

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)

\$79.6M

MANAGEMENT COST

1.32% per annum, inclusive of GST/RITC.

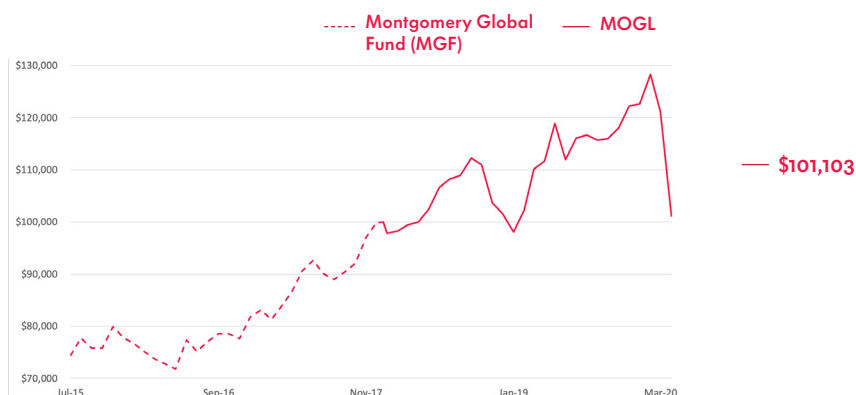
PERFORMANCE FEES

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 date²

CONTACT DETAILS

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PORTFOLIO PERFORMANCE (to 31 March 2020, after all fees)

	INCOME	CAPITAL GROWTH	FUND RETURN	MSCI WORLD NET TOTAL RETURN INDEX ¹	OUT/UNDER PERFORMANCE
1 month	0.00%	-16.56%	-16.56%	-8.60%	-7.96%
3 months	0.00%	-17.58%	-17.58%	-9.33%	-8.25%
6 months	2.37%	-15.17%	-12.80%	-5.56%	-7.24%
12 months	7.10%	-16.58%	-9.48%	4.00%	-13.48%
2 years (p.a.)	5.96%	-5.42%	0.54%	8.11%	-7.57%
MOGL (since inception) ²	12.27%	-11.17%	1.10%	15.44%	-14.34%
MGF (since inception) ³	35.18%	2.11%	37.29%	45.51%	-8.22%

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.

Montgomery Global Equities Fund (MANAGED FUND)

FUND COMMENTARY

In the month of March, The Montgomery Global Equities Fund (Managed Fund) (the Fund) declined by 16.56 per cent, net of fees. This decline was larger than the decline in the MSCI World Total Return Index in Australian dollar terms (the Benchmark) of 8.60 per cent. The primary driver of this material underperformance in the month stemmed from our decision to significantly reduce the Fund's equity exposure and build cash considering the ongoing COVID-19 crisis, which we expand on below. In the days subsequent to this decision, global equity markets put on the largest three-day rally since 1931 – a rally in which we participated to a far lesser extent than if we were fully invested. Since inception, the Fund has increased by 1.10 per cent, net of fees, delivered with an average cash holding of 14.4 per cent. Over the same period, the Benchmark has increased by 15.44 per cent, net of fees.

We acknowledge that many reading this report will be disappointed with

the short-term relative underperformance of the Fund. We are not happy with it either. That said, we stand by our decision to move the portfolio into a more defensive position. And it remains positioned that way today, with a cash weighting of approximately 30 per cent at the time of writing this letter. As we describe below, there remains a very likely adverse scenario in which severe lockdowns and economic disruption persist for as long as it takes to develop a usable vaccine. While such a negative scenario is not certain, its likelihood is high enough that we believe staying defensive is the best position today. Today is the day to preserve capital. The day will come when we rapidly deploy our significant cash holdings into some extraordinary long-term opportunities which are ripening – one of which we include in this letter as a case study, Prudential Plc (LSE: PRU). But we believe that day is not today.

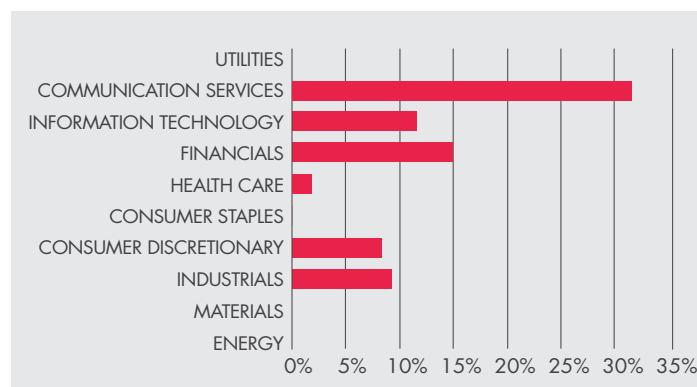
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TOP COMPLETED HOLDINGS* (TCH) (at 31 March 2020, out of 23 holdings)

