MONTAKA GLOBAL ACCESS FUND
QUARTERLY LETTER

MONTAKA

JUNE 2017

UNIT PRICE [1]
$1.0055

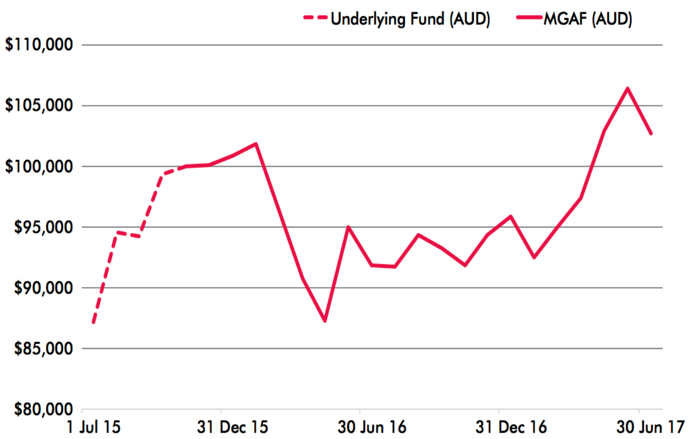
FUND COMMENTARY

In the month of June, the Montaka Global Access Fund (the Fund) declined by 3.33%, net of fees, primarily due to a sharp rally in the Australian dollar versus the US dollar. (In US dollar terms, the Fund was approximately flat for the month, net of fees). Over the June quarter, the Fund returned 5.6%, net of fees; and over the twelve months to June 30, the Fund returned 12.0%, net of fees, with an average net market exposure over the period of approximately 51%.

Since inception, the Fund has returned 2.8%, net of fees, with an average net market exposure of approximately 48%. Over the same period, the MSCI Total Return Index in Australian dollar terms returned 8.2% with 100% net market exposure.

The June quarter was dominated by a number of geopolitically significant events. First, in Europe, we have observed some evidence of a potential reversal of the apparent trend towards populism. Since March 15th, there have been three major European elections (the Netherlands, France and the UK); and in all three, right-wing parties turned in abysmal performances.

FUND PERFORMANCE



PERFORMANCE (%)	1M	3M	12M	INCEPTION
Fund (AUD)[2]	**(3.3)**	**5.6**	**12.0**	**2.8**
Underlying Fund (AUD)[4]	(3.3)	5.6	11.9	17.8
Average Net Market Exposure[3]	40	46	51	48
Global Market (AUD)[5]	(2.6)	3.5	14.7	8.2
Average Net Market Exposure[3]	100	100	100	100

2017 distribution will be advised by the end of July 2017. The numbers in this report are on cum distribution basis for 2017.

PERFORMANCE ATTRIBUTION[1]* (%)

	June 2017
Long portfolio contribution	0.82
Short portfolio contribution	(0.77)
Change in AUD/USD	(3.38)
Net return	(3.33)
Since inception[2]	2.79

EXPOSURES* (as at 30 June 2017)

	% of NAV
Long exposure	85.6
Less: short exposure	(46.1)
Net market exposure	39.6

POSITION METRICS* (as at 30 June 2017)

	Long Portfolio	Short Portfolio
Number of positions	23	33
Largest position size	6.0	2.5
Smallest position size	1.6	0.1
Average position size	3.7	1.4

Note: sizes shown as % of NAV

TOP 10 LONG POSITIONS* (as at 30 June 2017)

		% of NAV
1	Playtech	6.0
2	Oracle	5.4
3	REA Group	5.3
4	Facebook	5.2
5	Insperity	5.1
6	St James's Place	4.9
7	China Life	4.6
8	Alibaba	4.6
9	Foot Locker	4.6
10	Naspers	4.4
Total top 10 long positions		50.2

FUND SIZE (NAV) ($M) (as at 30 June 2017)

Montaka Global Fund	156.6
of which: Montaka Global Access Fund	66.2

1) The fund is forward priced; you will receive the price struck subsequent to the receipt of your application/ redemption request.
2) Inception: 1 November 2015
3) Based on average of month-end net market exposures
4) Montaka Global Fund; inception 1 July 2015
5) MSCI World Net Total Return Index in Australian dollar terms
* all exposures, metrics & positions are derived from the Underlying Fund (Montaka Global Fund)

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Meanwhile, in the US, President Trump's approval rating continued to deteriorate over the June quarter. While Trump and the Republican Party try to agree on healthcare and tax reform, he faces a divided Party as well as ongoing distractions relating to investigations into potential collusion between Russia and the Trump campaign – not to mention the possibility that Trump obstructed justice which is an impeachable offence.

