INVESTMENT REPORT & FACT SHEET

FUND OVERVIEW

The Montgomery Global Equities Fund (Managed Fund) (the Fund) employs a highly disciplined, bottom-up, value style and typically invests in 15 to 30 high conviction stocks listed on major global stock exchanges. The focus of the Fund is on investing in what Montgomery Global regards as high quality businesses with attractive prospects trading at a discount to their estimated intrinsic value.

The Fund has the flexibility to retain a reasonable level of cash, with a "soft" 30 per cent limit. The Fund will generally be currency unhedged but we can put in place strategies aimed at protecting investor capital against currency fluctuations if we predict material upside to the Australian dollar.

The Fund aims to deliver superior positive returns when suitable investment opportunities are abundant, and to preserve capital through cash allocations when an insufficient number of company names are appealing. The Fund also aims to target a minimum 4.5% annual distribution yield, paid semi-annually.

FUND FACTS

INVESTMENT MANAGER
MGIM Pty Ltd

OBJECTIVE
The Montgomery Global Equities Fund (Managed Fund) aims to outperform the index over a rolling 5-year period.

BENCHMARK
MSCI World Net Total Return Index, in Australian dollars.

ASRN
621941508

RECOMMENDED INVESTMENT TIMEFRAME
5 years

INCEPTION DATE
20 December 2017

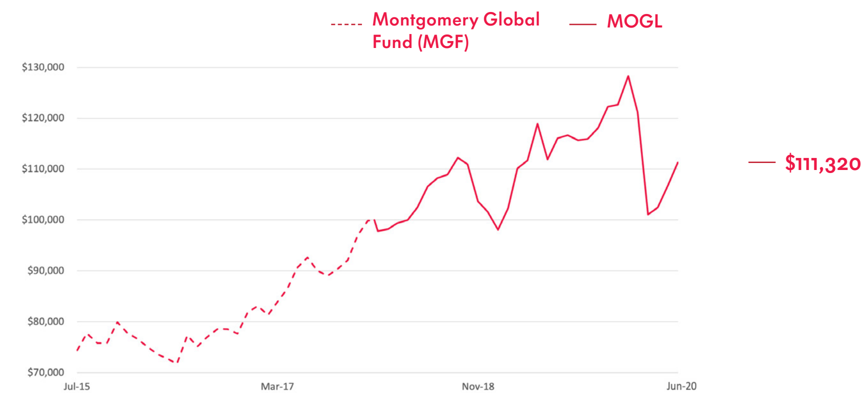
FUND SIZE (AUD)
$82.8M

MANAGEMENT COST
1.32% per annum, inclusive of GST/RITC.

PERFORMANCE FEES
15.38% of the total return of the Fund that is in excess of its Benchmark. No performance fee is payable until any previous periods of underperformance has been made up.

APPLICATION & REDEMPTION PRICES
montinvest.com/mogl

PERFORMANCE GRAPH



Performance Graph Monthly Index: $100,000 = MOGL inception date[2]

CONTACT DETAILS

INVESTORS
TOBY ROBERTS
t: 02 8046 5017
e: troberts@montinvest.com

ADVISERS, RESEARCHERS AND PLATFORMS
SCOTT PHILLIPS (NSW)
e: sphillips@montinvest.com

DEAN CURNOW (NSW, ACT, WA)
e: dcurnow@montinvest.com

DAVID DENBY (VIC, SA)
e: ddenby@montinvest.com

MICHAEL GOLLAGHER (QLD)
e: mgollagher@montinvest.com

PORTFOLIO PERFORMANCE (to 30 June 2020, after all fees)

	INCOME	CAPITAL GROWTH	FUND RETURN	MSCI WORLD NET TOTAL RETURN INDEX[1]	OUT/UNDER PERFORMANCE
1 month	2.33%	1.86%	**4.19%**	-1.04%	5.23%
3 months	2.46%	7.65%	**10.11%**	6.11%	4.00%
6 months	1.98%	-11.23%	**-9.25%**	-3.79%	-5.46%
12 months	4.26%	-8.36%	**-4.10%**	4.82%	-8.92%
2 years (p.a.)	5.36%	-3.93%	**1.43%**	8.33%	-6.90%
MOGL (since inception) [2]	14.48%	-3.16%	**11.32%**	22.48%	-11.16%
MGF (since inception)[3]	37.50%	12.95%	50.45%	54.39%	-3.94%

1) In Australian dollars 2) Inception: 20 December 2017 3) Inception: 1 July 2015

Past performance is not an indicator of future performance. Returns are not guaranteed and so the value of an investment may rise or fall.