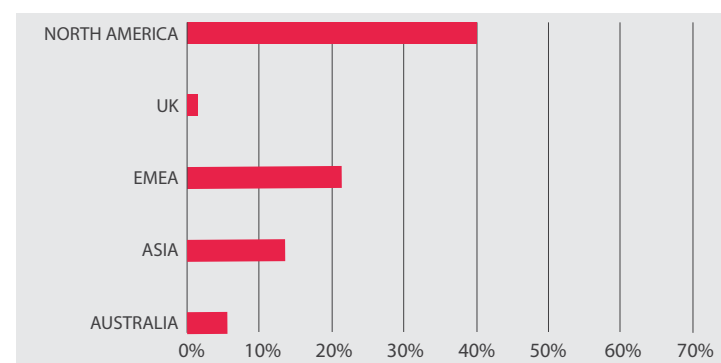
COMPANY NAME	COUNTRY OF DOMICILE	MARKET CAP (\$USDM)	WEIGHT (%)
Microsoft	US	1,199,550	8.1
Vivendi	FR	25,525	7.9
Facebook	US	475,455	6.8
Alphabet	US	798,905	6.6
Alibaba	CN	521,736	6.1
Spotify	SE	22,560	6.0
S&P Global	US	58,982	5.7
Rheinmetall	DE	3,079	5.2
Ping An	CN	178,970	5.2
Apple	US	1,112,641	4.8
PORTFOLIO MEDIAN		33,438	2.7
Total equity weighting			81.8
Total cash weighting			18.2

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

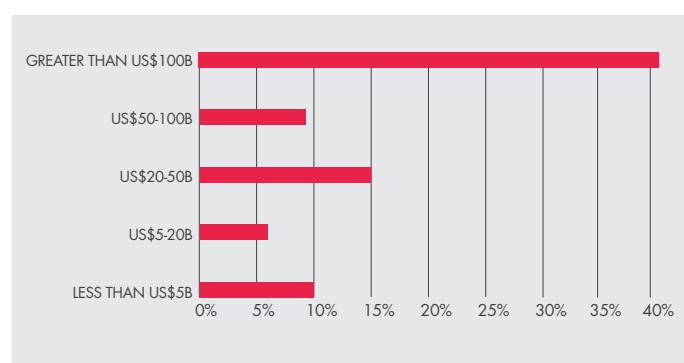
GICS SECTOR INDUSTRY EXPOSURE



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.

FUND COMMENTARY

We think about the world in terms of the range of possible outcomes and the likelihood (or probability) of each outcome. This is different from trying to predict what will happen. We have no idea what will happen with respect to this COVID-19 crisis, and neither does anyone else. But mapping out the possible scenarios and assessing the likelihood of each is a critical step in arriving at an appropriate portfolio position. In the next section, we want to share with you the internal process we have followed (and have always followed) to assess the nature of the risk we faced with COVID-19 and the portfolio positioning we effected at each step along the way. We have included a set of charts to summarise these developments and decisions.

As we entered the calendar year, readers will know that we were optimistic for the prospects of equity returns. Interest rates had fallen significantly which increased the premium that investors were being paid to accept equity risk. Indeed, this premium had not looked so attractive for nearly four decades. Furthermore, many statistically significant leading macroeconomic indicators were pointing to accelerated economic growth across all major global economies. Our assessment was that the most likely outcomes for equities ranged between good returns and great returns. On this basis, we were almost fully invested with a portfolio cash weighting of just 8 per cent.

At the end of January, readers will know that we identified the tail-risk associated with COVID-19. At the time, we assessed this to be a Chinese regional risk and exited all our Chinese exposure as a result.

By the end of February, Chinese data related to COVID-19 had improved significantly. Growth rates in cases and deaths had slowed and many parts of Chinese society were starting to come back to work. We used this improving Chinese data to reduce the probabilities of any potential COVID-19 catastrophes in the Western world. With the benefit of hindsight, these reductions in probabilities for the Western world were premature. Under-estimation of this tail, combined with (i) (already) lower stock prices; (ii) new monetary policy measures; and (iii) anticipated fiscal supports, led us to be as fully invested heading into March, with a cash weighting of 5 per cent.

