out in Note 2(e) above. Trust distributions are accrued when the right to receive payment is established.

Receivables also include such items as Reduced Input Tax Credit (RITC).

Receivables are recognised at amortised cost using the effective interest method, less any allowance for expected credit losses. The Fund has applied a simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, receivables have been grouped based on days overdue.

The amount of the impairment loss, if any, is recognised in the Statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against impairment loss in other expenses in the Statement of comprehensive income.

(m) Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting year.

Payables may include amounts for redemptions of units in the Fund where settlement has not yet occurred. These amounts are unsecured and are usually paid within 30 days of recognition.

The distribution amount payable to unitholders as at the end of each reporting year is recognised separately in the Statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(n) 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.

2 Summary of significant accounting policies (continued)

(o) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodian services and management fees have been passed onto the Fund. The Fund qualifies for RITC, hence Management fees, Administration and custody fees and other expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). Accounts 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.

(p) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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. For more information on how fair value is calculated, please refer to Note 4 to the financial statements.

For certain other balances reported on Statement of financial position, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(q) Comparative period

The Fund was constituted on Octobter 10, 2017, hence comparatives for the Statement of comprehensive income, Statement of changes in equity and the Statement of cash flows correspond to the period from October 10, 2017 to June 30, 2018. For the Statement of financial position, the previous corresponding date is June 30, 2018.

(r) Rounding of amounts

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 financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with the ASIC Corporations Instrument, unless otherwise indicated.

(s) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3 Financial risk management

(a) Overview

The Fund's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the Investment Objective and Strategy.

The Responsible Entity has in place a framework which includes:

- The Investment Manager providing the Responsible Entity with regular reports on their compliance with the Investment Management Agreement;
- Completion of regular reviews on the Service Provider which may include a review of the investment managers risk management framework to manage the financial risks of the Fund;
- Regular reporting on the liquidity of the Fund in accordance with the Fund's Liquidity Risk Management Statement.

The Fund's Investment Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Fund. Specific controls the Investment Manager applies to manage the financial risks are detailed under each risk specified below.

3 Financial risk management (continued)

(b) Market risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

(i) Price risk

The Fund is exposed to equity securities listed or quoted on recognised securities exchanges price risk. This arises from investments held by the Fund for which prices in the future are uncertain. They are classified on the Statement of Financial Position as financial assets at fair value through profit or 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.

All securities investments present a risk of loss of capital. The Fund’s market price risk is managed through (i) deliberate securities selection, and (ii) diversification of the investment portfolio.

The Fund uses derivatives (including but not limited to futures, forward foreign currency exchange contracts and swaps) for speculation in order to implement the investment strategy of the Fund and to manage the risk associated with the fair value of certain investments. The notional or contractual amount of derivatives provides only a measure of the involvement in these types of transactions and does not represent the amounts subject to market price risk. The Fund manages market price risk by establishing limits as to the types and degrees of risk that may be undertaken. Additionally, the Fund monitors the fluctuation in its value and compares these fluctuations to its risk objective.

As at year end, the overall market exposures were as follows:

As at June 30, 2019	**Fair value $’000**	**% of net attributable to unitholders**
Financial assets at fair value through profit or loss		
Listed equities	**90,507**	**93.30**
Forward foreign currency exchange contracts	**394**	**0.41**
Financial liabilities at fair value through profit or loss		
Forward foreign currency exchange contracts	**223**	**0.23**

As at June 30, 2018	Fair value $’000	% of net asset attributable to unitholders
Financial assets at fair value through profit or loss		
Listed equities	64,893	79.73
Forward foreign currency exchange contracts	844	1.04
Financial liabilities at fair value through profit or loss		
Forward foreign currency exchange contracts	508	0.62

The table in Note 3(c) summarises the impact of an increase/decrease of underlying investment prices on the Fund's operating profit and net assets attributable to unitholders. The analysis is based on the assumption that the underlying investment prices changed by +/- 10% (2018: +/- 10%) from the year end prices with all other variables held constant.

(ii) 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.

The majority of the Fund's assets are held in equities which are non- interest bearing securities. Hence, the Fund is not exposed to significant interest rate risk. The impact of interest rate risk on net assets attributable to unitholders and operating profit is considered immaterial to the Fund.