FUND COMMENTARY

In the month of June, the Montgomery Global Equities Fund (the Fund) increased by 4.19 per cent, net of fees. The MSCI World Total Return Index in Australian dollar terms (the Benchmark) decreased by 1.04 per cent, over the same period. Since inception, the Fund has increased by 11.32 per cent delivered with an average cash holding of 15.6 per cent. Over the same period, the Benchmark has increased by 22.48 per cent and carries zero cash.

We write this letter on the five-year anniversary of the launch of our first funds. As many readers will know, in marking this milestone, we recently took the opportunity to connect with our investors to reiterate our single clear goal: to maximise the probability of achieving multi-decade compounding of our clients' wealth, alongside our own. Everything we do is in service of this objective and we continue to believe we have the right ingredients to achieve this investment success for our investors over the long term.

The world has changed drastically over recent months. And our portfolios have been updated to reflect the new realities we face today. While the COVID-19 crisis is far from over, we do see some areas of attractive long-term investment opportunity around digitisation which have accelerated in recent months.

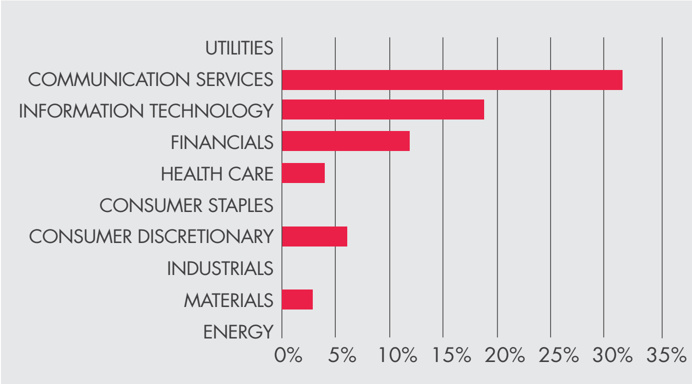
Continued on the next page...

TOP COMPLETED HOLDINGS* (TCH) (at 30 June 2020, out of 18 holdings)

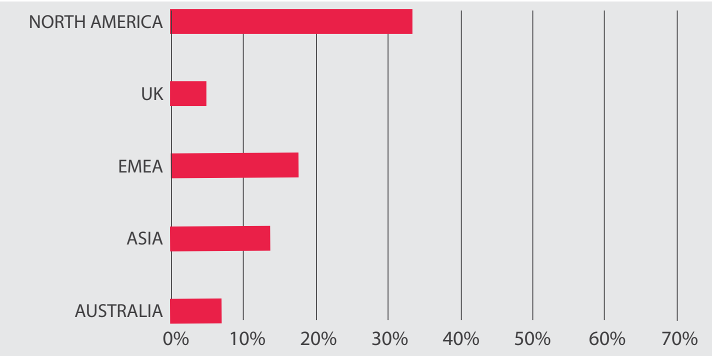
COMPANY NAME	COUNTRY OF DOMICILE	MARKET CAP ($USDM)	WEIGHT (%)
Vivendi	FR	30,417	7.5
Spotify	SE	47,965	7.5
Microsoft	US	1,543,306	5.8
Alibaba	CN	578,663	5.6
Facebook	US	647,453	5.4
Apple	US	1,581,165	4.9
Ping An	CN	183,941	4.9
Alphabet	US	966,394	4.2
REA Group	AU	9,809	4.1
Unitedhealth	US	279,725	4.0
PORTFOLIO MEDIAN		177,753	4.1
Total equity weighting			75.3
Total cash weighting			24.7

*Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.