As if that were not enough, we learnt categorically that the Russian State conducted cyberattacks on the US during its election; a 31 year old has effectively taken control of Saudi Arabia and installed an economic blockade on US ally, Qatar; and China's credit rating was downgraded by Moody's for the first time since 1989 on rising economy-wide debt combined with slowing growth.

Investors will know that we monitor global economic and political developments closely as there are times when these can have far-reaching consequences for entire industries, countries or asset classes. That said, we remain first and foremost bottom-up fundamental investors – with each business in our portfolio underpinned by a research-intensive fundamental thesis.

In the June quarter, we published a whitepaper titled "Who are the businesses of the future?" (Please contact us if you would like a copy). In this paper, we identify the Online Technology Platform (OTP) as a particularly powerful business model that results in the platform-owner extracting significant economics from the businesses that sit within the OTP's ecosystem.

We believe frameworks for thinking about business models can be extremely powerful – hence why we created our OTP framework. And we can use this to understand the business models of Amazon (NASDAQ: AMZN), Apple (NASDAQ: AAPL), Alibaba (NYSE: BABA), Tencent (HKEx: 700) and Playtech (LSE: PTEC), to name a few OTPs we have owned in our global portfolios. While these are all very different businesses in many ways, the core elements of their powerful business models are encapsulated by our OTP framework.

It should be noted, however, that we do not manage a technology portfolio. We manage a global portfolio that is selectively-diversified across industries, regions, currencies and capitalisations. While it is true that many of today's great businesses are technology platforms, there are other great businesses in the world that are outside of the technology space. Interestingly, many of these great businesses are still platforms which is testament to the power of this particular business model.

As we continue our journey of education, Christopher Demasi demonstrates the power of an unlikely platform in the context of St. James's Place, a UK-based wealth management business.

CASE STUDY: ST. JAMES'S PLACE (LSE: STJ)

Established in 1991 by Lord Rothschild, St James's Place (SJP) has become the leading UK wealth management business with £80 billion of client funds under management and a market capitalization of £6.2 billion on the London Stock Exchange. Through its network of 3,500 advisers and relationships with 36 fund managers worldwide, SJP uniquely provides complete wealth management solutions to almost 600,000 mass-affluent clients across the UK. And beneath this expansive ecosystem sits SJP's robust platform – the foundation of such astounding success.

The heart of SJP's business is the St James's Place Partnership of aligned advisers, or "Partners". Partners provide bespoke advice to clients (charging half of 1% p.a. of assets) and exclusively offer SJP's pension, savings and investment products (SJP receives 1% p.a. of assets). In return SJP offers Partners an appealing remuneration structure, the opportunity to build equity in their own businesses, and access to the SJP platform.

Partners use SJP's trusted brand, product design, access to fund managers, 1,300-member support network, and back-end systems to better attract, serve and retain clients. And how! The average Partner's client inflows have ballooned from £3 million in 2010 to £4.7 million in 2016. A recent survey of clients showed a 94% satisfaction rate with their SJP relationship and that 97% would recommend SJP. Client attrition has been just 5% for at least a decade.

Happy clients make happy advisers; so it is easy to see why the ranks of the SJP Partnership have swelled from below 1,900 in 2010, and are approaching 3,500 today. As the Partnership grows SJP leverages its scale by reinvesting back into the platform infrastructure, which improves the experience and encourages more Partners to join and more clients to invest. These positive network effects don't stop here.