3 Financial risk management (continued)

(b) Market risk (continued)

(iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund has assets and liabilities denominated in currencies other than Australian dollars, the Fund's functional and presentation currency. The Fund is therefore exposed to currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Investment Manager may enter into forward foreign currency exchange contracts from time to time to hedge against the fluctuation in exchange rates.

The table below summarises the Fund's net exposure to different major currencies, including the notional value of forward foreign currency exchange contracts:

	June 30, 2019 $'000	June 30, 2018 $'000
United States Dollar	**57,553**	53,646
Euro Currency	**19,200**	12,538
British Pound	**9,424**	3,412
Hong Kong Dollar	**6,697**	4,608
Swedish Krona	**3,939**	5,461
Japanese Yen	**7,023**	6,617
Chinese Yuan	**(8,452)**	(12,350)

The table below summarises the impact on net assets attributable to unitholders and profit/(loss) for the year as a result of increases/decreases of key exchange rates on the exposures tabled above, to which the Fund is exposed. The analysis is based on the assumption that the exchange rates had increased/decreased by the respective percentage with all other variables held constant.

	June 30, 2019 Impact $'000		June 30, 2018 Impact $'000	
	Change %	**+/-**	Change %	+/-
United States Dollar	**10%**	**5,755/(5,755)**	10%	1,522/(1,522)
Euro Currency	**10%**	**1,920/(1,920)**	10%	681/(681)
British Pound	**10%**	**942/(942)**	10%	(368)/368
Hong Kong Dollar	**10%**	**670/(670)**	10%	-/(-)
Swedish Krona	**10%**	**394/(394)**	10%	-/(-)
Japanese Yen	**10%**	**702/(702)**	10%	662/(662)
Chinese Yuan	**10%**	**(845)/845**	10%	(1,235)/1,235

This represents management's best estimate of a reasonably possible shift in the foreign exchange rates, having regard to historical volatility of those rates. This increase or decrease in the net assets attributable to unitholders arises mainly from a change in the fair value of financial assets and liabilities at fair value through profit or loss that are denominated in other

(c) 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

	Impact on operating profit/net assets attributable to unitholders			
	Price risk		**Foreign exchange risk**	
	+10% $'000	**-10% $'000**	**+10% $'000**	**-10% $'000**
As at June 30, 2019	**9,068**	**(9,068)**	**9,538**	**(9,538)**
As at June 30, 2018	6,523	(6,523)	1,262	(1,262)

3 Financial risk management (continued)

(d) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The maximum exposure to credit risk at the end of the reporting year is the carrying amount of the financial assets.

(i) Bank deposits, assets held with the custodian and derivative financial instruments

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits, assets held with the custodian, derivative financial instruments and the related collateral pledged or received from counterparties.

The table below summarises these assets at June 30, 2019 and June 30, 2018:

As at June 30, 2019

	$'000	**Credit rating**	**Source of credit rating**
Banks and Custodian			
JP Morgan	171	A2	Moody's

As at June 30, 2018

	$'000	Credit rating	Source of credit rating
Banks and Custodian			
JP Morgan	336	A2	Moody's

The custody balance with Mainstream Fund Services includes investments in short-term investment equities totalling $100,176 (2018: $83,676).

There is risk that derivative counterparties may not perform in accordance with the contractual provisions. The counterparties to the Fund's derivative investments may include affiliates of the Fund's clearing brokers and other major financial institutions. The Fund's exposure to credit risk associated with a counterparty with which it trades OTC derivatives is limited to the balance of the collateral pledged to that counterparty, plus the net unrealised gains on the OTC derivative contracts with such counterparty. In the case of exchange-traded and centrally cleared derivatives, the central clearing house acts as the counterparty to each transaction, and therefore the credit risk associated with the derivative contract and any related collateral amounts pledged is limited to the failure of the clearing house.

The Fund minimises counterparty credit risk through credit limits and approvals, credit monitoring procedures, executing master netting arrangements and managing margin and collateral requirements, as appropriate.

The Fund may record counterparty credit risk valuation adjustments, if material, on certain derivative assets in order to appropriately reflect the credit quality of the counterparty. These adjustments are recorded on the market quotes received from counterparties or other market participants since these quotes may not fully reflect the credit risk of the counterparties to the derivative instruments. The Fund has not recorded any counterparty credit risk valuation adjustments for year ended June 30, 2019.

The Fund also limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Investment Manager considers to be well established.

