Montaka Global Access Fund

Montaka Global Investments

QUARTERLY LETTER

SEPTEMBER 2020

UNIT PRICE[1] **$0.8836**

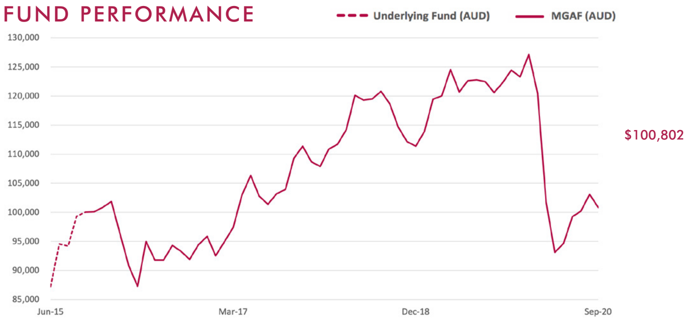
The Montaka Global Access Fund (the Fund) declined by 2.20 per cent, net of fees, in the month of September. Since inception, the Fund has increased by 0.80 per cent.

There were a number of very important developments during the quarter that have changed the shape, favourably so, of the probability distribution of the range of possible medium-term economic outcomes. We highlight these below and then reiterate the case for our strategy of owning privileged business models with expanding advantages that, in the context of the economic environment we see, are immensely valuable.

The nature of the COVID-19 pandemic continues to evolve. While growth in new cases continues to be very significant in certain parts of the world, the proportion of these new cases leading to hospitalisations and deaths has (thankfully) fallen significantly. We believe people, particularly those at greater risk, have generally modified their behaviours to help prevent the contraction and spread of the virus; frontline healthcare workers have improved their methods of care; and governments continue to improve their systems around testing and contact-tracing. And we are, of course, closer to a vaccine, though questions around timing, adherence and efficacy remain.

Notwithstanding these improvements, the hit to the real global economy has been enormous. Fortunately, the response from policymakers has also been large. An important moment took place on August 27 in Jackson Hole, Wyoming, when Federal Reserve Chair, Jerome Powell, essentially evolved the Fed's inflation targeting objective to one of "average" inflation targeting.

FUND PERFORMANCE



PERFORMANCE ATTRIBUTION[1] (%)

	September 2020
Long portfolio contribution	(7.21)
Short portfolio contribution	2.06
Change in AUD/USD	2.95
Net return	(2.20)
Since inception[2]	0.80

EXPOSURES (as at 30 September 2020)

	% of NAV
Long exposure	107.0
Less: short exposure	(45.7)
Net market exposure	61.3

POSITION METRICS (as at 30 September 2020)

	Long Portfolio	Short Portfolio
Number of positions*	26	22
Largest position size**	9.4	1.9
Smallest position size**	1.0	0.5
Average position size**	4.1	1.0

Note: sizes shown as % of NAV
* Including ETFs
**Excluding ETFs

TOP 10 LONG POSITIONS (as at 30 September 2020)

		% of NAV			% of NAV
1	Vivendi	9.4	6	Alibaba	6.5
2	Facebook	8.3	7	Salesforce.com	5.6
3	Spotify	8.2	8	Berkshire Hathaway	5.2
4	Microsoft	7.3	9	ServiceNow	5.1
5	Alphabet	6.7	10	REA Group	4.5
Total top 10 long positions					66.8

FUND SIZE (NAV) ($M) (as at 30 September 2020)

Montaka Global Fund	94.4
of which: Montaka Global Access Fund	42.4

PERFORMANCE (%)	1M	3M	12M	3 YR PA	COMPOUNDED ANNUAL RETURN SINCE INCEPTION	SINCE INCEPTION
Fund (AUD)[2]	**(2.2)**	**1.6**	**(16.4)**	**(1.0)**	**0.2**	**0.8**
Underlying Fund (AUD)[4]	(2.2)	1.5	(16.6)	(1.1)	2.8	15.3
Average Net Market Exposure	61	50	48	47	47	47
Global Market (AUD)[2,5]	(0.4)	3.7	3.9	11.0	8.9	51.8
Average Net Market Exposure[3,5]	100	100	100	100	100	100

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; Ex-distribution of 1.9994 cents 30/06/2016, 7.4407 cents 30/06/2018, 2.9395 cents 30/06/2019 and 1.5206 cents 30/06/2020
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
Note: all exposures, metrics & positions are derived from the Underlying Fund (Montaka Global Fund)

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The insertion of this single word is extremely important and essentially guides to very low (likely near-zero) policy interest rates for years to come.