SJP takes a novel approach to investment management. Rather than manage client money in-house, SJP's Investment Committee selects a range of external fund managers to do the job. With an £80 billion pool of "sticky" and growing assets, SJP is an attractive customer for fund managers and can extract heavily discounted pricing arrangements on behalf of its clients. David Bellamy, SJP's CEO, has said as much:

> "For our range of managers and funds, the equivalent average cost paid by our clients is 43 basis points per annum, considerably less than the average in the market [90 basis points]. That's because we use the scale and consistency of our flows to obtain more competitive rates and pass the benefits of these rates entirely through to our clients...our scale enables us to deliver institutional scale funds to our fund managers, but with all the characteristics of retail funds. This benefits our clients directly as they effectively get wholesale rates in the retail market"

SJP can thus keep total charges at the low end of market. Lower fees incentivize clients to invest with an SJP Partner. Advisers are incentivized to join and stay in the Partnership.

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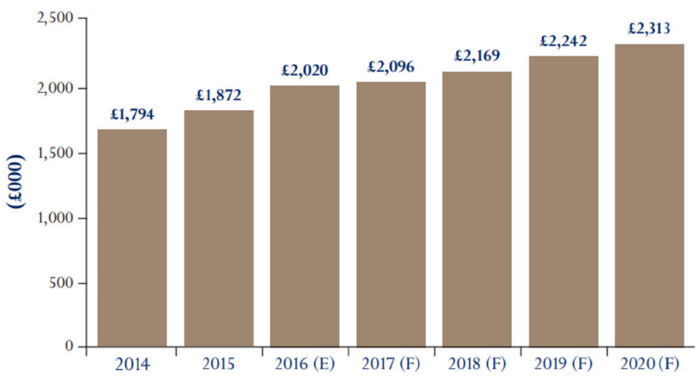
Client assets grow strongly and fund managers are prepared to accept greater discounts for even larger mandates.

These network effects keep the SJP "flywheel" turning and increase the value of the platform. From 2010 to 2016, SJP's client assets under management and revenues almost tripled, driven almost entirely by annual aggregate client inflows which surged by 140% to £11.4 billion.

Larger slice of a bigger pie

The UK wealth management market is large and growing. The amount of investable wealth held by the 10 million UK individuals with more than £50,000 exceeded £2 trillion for the first time in 2016. Driven by demographic change the overall wealth market is forecast to grow by more than 3% annually into the next decade. The advised segment of this market should perform even better as legislative and structural changes take hold.

Amount of investable wealth held by UK individuals with more than £50k



E = Estimated F = Forecasts Source: Verdict Financial, 9 January, 2017.

As the UK population ages, becomes wealthier and lives longer the need to save is increasing. Yet today only around one third of the UK population has a pension account and the average pension "pot" is less than £30,000.

At the same time corporations and the government are increasingly shifting responsibility for saving to the individual. Corporate defined benefit pension plans are being phased out as businesses look to reduce their long term obligations. The government is encouraging individuals to provide for their own retirement by expanding tax incentives and increasing the flexibility of retirement accounts. In doing so, the UK pension and savings system are becoming more complex. With greater complexity comes a greater need for financial advice.

This all augurs well for SJP, which is the largest wealth manager in the UK by number of advisers and by assets (accounting for around 10% of each), and should continue to extend its leadership of the market by leveraging its unique platform model. SJP has grown Partner numbers by 7% per annum on average for the last decade by taking advisers away from its competitors, and management has guided to more of the same.

Growth is a given

Irrespective of long run industry tailwinds, or a platform which commands an increasing share of the UK's wealth, SJP has guaranteed its growth in the coming years by virtue of its past success.

Firstly, as advisers join the Partnership their clients begin by allocating only new funds to SJP's products. They then shift their legacy portfolios into SJP products over a period of five or more years. SJP management has described its share of existing client portfolios as just 40% - implying another 1.5x the current client asset base, or £120 billion, will almost certainly flow to SJP in time.

Secondly, due to design quirks, SJP does not collect fees on its pension products in their first six years. This means SJP is currently earning nothing on one third of client assets. So SJP will see revenues rise 50% once these "dormant" assets pass their 6-year anniversaries and begin to pay the 1% annual charge.

Not much expected by the market

At SJP's current share price around £12 our analysis suggests that the market is expecting both Partnership numbers and client flows per Partner to grow just 2% per annum, along with 6% annual returns from asset markets. These market-implied expectations represent a very low hurdle for an investment in SJP to be successful. Consider that the Partnership and client flows have both been growing mid- to high-single-digit percentages per annum and the future growth runway extends beyond the next decade.