In the normal course of business, the Fund may enter into agreements with certain counterparties for OTC derivative transactions. A number of the Funds' derivative agreements contain provisions that require the Fund to maintain a predetermined level of capital, and/or provide limits regarding the decline of the Funds' capital over specified time periods. If the Fund were to violate such provisions, the counterparties to the derivative instruments could request immediate payment or demand immediate collateralisation on derivative instruments in net liability positions. If such events are not cured by the Fund or waived by the counterparties, they may decide to curtail or limit extension of credit, and the Fund may be forced to unwind its derivative positions which may result in material losses.

3 Financial risk management (continued)

(e) 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 and can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of units in the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

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.

The table below analyses the Fund’s non-derivative financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity, as of the reporting period end. The amounts in the table are the contractual undiscounted cash flows. Balances that are due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at June 30, 2019	**Less than 1 month $'000**	**1-6 months $'000**	**6-12 months $'000**	**Over 12 months $'000**	**No stated maturity $'000**
Distributions payable	**4,645**	**-**	**-**	**-**	**-**
Management fees payable	**71**	**-**	**-**	**-**	**-**
Administration and custody fees payable	**11**	**-**	**-**	**-**	**-**
Responsible Entity's fees payable	**7**	**-**	**-**	**-**	**-**
Remuneration to auditors payable	**3**	**-**	**-**	**-**	**-**
Other payables	**18**	**-**	**-**	**-**	**-**
Due to brokers - payable for securities purchased	**684**	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss	**223**	**-**	**-**	**-**	**-**
Total financial liabilities	**5,662**	**-**	**-**	**-**	**-**

As at June 30, 2018	Less than 1 month $'000	1-6 months $'000	6-12 months $'000	Over 12 months $'000	No stated maturity $'000
Distributions payable	1,979	-	-	-	-
Performance fees payable	475	-	-	-	-
Management fees payable	128	-	-	-	-
Administration and custody fees payable	24	-	-	-	-
Responsible Entity's fees payable	13	-	-	-	-
Remuneration to auditors payable	4	-	-	-	-
Other payables	13	-	-	-	-
Financial liabilities at fair value through profit or loss	508	-	-	-	-
Total financial liabilities	3,144	-	-	-	-

3 Financial risk management (continued)

(e) Liquidity risk (continued)

(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 June 30, 2019	**Less than 1 month $'000**	**1 to 6 months $'000**	**6 to 12 months $'000**	**Over 12 months $'000**	**Total $'000**
Forward foreign currency exchange contracts assets/(liabilities)	**-**	**171**	**-**	**-**	**171**
Total	**-**	**171**	**-**	**-**	**171**
As at June 30, 2018					
Forward foreign currency exchange contracts assets/(liabilities)	336	-	-	-	336
Total	336	-	-	-	336

(f) 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 following tables present the Fund's gross OTC derivative assets and liabilities, by counterparty and contract type, net of amounts available for offset under netting arrangements and any related collateral received or pledged by the Fund as of June 30, 2019.

Financial assets	**Effects of offsetting on the balance sheet**			**Related amounts not offset**		
As at June 30, 2019	**Gross amounts of financial assets $'000**	**Gross amounts set off in the Statement of financial position $'000**	**Net amount of financial assets presented in the Statement of financial position $'000**	**Amounts subject to master netting arrangement $'000**	**Collateral received/ pledged $'000**	**Net amount $'000**
JP Morgan						
Forward foreign currency exchange contracts	**394**	**-**	**394**	**(223)**	**-**	**171**
Total	**394**	**-**	**394**	**(223)**	**-**	**171**
As at June 30, 2018						
JP Morgan						
Forward foreign currency exchange contracts	844	-	844	(508)	-	336
Total	844	-	844	(508)	-	336

4 Offsetting financial assets and financial liabilities (continued)

Financial liabilities

	Effects of offsetting on the balance sheet			Related amounts not offset		
At June 30, 2019	**Gross amounts of financial liabilities $'000**	**Gross amounts set off in the Statement of financial position $'000**	**Net amount of financial liabilities presented in the Statement of financial position $'000**	**Amounts subject to master netting arrangement $'000**	**Collateral received/ pledged $'000**	**Net amount $'000**
JP Morgan						
Forward foreign currency exchange contracts	**223**	**-**	**223**	**223**	**-**	**-**
Total Bank 1	**223**	**-**	**223**	**223**	**-**	**-**
At June 30, 2018						
JP Morgan						
Forward foreign currency exchange contracts	508	-	508	508	-	-
Total Bank 1	508	-	508	508	-	-