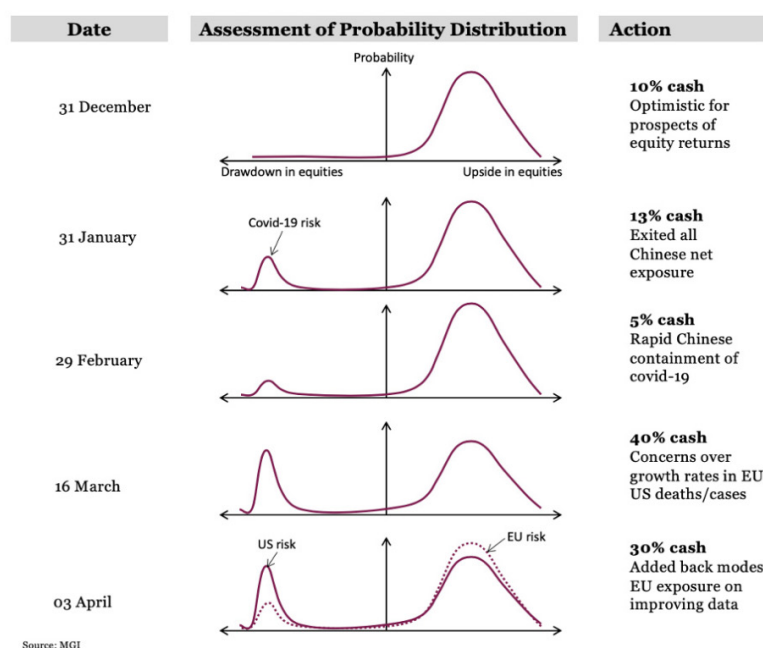
By the middle of March, we had observed the clear catastrophe that was unfolding in Europe. We also became very concerned with the lack of testing in the world's largest economy. The probability of much more severe and prolonged lockdowns in the US, UK, EU, Australia and elsewhere was now much higher than we had previously assessed. And this could have damaging effects on these economies, including job losses, business failures and lower asset prices.

On this basis, we did the largest amount of selling in the Fund's history in March, taking the cash weighting up to 40 per cent. This level of cash is above the Fund's soft maximum of 30 per cent. (We remind readers that, under the Fund's Constitution, we can take the cash level as high as 50 per cent under emergency conditions. And one could not imagine an emergency greater than this pandemic we continue to face). Furthermore, the composition of the Fund's portfolio changed:

- We reduced exposure to businesses with large fixed costs and revenues that were relatively more susceptible to disruption;
- We reduced exposure to financial services businesses that were exposed to credit (even if indirectly), given the elevated risks of credit events in the future; and
- We increased exposure to businesses with more resilient revenue lines in a COVID-19 world, including Microsoft (NASDAQ: MSFT), Vivendi (Euronext: VIV) – owner of Universal Music Group – and a new position in Spotify (NYSE: SPOT).

Towards the end of the month, while the risks in the US remained as high as ever, we did observe a clear slowing in the death rates and case rates in Europe. As we point out below, this does not necessarily mean we are nearing the end of this crisis. But the improvement is certainly better than the alternative and suggests that lockdowns are somewhat effective in reducing the spread of COVID-19 – a critical first step in containment.

Consequently, we reinitiated some European exposure and took the cash weighting down to 30 per cent. (The slightly lower month-end cash weighting reported in this letter is a function of temporary portfolio movements. Readers should view the cash weighting at the time of writing as approximately 30 per cent).

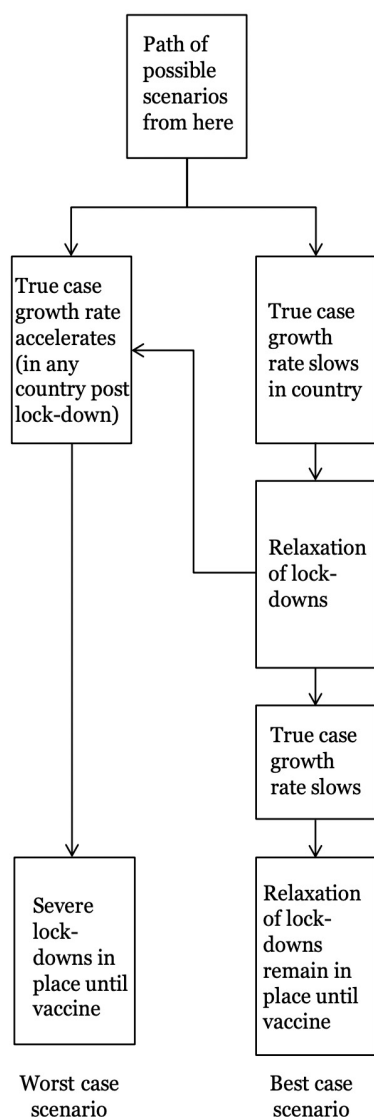


FUND COMMENTARY

We now frame the possible scenarios looking forward from here with respect to the COVID-19 crisis. Our simplified scenario tree is shown below and maps out, at a high level, the path that each country might take to either a best-case, or worst-case scenario. There are two important takeaways from this scenario tree, in our view:

- Even in the best-case scenario, it is unlikely we will return to life as we knew it without a vaccine (which is estimated to be at least 12 months away). At best, strict measures of extreme social distancing will be required to minimise the chance of a case resurgence. This means that social and economic restrictions will likely remain in place until a usable vaccine has been developed.
- There are multiple paths to the worst-case scenario. Indeed, it would only take one country in the world to experience a strong resurgence in cases following the relaxation of their lockdown to potentially keep all countries in lockdown for the foreseeable future. It is this scenario, of course, that would have the largest economic impact. And it is this scenario that we are striving to protect against with our defensive portfolio positioning.

Simplified scenario tree



Source: MGI

We certainly do not wish to find ourselves in the worst-case scenario. Though if we do, investors should take (modest) comfort in two things: (i) very defensive portfolio positioning with significant cash holdings is a mechanism for preserving capital as this scenario unfolds, and (ii) after we pass through this period there will be once-in-a-generation investment opportunities that present themselves and the portfolio will be positioned to take advantage of them.

We believe one such opportunity will likely be Prudential Plc (LSE: PRU), the 170-year old life insurer that has built up one of the most valuable franchises in Asia. In the case study that follows, Daniel Wu articulates why Prudential is a very high-quality business that remains extraordinarily undervalued today.

CASE STUDY: PRUDENTIAL PLC

Prudential plc is a UK-listed multinational life insurance company with origins tracing back to 1848 when it was founded in London to offer life assurance and loans to the middle class. Nearly two centuries later, the company offers life insurance, savings products and asset management to over 20 million customers across Asia, the U.S. and Africa.

In October 2019, Prudential demerged its UK and European life and asset management businesses into a separate listed entity, M&G plc, retaining the fast-growing Asian life insurance operations and a large variable annuities business in the U.S. This case study will focus on Prudential's Asian business, which we believe is the key driver of value for the stock, especially in the current low rate and volatile environment. For context, the U.S. business, Jackson National Life, only contributes 20 per cent of new business profit and 30 per cent of group embedded value (a life insurance concept we will explore later).

Prudential Corporation Asia

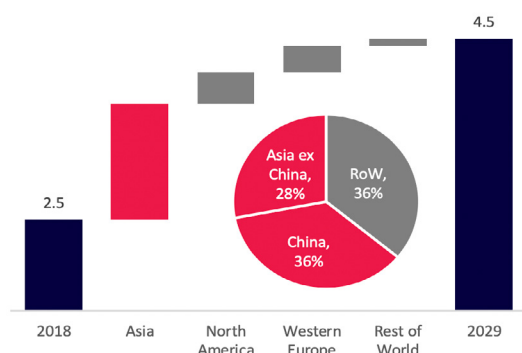
Despite its English provenance, Prudential's present value and future growth is dominated by its Asian business, Prudential Corporation Asia ("PCA"), which is one of the leading life insurers in the Pan-Asian region. PCA's extensive 90-year history in Asia has allowed it to build a formidable moat around this rapidly growing region. Given the complexity of life insurance operations, it would take competitors years if not decades to acquire the regulatory licences, develop the distribution partnerships, deploy the technology and most importantly build the brand trust to compete effectively with PCA.

PCA has a top 3 position measured by new business sales in 9 of the 13 life insurance markets it operates in, including the key market of Hong Kong which taps into the demand from Mainland Chinese consumers. This strong position across multiple markets has two key advantages. Firstly, the fast-growing emerging South East Asian markets help diversify the risk of a slowdown in more developed markets, as was the case in Hong Kong during the political protests through the second half of 2019. This diversification builds resiliency into PCA's new business sales and profits.