Applying our conservative base case expectations of mid-single digit percentage growth in Partners and inflows, while holding market returns at 6% per annum, we think the stock is worth at least £15. In a more bullish scenario, where high single digit growth rates are sustained, the stock could be worth £18 or more. Said another way, we expect SJP's fantastic platform to deliver much more for shareholders.

* * *

This letter marks the two-year anniversary of Montaka Global Fund (Montaka or the Underlying Fund). Over this period the team has worked tirelessly and we are proud of the results we have delivered to date. Since Montaka's inception, two years ago, the Underlying Fund has delivered 17.8%, net of fees, with an average net market exposure over the period of approximately 48%.* This return is better than the MSCI Total Return Index in Australian dollar terms over the same period (14.1%) – and was delivered with approximately half the market risk. It is the "nature" of Montaka's return profile that really sets it apart from peers, in our opinion.

* The Montaka Global Access Fund performance since inception differs from the Montaka Global Fund performance since inception due to a later launch date.

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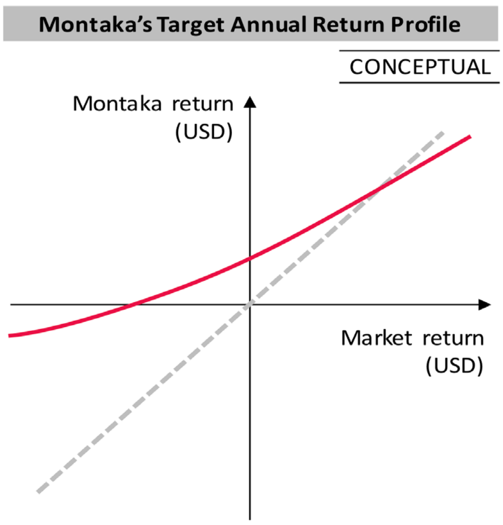
First, let us revisit what we are trying to achieve with our Montaka strategy. The chart below is a conceptualisation of what we are striving for over any medium-term period. In English, this chart says the following:

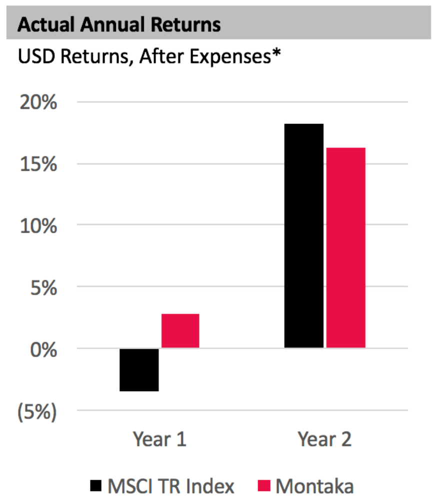
- When the market turns down, we strive to significantly protect the downside. Our significantly reduced net market exposure, which has averaged approximately 48 percent since our inception, greatly assists in this endeavour.
- When the market is flat, we strive to materially outperform the market through superior stock selection.
- When the market rallies hard, we strive to deliver as high a return as possible, though concede that outperforming in a bull market is difficult with such a significantly reduced net market exposure.



Over the first two years of Montaka's life, we were faced with two very different sets of market conditions:

- In year one, the market declined in USD terms. Despite this, Montaka not only protected all of the downside; we delivered a positive result, net of fees, through superior stock selection.
- In year two, the market rallied hard, returning more than 18 percent in USD terms. Despite operating with an average net market exposure of approximately 51 percent, Montaka delivered 90 percent of the market return over this period, net of fees. Again, this was achieved through superior stock selection.

Given this return profile, we believe we have delivered on our return objectives over the first two years of Montaka's life.



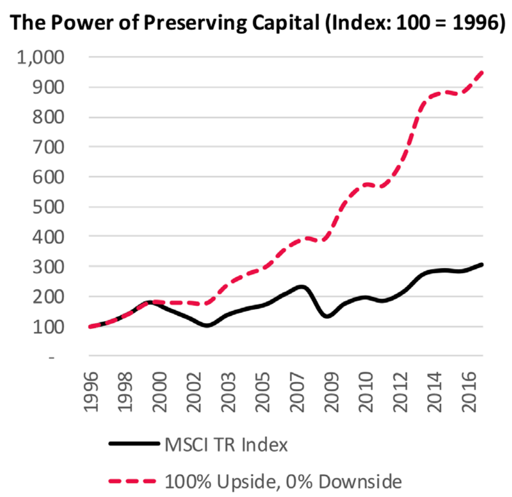
* USD returns based on Montgomery Global Investment Management estimates
Source: Bloomberg; CITCO

The ability to participate in upside while avoiding losses is enormously valuable. We certainly cannot guarantee we will achieve our return objectives described above, but investors should at least appreciate the value Montaka will deliver if we even come close.