Master Agreements

The Fund is a party to master netting arrangements with counterparties ("Master Agreements"). Master Agreements govern the terms of certain like transactions, and reduce the counterparty risk associated with relevant transactions by specifying payment netting mechanisms across multiple transactions and providing standardisation that improves legal certainty. Since different types of transactions have different mechanics and are sometimes traded by different legal entities of a particular counterparty organisation, each type of transaction may be covered by a different Master Agreement, resulting in the need for multiple Master Agreements with a counterparty and its affiliates. As the Master Agreements are specific to unique operations of different asset types, they allow the Fund to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single Master Agreement with a counterparty.

Prime Broker Agreements may be entered into to facilitate execution and/or clearing of equities, bonds, equity option transactions or short sales of securities between certain Funds and selected counterparties. These arrangements provide financing arrangements for such transactions and include guidelines surrounding the rights, obligations, and other events, including, but not limited to, margin, execution, and settlement. These agreements maintain provisions for, among other things, payments, maintenance of collateral, events of default, and termination. Cash and other assets delivered as collateral are typically in the possession of the prime broker and would offset any obligations due to the prime broker.

For financial reporting purposes, derivative assets and liabilities are presented within the Statements of financial position as a component of Financial assets at fair value through profit or loss and Financial liabilities at fair value through profit or loss on a gross basis, which reflects the full risks and exposures prior to netting under certain circumstances.

5 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis.

- Financial assets and liabilities at fair value through profit or loss (FVTPL) (see Note 7 and 8)
- Derivative financial instruments (see Note 9)

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

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

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

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

5 Fair value measurement (continued)

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

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting year without any deduction for estimated future selling costs.

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

The quoted market price used to fair value financial assets and financial liabilities held by the Fund is the last-traded prices.

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.

(ii) Valuation techniques used to derive level 2 and level 3 fair value

The fair value of financial assets and liabilities that are not exchange-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. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain unlisted shares, certain corporate debt securities and unlisted unit trusts with suspended applications and withdrawals.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting year applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting year. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

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 year taking into account 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.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

The determination of what constitutes 'observable' requires significant judgment by management. Management consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

5 Fair value measurement (continued)

Recognised fair value measurements

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value as at June 30, 2019 and June 30, 2018.

As at June 30, 2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at fair value through profit or loss				
Forward foreign currency exchange contracts	**-**	**394**	**-**	**394**
Listed equities	**90,507**	**-**	**-**	**90,507**
Total financial assets at fair value through profit or loss	**90,507**	**394**	**-**	**90,901**
Financial liabilities at fair value through profit or loss				
Forward foreign currency exchange contracts	**-**	**223**	**-**	**223**
Total financial liabilities at fair value through profit or loss	**-**	**223**	**-**	**223**

As at June 30, 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Forward foreign currency exchange contracts	-	844	-	844
Listed equities	64,893	-	-	64,893
Total financial assets at fair value through profit or loss	64,893	844	-	65,737
Financial liabilities at fair value through profit or loss				
Forward foreign currency exchange contracts	-	508	-	508
Total financial liabilities at fair value through profit or loss	-	508	-	508

(i) Transfers between levels

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

There were no transfers between the levels in the fair value hierarchy for the year ended June 30, 2019.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs as at year end.

(iii) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities.

Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting year.

(iv) Fair values of other financial instruments

Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

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

	Year ended June 30, 2019 $'000	For the period October 10, 2017 to June 30, 2018 $'000
Financial assets		
Net realised gain/(loss) on financial assets at fair value through profit or loss	**10,812**	239
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	**91**	5,605
Net gains/(losses) on financial assets at fair value through profit or loss	**10,903**	5,844
Financial liabilities		
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	**(4,142)**	844
Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	**508**	(508)
Net gains/(losses) on financial liabilities at fair value through profit or loss	**(3,634)**	336
Total net gains/(losses) on financial instruments at fair value through profit or loss	**7,269**	6,180

7 Financial assets at fair value through profit or loss

	As at	
	June 30, 2019 $'000	June 30, 2018 $'000
Financial assets at fair value through profit or loss		
Forward foreign currency exchange contracts	**394**	844
Listed equities	**90,507**	64,893
Total financial assets at fair value through profit or loss	**90,901**	65,737

An overview of the risk exposure relating to financial assets at fair value through profit or loss is included in Note 3.