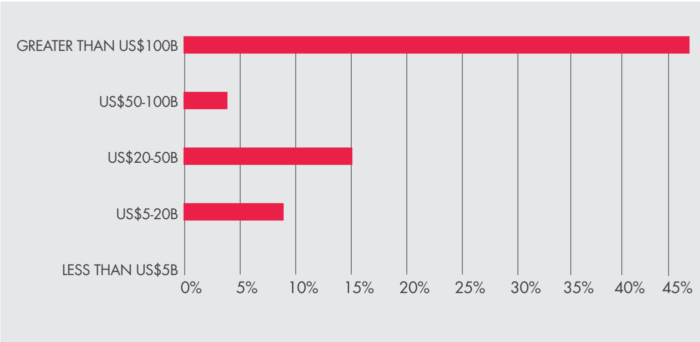
GICS SECTOR INDUSTRY EXPOSURE



GEOGRAPHIC - COUNTRY OF DOMICILE



MARKET CAPITALISATION EXPOSURE



#Portfolio Performance is calculated after fees and costs, including the investment management fee and performance fee, but excludes the buy/sell spread. All returns are on a pre-tax basis. This report was prepared by MGIM Pty Ltd, (ACN 604 878 533) AFSL 516 942 the investment manager of the Montgomery Global Equities Fund (Managed Fund). The issuer of units in Montgomery Global Equities Fund (Managed Fund) is the Fund's responsible entity Perpetual Trust Services Limited ACN 000 142 049 (AFSL 236648). Copies of the PDS are available from Montgomery Global Investment Management (02) 8046 5000 or online at www.montinvest.com/mogl Before making any decision to make or hold any investment in the Fund you should consider the PDS in full. The information provided is general information only and does not take into account your investment objectives, financial situation or particular needs. You should consider your own investment objectives, financial situation and particular needs before acting upon any information provided and consider seeking advice from a financial advisor or stockbroker if necessary. You should not base an investment decision simply on past performance. Past performance is not an indicator of future performance. Returns are not guaranteed and so the value of an investment may rise or fall.

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Digitisation of the Enterprise

Every business is now a technology business. This was a fringe view just five years ago and yet is exceedingly ubiquitous today. Leadership teams in businesses from all industries and around the world now understand the benefits of cloud-based technology infrastructure and software-based applications that can be purchased in a scalable way as services. They understand the imperatives to leverage their data in the sales, marketing and customer service functions. They understand their systems need to work seamlessly across multiple devices and for employees who could be located anywhere in the world. And customers are increasingly demanding more too: retailers need to sell effectively across multiple digital channels.

And this was before the world was struck with the COVID-19 pandemic. In a matter of weeks, entire workforces needed to work from home and demand for digital collaboration tools skyrocketed. Zoom peaked at over 300 million daily meeting participants, compared to 10 million in December. The US News and World Report noted that Zoom is being used in 96 per cent of top US Universities as entire college campuses made the shift to online classrooms. Microsoft Teams grew to 75 million daily active users from 20 million at year-end 2019. Likewise, Tencent's enterprise communications app WeChat Work served 250 million monthly active users in May, up from 60 million across 2.5 million companies pre-pandemic.

It is beyond dispute that the digitisation of the enterprise is a structural trend that has recently accelerated. And not all structural trends are created equal. This particular structural trend is: (i) global, not local; (ii) dominated by software – the economics of which are extraordinarily favourable (essentially zero marginal cost of reproduction and distribution); and (iii) leverages the power of large pools of data.

The Fund has been positively exposed to this theme for some time with holdings in businesses such as: Microsoft, Alphabet, Alibaba. Yet, as result of the developments of recent months, we have expanded our exposure into a number of additional businesses that we classify as mission-critical ecosystems for the enterprise that operate with little competition. These include: ServiceNow, Salesforce and SAP.

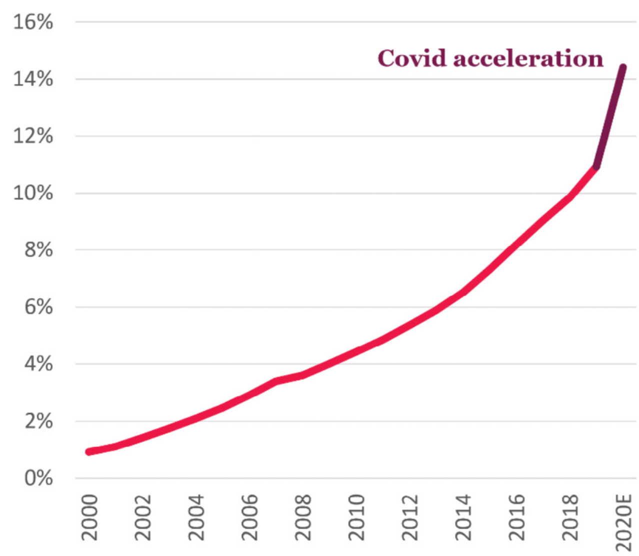
We will explore this theme in detail in a new Montaka Whitepaper which will be released in the coming weeks.