Secondly, and more importantly, the leadership position in these markets gives PCA significant exposure to the growth of global life insurance premiums over the next decade, almost two-thirds of which is expected to originate in Asia:

FUND COMMENTARY

Total global life insurance premium (US\$ tn)

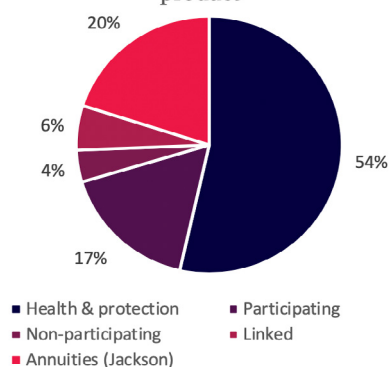


Source: Allianz Global Insurance Market at a crossroads, May 2019

Driving this disproportional growth of life insurance premiums in Asia is a rapidly aging population and low insurance penetration. The population over 65 years of age in Asia is expected to almost triple between 2015 and 2050 to 696 million. Due to limited social welfare provisions, these people have a growing need for retirement income. Yet life insurance penetration¹ is still low at 2.7 per cent of GDP compared to 7.5 per cent in the UK and 4.3 per cent for the group of advanced economies across North America, Europe and Asia Pacific. Furthermore, a health protection gap of \$1.8 trillion representing out of pocket healthcare expenditure of 43 per cent² compared to just 11 per cent in the U.S. and 15 per cent in the UK suggests favourable demand for highly profitable health and protection policies.

In terms of profitability, health and protection products are as much as 4 to 6 times more profitable than traditional participating or unit-linked life insurance products. More than half of Prudential's life insurance new business profit comes from health and protection products, which indicates high quality underwriting practices and should drive higher new business profit margins. These products are also far less sensitive to interest rates than participating products and the variable annuities sold by the US-based Jackson National Life, which is an important consideration in the current low interest rate environment.

2019 New Business Profit by product



An undervalued business

Due to the long-term nature of life insurance contracts where profits are usually "locked in" when a policy is written, investors typically adopt an embedded value ("EV") framework rather than International Financial Reporting Standards earnings when valuing life insurers. In layman's terms, EV is the present value of expected future profit generation from insurance policies written in the past plus shareholders' equity – that

is to say, if an insurer were to stop writing new business altogether, EV would be the expected liquidation value of the business.

Prudential reported an EV per share of GBP 1,700 in 2019, of which GBP 1,200 was attributable to PCA and GBP 500 to Jackson. Given Prudential's consistent mid-teens operating return on EV and 17 per cent EV CAGR since 2012 – that is, new business contributed 17 per cent per year to EV – one would reasonably expect Prudential to be trading north of GBP 1,700 per share. However, at the current share price of GBP 920³, Prudential is trading at just over half of its liquidation value despite nearly doubling said liquidation value every four and a half years! In fact, an investor today can buy the high quality PCA business at 75 cents per dollar (of liquidation value) and receive the U.S. business for free.

While there are certainly some external events pressuring Prudential's share price, such as the Hong Kong protests and the Coronavirus pandemic, we believe the current discount to liquidation value (let alone fair value) is too great for long-term investors to ignore. We expect the combination of a rapidly aging Asian population, an underinsured middle class and a wide health protection gap to drive profitable life insurance adoption for years to come, and Prudential is one of the best-positioned life insurers to take advantage of this structural growth. We own Prudential because we believe that not only does the company own some of the highest quality insurance assets globally, it is also significantly undervalued.

* * *

In closing, we acknowledge that many investors will be disappointed with our short-term performance - and indeed we are too. While we understand that the uncertainty and strangeness of a crisis may bring short-term performance into focus, we instead encourage our investors to remain focused on the prospects that are emerging for very attractive long-term returns. We believe that an important part of managing this crisis is preparing to take advantage of the extraordinary opportunities that will surface on the other side and staying patient in the meantime. We continue to execute our process every day in service of that objective.

Without a doubt, the past six weeks have been stressful for our clients as well as our team, and we would like to thank our investors for the incredible support you have shown us in the face of this stress. Your actions and feedback have given us hope that we will come out of this turbulent time having forged a closer bond with the people whose capital we seek to preserve and grow.

Finally, we wish you all strong physical and mental health. Every one of us will likely know someone profoundly affected by this virus, and we will be keeping our investors, their families, and our global community in our thoughts as we navigate this challenging period. We will continue to keep you informed of our thought process as best we can, and we encourage you to reach out with any ongoing questions, thoughts or feedback as we take this journey together.

Sincerely,

Andrew Macken

¹Insurance penetration calculated as life insurance premiums as a % of GDP. Swiss Re Sigma 2017.

²WHO Global Health Observatory data repository. % of total health expenditure.

³As at 3 April 2020.