8 Financial liabilities at fair value through profit or loss

	As at	
	June 30, 2019 $'000	June 30, 2018 $'000
Financial liabilities at fair value through profit or loss		
Forward foreign currency exchange contracts	**223**	508
Total financial liabilities at fair value through profit or loss	**223**	508

An overview of the risk exposure relating to financial liabilities at fair value through profit or loss is included in Note 3.

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 a wide assortment of instruments, such as futures, forwards and swaps. 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 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.

Certain derivative transactions provide the economic effect of financial leverage by creating additional investment exposure, as well as the potential for greater loss. The Investment Manager targets a level of volatility and sets leverage accordingly.

9 Derivative financial instruments (continued)

Forward foreign currency exchange contracts

The Fund holds the following derivative instruments:

Forward foreign currency exchange contracts are primarily used by the Fund to 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 foreign currency exchange contracts are valued at the prevailing bid price at the reporting date. The Fund recognises a gain or loss equal to the change in fair value at the reporting date.

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

As at June 30, 2019	**Contractual/ notional $'000**	**Fair values Assets $'000**	**Fair values Liabilities $'000**
Forward foreign currency exchange contracts	**85,046**	**394**	**223**
Total	**85,046**	**394**	**223**

As at June 30, 2018	Contractual/ notional $'000	Fair values Assets $'000	Fair values Liabilities $'000
Forward foreign currency exchange contracts	48,429	844	508
Total	48,429	844	508

As at the reporting date, the Fund hedged $85,046,063 (2018: $48,428,616) comprising of buy $84,787,957 (2018: $49,193,565) and sale $84,572,115 (2018: $48,857,785) of its foreign currency exposure.

Risk exposures and fair value measurement

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 to the financial statements. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of derivative financial assets disclosed above.

10 Net assets attributable to unitholders

Under AASB 132 *Financial instruments: Presentation, puttable financial instruments* meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund has elected into the AMIT tax regime and consequently the Fund's constitution has been amended. The Fund does not have a contractual obligation to pay distributions to unitholders. Therefore, the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 and are classified as equity.

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

	Year ended June 30, 2019 No. '000	For the period October 10, 2017 to June 30, 2018 No. '000	**Year ended June 30, 2019 $'000**	For the period October 10, 2017 to June 30, 2018 No. '000
Opening balance	**23,091**	-	**81,386**	-
Applications	**7,218**	24,060	**25,346**	82,659
Redemptions	**(3,040)**	(969)	**(10,979)**	(5,106)
Units issued upon reinvestment of distributions	**212**	-	**916**	-
Distributions paid and payable	**-**	-	**(6,522)**	(1,979)
Profit/(loss) for the year	**-**	-	**6,858**	5,812
Closing balance	**27,481**	23,091	**97,005**	81,386

10 Net assets attributable to unitholders (continued)

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 to 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.

Capital risk management

The Fund classifies its net assets attributable to unitholders as equity. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

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

Distributions are payable at the end of each financial period. Such distributions are determined by reference to the net taxable income of the Fund.

The distributions for the year were as follows:

	Year ended		For the period October 10, 2017 to June 30, 2018	
	June 30, 2019 $'000	**June 30, 2019 CPU***	$'000	CPU*
December	**1,877**	**7.10**	-	-
June (payable)	**4,645**	**16.90**	1,979	8.60
Total distributions	**6,522**	**24.00**	1,979	8.60

* Distribution is expressed as cents per unit amount in the Australian Dollar.

12 Cash and cash equivalents

	As at	
	June 30, 2019 $'000	June 30, 2018 $'000
Cash at bank	**9,627**	18,764
Total cash and cash equivalents	**9,627**	18,764

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

	Year ended June 30, 2019 $'000	For the period October 10, 2017 to June 30, 2018 $'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	**6,858**	5,812
Proceeds from sale of financial instruments at fair value through profit or loss	**126,479**	31,057
Purchase of financial instruments at fair value through profit or loss	**(145,911)**	(90,106)
Net (gains)/losses on financial instruments at fair value through profit or loss	**(7,269)**	(6,180)
Net change in receivables	**(174)**	(29)
Net change in payables	**(547)**	657
Effects of foreign currency exchange rate changes on cash and cash equivalents	**(85)**	-
Net cash inflow/(outflow) from operating activities	**(20,649)**	(58,789)
(b) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**916**	-