Digitisation of the Consumer

As with the enterprise, the COVID-19 experience has been transformational for consumer behaviour. Consumers of all ages adopted online channels in a way we have not seen before. Necessary adoption has been rapid and widespread such that Shopify CEO Tobi Lütke feels that digital solutions have suddenly fallen a decade behind today's consumer needs; *"Everyone now has got 2020 quality software in a 2030 world, so everyone's software just got 10 years worse given the requirements and the need by customers."*

US E-Commerce Sales Penetration

Percent of total US retail sales



Source: eMarketer

Consider that, in 2018, Nike set a target to reach 30 per cent digital penetration across its revenues by 2023. In fact, they will achieve this goal this year – more than two years ahead of schedule. They are now looking to reach 50 per cent penetration.

Of course, it is not just along the dimensions of retail and payments that consumers have digitised. Subscription video on demand has accelerated, for example. In April, Netflix reported accelerated membership growth as a direct result of the COVID-19 lock-downs.

With approximately 3.5 billion active smartphones in the world today, the consumer now texts, emails, socialises, tweets, banks, reads news and generally lives digitally. This is becoming even more the case in a post-COVID-19 world. And music is no exception. Increasingly, consumers are changing the way in which they consume music: from one of purchasing and ownership; to one of digital streaming on demand.

CASE STUDY: SPOTIFY

We believe Spotify (NYSE: SPOT) is an attractive investment opportunity because it commands an improving leadership position in the structurally growing, global digital audio streaming marketplace. Spotify's lead in consumer preference data – with respect to music and podcasts that are being listened to by each individual – allows it to drive greater

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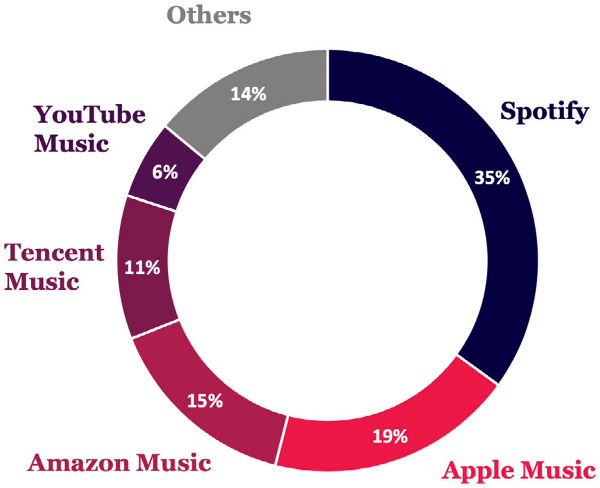
personalisation and higher engagement which, in turn, drives higher retention, higher user growth and higher revenues. Furthermore, this privileged data pool – which is also expanding rapidly – enables Spotify to drive higher value advertising for its freemium users; as well as greater value for record labels and their artists. These, in turn, will likely drive higher gross margins and overall profitability for Spotify over time.

Global music streaming paid subscriptions

Percent market share, 2019



Source: Counterpoint Research

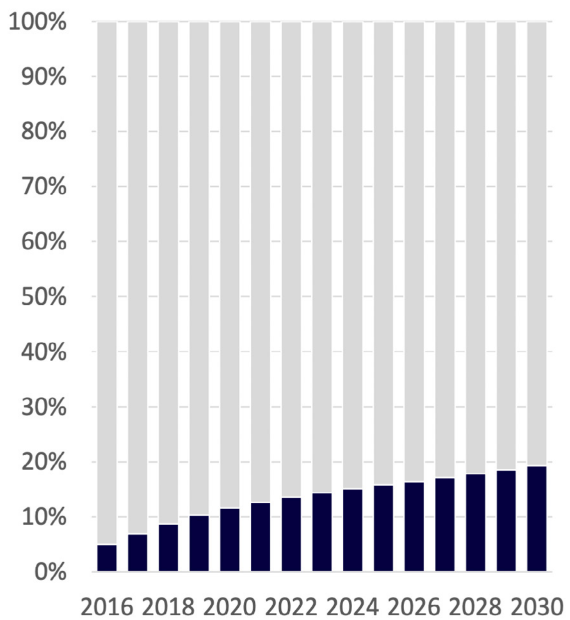
Spotify is the world's largest digital music and podcast streamlining platform. For an of average less than €5 per user per month, users can subscribe to ubiquitous access to more than 50 million music tracks and 700 000 podcasts from any device. Today, more than 130 million users subscribe to Spotify's service globally. In addition, another 163 million monthly active users tune into Spotify's ad-supported "freemium" service. Spotify monetises this channel with targeted digital audio advertising. Subscription users typically start out by trying the service in the freemium channel. As such, this channel is a valuable source of premium subscriber customer acquisition for Spotify's subscription offering.