By way of hypothetical example, consider the following:

- An investment in the MSCI Total Return Index 20 years ago would have increased to approximately 3x the initial sum by today;
- Yet, if you could have somehow participated in 100% of the upside in a year in which the market went up, and none of the downside in a year in which the market turned down, then you would have increased your investment to more than 9x the initial sum over the same period!

This is the power of downside protection. Giving serious consideration to capital preservation is just as important as return generation.



Source: Bloomberg; MGIM Analysis

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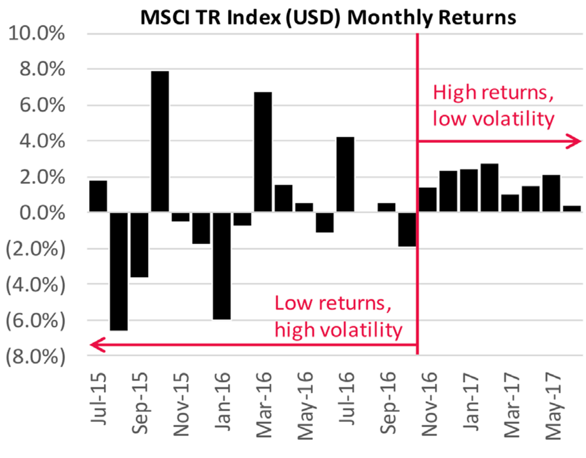
The last twelve months have been kind to global equity investors. And this kindness really stemmed from the final eight months of the year since President Trump's election victory last November. Not only did these eight months drive 82 percent of the aggregate annual return of the global market (MSCI Total Return Index in USD terms), they did so with unusually low variability. This combination of high returns and low volatility was in direct contrast to the preceding 16 months, and since the Underlying Global Fund's inception, which can only be characterised as low returning with high volatility, as illustrated below.



Source: Bloomberg

For readers who are statistically minded, you might be interested to learn that over the last eight months, the standard deviation (a measure of variability) of the monthly return of the global market was 0.8%. Over the preceding 16 months, this standard deviation was 4.0% – five times the monthly volatility!

As we stand here today and look to the future, we foresee a number of risks that require prudence on the part of the investor.

First on monetary conditions: the most important recent development was the Federal Reserve's third interest rate hike for the preceding year and its announcement of impending balance sheet normalisation. This balance sheet normalisation, if pursued, means a major buyer of Treasuries and mortgage-backed securities will be exiting the market. This should result in weaker bond prices and, therefore, higher bond yields. And this means higher borrowing costs for corporates and households. All else equal, this is a headwind for equity returns.

Next, the Chinese stimulus has well and truly marked its first anniversary. The nature of growth, of course, is that all of last year's achievements need to be repeated and then more. This is becoming increasingly difficult for the Chinese economy given the size of its 2016 stimulus and growth has already started to slow.

And what will become of President Trump's fiscal stimulus? It is far from a done deal. As we described above, recent attempts to "repeal and replace" Obamacare have uncovered sharp divisions within the Republican Party suggesting agreement over future tax reform is also far from assured.

Yet, global markets have already banked a lot of Trump's intended gains. Should they not materialise to the fullest extent, then equity markets are looking expensive. Consider the price-to-earnings (PE) ratio of the global market – a crude measure of the market-wide valuation level. Today it is around 21 times. In 2015, it was around 19 times. In 2013, 17 times; and in 2010, 15 times. Remember, the higher the valuation level, the lower the expected future return.

No one knows what the next twelve months will hold. But a repeat of the highly-consistent last eight months is unlikely, in our view. What is more likely is a return to volatility. And while volatility can be uncomfortable, for the prepared investor, it can be a period of terrific opportunity.