14 Auditor's remuneration

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

	Year ended June 30, 2019 $	For the period October 10, 2017 to June 30, 2018 $
Ernst & Young		
Audit and other assurance services		
Audit and review of financial statements	**19,000**	14,500
Total remuneration for audit and other assurance services	**19,000**	14,500
Taxation services		
Taxation services	**11,000**	9,500
Total remuneration for taxation services	**11,000**	9,500
Total remuneration of Ernst & Young	**30,000**	24,000
PricewaterhouseCoopers		
Audit and other assurance services		
Audit of compliance plan	**2,475**	2,475
Total remuneration for audit and other assurance services	**2,475**	2,475
Total remuneration of PricewaterhouseCoopers	**2,475**	2,475

The auditors remuneration is borne by the Fund, fees are stated exclusive of GST.

15 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

Responsible Entity

The Responsible Entity of Montgomery Global Equities Fund (Managed Fund) is Perpetual Trust Services Limited (ABN 48 000 142 049). The Investment Manager of the Fund is MGIM Pty Ltd.

Key management personnel

(a) Directors

Key management personnel includes persons who were Directors of the Responsible Entity at any time during the financial year as follows:

Name	Date of appointment/resignation
Glenn Foster	
Christopher Green	Resigned as Director on October 17, 2018
Michael Vainauskas	
Andrew McIver	Resigned as Alternate Director for Michael Vainauskas on September 2, 2019 Appointed as Alternate Director for Glenn Foster on September 2, 2019
Vicki Riggio	
Gillian Larkins	Resigned as Alternate Director for Glenn Foster on October 12, 2018
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on July 6, 2018 Resigned as Alternate Director for Christopher Green on October 17, 2018
Richard McCarthy	Appointed as a Director on October 17, 2018

(b) Other key management personnel

There were no other persons responsible for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

Key management personnel unit holdings

During or since the end of the year, none of the Directors or Director related entities held units in the Fund, either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the year.

Key management personnel compensation

Key management personnel do not receive any remuneration directly from the Fund. They receive remuneration from the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties. Consequently, the Fund does not pay any compensation to its key management personnel. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

Key management personnel loan disclosures

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

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 since the end of the previous financial year and there were no material contracts involving Director’s interests existing at year end.

15 Related party transactions (continued)

Responsible Entity's/Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive a fee of up to 3.00% (exclusive of GST) per annum of the gross asset value of the Fund. The Investment Manager is entitled to receive a management and performance fee at the rates stipulated in the Fund's governing documents.

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.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Year ended June 30, 2019 $	For the period October 10, 2017 to June 30, 2018 $
Responsible Entity's fees for the year paid and payable by the Fund to the Responsible Entity	**79,451**	38,153
Management fees for the year paid and payable by the Fund to the Investment Manager	**780,222**	288,092
Performance fees for the year paid and payable by the Fund to the Investment Manager	**-**	474,870
Aggregate amounts payable to the Investment Manager at reporting date	**70,894**	128,345
Aggregate amounts payable to the Responsible Entity at reporting date	**6,575**	12,869

Related party unitholdings

Parties related to the Fund (including Perpetual Trust Services Limited, its related parties and other schemes managed by Perpetual Trust Services Limited), hold no units in the Fund.

Investments

The Fund did not hold any investments in Perpetual Trust Services Limited or of its affiliates or funds managed by MGIM Pty Ltd during the year.

16 Significant events during the year

There were no significant events during the year.

17 Events occurring after the reporting period

On September 2, 2019, Andrew McIver resigned as the Alternate Director for Michael Vainauskas and was appointed as an Alternate Director for Glenn Foster.

The Directors are not aware of any other event or circumstance since the end of the financial year not otherwise addressed within this report that has affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent years. The Fund continues to operate as a going concern.

18 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at June 30, 2019 and June 30, 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 30 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 June 30, 2019 and of its performance, for the financial year 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; and

(c) Note 2(a) confirms that the financial statements also comply with 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
September 11, 2019

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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 2019, the statement of 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 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 2019 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 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 of the Responsible Entity 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 Responsible Entity for the Financial Report

The directors of the Responsible Entity of the Fund 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 Responsible Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.

- 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 of the Responsible Entity 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
11 September 2019