The ability of Spotify to generate data-driven insights on consumer preferences is critical to its value proposition and ongoing level of user engagement. The company estimates that it has more than five times the amount of music data than its nearest competitor. It uses this data to make listening recommendations based upon what users have liked in the past and what other similar users like. Today, around one-third of all listening on Spotify's platform is programmed algorithmically. And personalisation begins from the first day of listening to Spotify's freemium offering. The more users listen, the more accurate the algorithm becomes for making new enjoyable recommendations,and the more users keep listening. Spotify's algorithm and data advantage are a key element of Spotify's network effect – in which, the more users that listen, the more accurate the algorithm becomes for all users on the platform.

We remain in the early innings of global digital music streaming adoption. Of the payment-enabled active smartphones out there today, only around 10 per cent have a digital music streaming subscription. As the consumer continues to digitise, and the more digital-native younger generations grow older, this adoption rate will continue to increase structurally – irrespective of the business cycle or any geopolitical risks that materialise. Spotify is the world's largest platform today. It is adding roughly twice as many subscribers per month as its nearest rival, Apple Music. Its monthly engagement is two times as high as Apple's and its churn is half the rate. Finally, more than 70 per cent of Spotify's users are under the age of 37 today. It is for these reasons that we believe Spotify's growth prospects are structural, resilient and predictable.

Digital music streaming

Penetration of global smartphone users



Source: Morgan Stanley

In a similar fashion to Netflix, Spotify has commenced a data-driven content strategy over recent years to drive user growth, engagement and more attractive economics. Leveraging its user data on consumer listening preferences, Spotify has been quietly acquiring, or gaining exclusive licenses to, highly popular podcast content.

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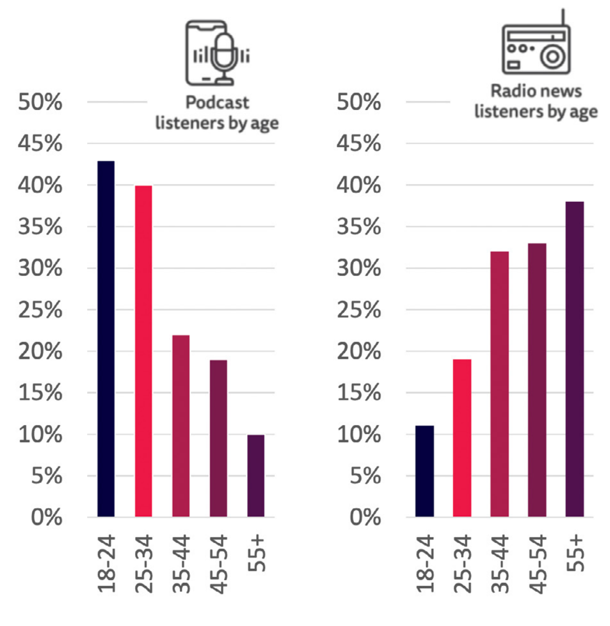
Furthermore, it is investing to developing its own podcast content. As Netflix built up its own catalogue of exclusive content to drive user growth and engagement, so too is Spotify in the audio space. In turn, Spotify increases the opportunity to convert music listeners to podcast listeners; and podcasts carry with them more attractive economics than music. Over time, this reduces Spotify's reliance on label content and increases their bargaining power with the labels.

At first glance, Spotify's move to dominate the podcast space may seem quite tangential to its core music streaming offering. But in analysing the listening preferences of younger generations relative to older generations, it is clear that podcast consumption is only going to continue increasing structurally. This is also positive for Spotify's advertising business: podcasts are much longer in duration than typical music listening sessions and can therefore carry higher ad impression loads. Furthermore, the podcast listener is typically a higher value target for advertisers.

Podcast vs Radio news listeners — (UK)

Percentage listening monthly (LHS); weekly (RHS)



Source: Ofcom

An obvious criticism of Spotify's business model is that its earnings power is structurally depressed because it needs to pay more than two-thirds of its subscription revenues away to the labels for its music content. This is true and it results in more inferior unit economics than for many other software businesses. Said another way, it remains true that Spotify's long-run profit margin potential is lower than for many other software businesses. An underappreciated corollary of this, however, is that small improvements in Spotify's economics over time result in a disproportionate percentage increase in Spotify's earnings power.