As a result of the observations above, Montaka enters the third calendar quarter with less than 40 percent net market exposure. This conservative positioning should greatly assist Montaka in helping protect any potential downside that may materialise. In terms of currency exposures, Montaka remains globally diversified, though has significantly boosted its exposure to the Euro in recent months.

* * *

We strive every day to preserve capital and grow wealth for our investors. In addition, we seek to deliver a unique experience to our investors through intensive communication and transparency into our investment process. It is truly our privilege to have the opportunity to work as hard as we can for our investors and we will never take for granted the trust that has been placed in us.

Sincerely,

Andrew Macken

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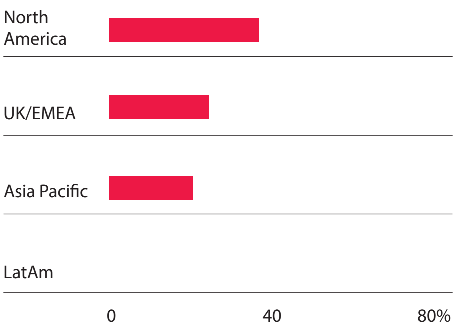
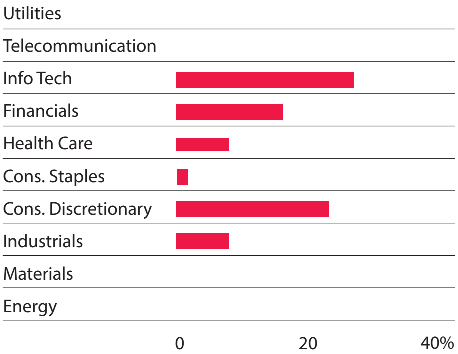
LONG PORTFOLIO

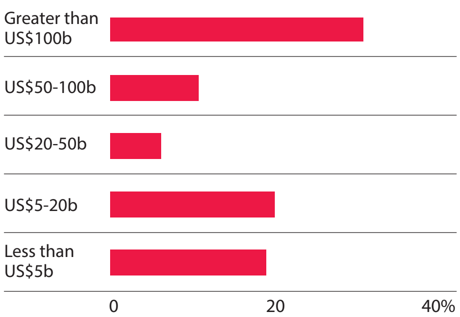
GEOGRAPHIC EXPOSURE (Country of domicile)



INDUSTRY EXPOSURE

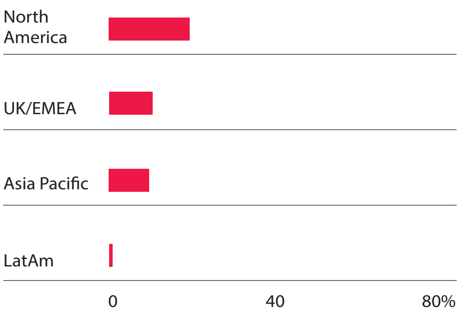


MARKET CAP EXPOSURE

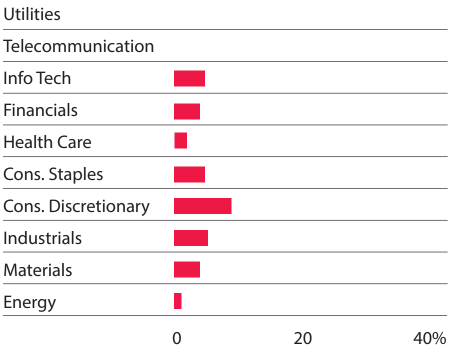


SHORT PORTFOLIO

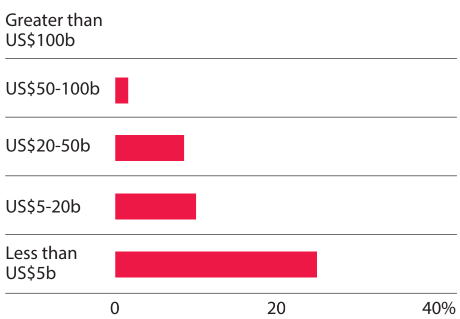
GEOGRAPHIC EXPOSURE (Country of domicile)



INDUSTRY EXPOSURE



MARKET CAP EXPOSURE



Note: exposures shown as % of NAV

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DISCLAIMER