We believe that as Spotify continues to grow its user base and its consumer preference database, its ability to extract better economics out of the labels will only improve. Similarly, we believe these drivers will only improve Spotify's digital audio advertising value proposition. These dynamics represent long term upside to Spotify's profit margins, as does Spotify's exclusive content strategy.

We believe the cash flows generated by Spotify are particularly high quality in nature. Spotify costs the consumer a tiny fraction of their income and delivers outsized value in return. Through this lens, we view Spotify as owning a very senior claim on consumer incomes. Said another way, we view Spotify's cash flows as being predictable and resilient under substantially all economic conditions.

We believe that Spotify is going to be a long-term winner in a market which is both attractive and growing. Our analysis suggests there remains plenty of upside potential in the stock, notwithstanding its strong run over recent months.

Finally, we would not be surprised if Facebook tried to acquire Spotify. Under Facebook's ownership, Spotify's user growth could be accelerated by accessing Facebook's three billion members around the world. Facebook could likely extract significantly more value out of Spotify's advertising business than Spotify could on its own. And Spotify's bargaining power with the labels would only increase under Facebook's ownership, thereby improving its earnings power. In return, Spotify would give Facebook a highly sought-after recurring subscription revenue stream.

* * *

Digitisation – of both the enterprise and the consumer – is a positive trend that is accelerating. At the same time, however, we have observed a negative trend that has also been accelerating over recent months: China's relationship with much of the rest of the world.

We have written about China's eroding relationship with the US in prior letters. But we have lost count of the number of countries with whom China's relationship has noticeably deteriorated over recent weeks.

From the EU, which is poised to enact new restrictions on Chinese investment into Europe; to the UK, which has all but banned Huawei from building out its 5G network; to Canada, which believes China is holding their "two Michaels" for ransom; to Hong Kong, upon which China's new secret national security laws have now been imposed; to here in Australia, where our public and private institutions are experiencing ongoing, large-scale cyber-attacks from China.

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This raises the prospect of more significant decoupling between the Chinese economy and other major economies, with a wide range of possible outcomes for how that might play out. We believe this is an ongoing risk for which all global investors need to remain mindful.

In addition to the geopolitical risks described above, we continue to hold several variant perceptions to the market with respect to the unfolding consequences of the ongoing COVID-19 crisis.

- While the market appears focused on the extraordinary liquidity measures being affected by the world's major central banks, we remain convinced that weakened solvency levels of corporates, households and governments will weigh on longer-term economic growth;
- While various forms of economic supply have come back online post lock-downs, we are seeing substantial evidence from around the world that consumers now have a higher propensity to save than previously. The dynamic adds further downward pressure to future growth expectations.
- While fiscal stimulus measures have generally surprised to the upside – as they needed to – it remains to be seen if even this will be enough. Many States and Municipalities are effectively bankrupt and are on the verge of mass layoffs. In China, policymakers remain concerned of exacerbating the bad debts within its banking system – a major ongoing problem even prior to the pandemic; and
- While lock-downs are being lifted which is positive, we have been concerned of second waves appearing. In parts of the US, we are seeing concerning case growth acceleration. And most concerning of all is the perceived reluctance by many to take seriously the sensible countermeasures that are required to combat the outbreaks.

We continue to remain highly defensive in our portfolio positioning, as we have done for the last three months. At the time of writing, the Fund's cash holdings are approximately 28 per cent. We believe the coming months and years will present us with opportunities to make attractive, multi-generational investments. Our current defensive positioning positions us well to take advantage of these and, in our view, maximises the probability of delivering outsized returns over the long-term.

* * *

At the end of the period to 30 June 2020, the Fund will pay a distribution of 7.3924 cents per unit. Payments will be made 24 July 2020. The reinvestment unit price is $ $3.2369.

Five years on since we launched our first funds, we feel deeply privileged for the trust you continue to place in us to protect and grow your wealth, alongside our own wealth. We are confident we have the right structure and people to endure and succeed for our investors. Our business has a strong base of permanent capital and our principals are committed to long-term investment alongside our clients in our funds. We could not be more motivated and determined to look forward to the next five years and well beyond.

Sincerely,

Andrew Macken
Chief Investment Officer

Chris Demasi
Portfolio Manager