This crisis-response has also included significant supporting fiscal policies – complementary to supporting monetary policies. In simple terms, while the latter increases lending, the former increases spending – and is, therefore, arguably more potent as a form of stimulus. In the US, for example, the Congressional Budget Office projects a federal budget deficit of US$3.3 trillion in 2020, more than triple the deficit recorded in 2019. At 16 per cent of GDP, the annual deficit in 2020 would be the largest since 1945 – and there may well be more to come (which would, of course, be positive for equity markets).

Indeed, one of the most significant developments in this regard was the announcement of the €750 billion Next Generation EU recovery package. This is the first time the EU will employ large-scale common-borrowing to fund counter-cyclical fiscal stimulus to complement existing fiscal policies from individual national governments. Previously anathema to German policymakers, the concept of common-borrowing received near-unanimous support domestically – which, in and of itself, is nothing short of extraordinary in a fragmenting German political system. If this program is implemented successfully, it will surely become a much-needed blueprint for the management of future economic crises within the EU.

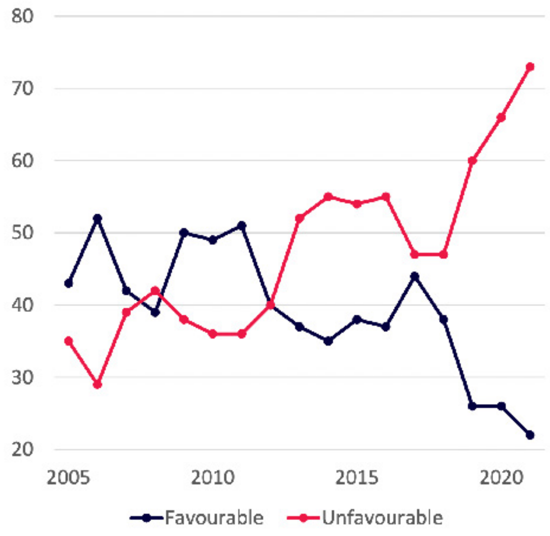
The combination of large-scale countercyclical fiscal policies with widespread, large and unconventional monetary policies has taken us into a quasi-MMT (Modern Monetary Theory) world. While this is an interesting intellectual topic for debate, it does not really matter what one calls it. The fact is, we find ourselves in a world in which fiscal deficits are enormous and global central banks have committed to keeping interest rates low. This is a positive development for the prospects of high-quality equities.

During the quarter, China's relationship with much of the rest of the world continued to erode. From the reciprocal consulate closures with the US; to the arrest of Australian journalists; to an armed conflict on the Chinese/Indian border; to the banning of TikTok in the US – and the broader technology race between China and the Western world. Perceptions of China have eroded in the US, as illustrated by the chart below. Of course, it comes at a time when favourable perceptions of the US are also at historic lows in many countries.[1] The point is that we see a continuation of a trajectory towards greater economic, trade, technology and possibly military conflict between the two largest powers in the world.

1 (Pew Research Center) *U.S. Image Plummets Internationally as Most Say Country Has Handled Coronavirus Badly, September 2020*

Perceptions of China in the US

% of US adults who have a(n) _____ opinion of China



Source: Pew Research Center (July 2020)

Finally, the US general election will have taken place by the time our next Quarterly Letter is published. We believe the highest probability scenario is a Biden victory though, as 2016 showed, low probability events can happen. We also see a high probability of confusion and uncertainty in the immediate aftermath of the election. We are living in a strange period of heightened disinformation and conspiracy theory prevalence; and no doubt these will crescendo in the days immediately following the election – especially if it is a close race.

Against this global economic backdrop, we continue to favour owning the businesses we see as having a very high chance of winning over the long-term. These businesses are strongly advantaged over the competition, usually with superior business models and positive data-enabled network effects. Businesses of this calibre generate very high-quality cash flow streams for their shareholders over time. What makes these cash flows superior is their durability, predictability and sustainable growth over long periods of time. And in the context of the economic environment described above, we view these cash flows as being much more valuable than the level at which they are currently being priced by equity markets.

As most readers will know, a number of our holdings are long-term winners within the highly attractive structural theme called: the digital transformation of the enterprise. For those interested in learning more about our views on this theme, we refer you to our recent Whitepaper on the subject which can be found at montaka.com/blogs or simply reach out to us at question@montaka.com and we will send you a copy.

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One of our core winners benefiting from the digital transformation of the enterprise is Salesforce.com (NYSE: CRM). In the case study that follows, we outline the nature of Salesforce's advantages and why we believe the business is positioned for great long-term success.

CASE STUDY: SALESFORCE.COM

For many readers, Salesforce is unlikely to be a household name like Apple, Amazon or Google, which are deeply entwined into our daily lives. Within enterprise businesses, however, there are very few software applications that are more mission-critical than Salesforce. Since it was founded in 1999, Salesforce has been one of the most disruptive innovators in the history of enterprise software. It created the now ubiquitous Software-as-a-Service (SaaS) model, was first to introduce an enterprise API (Application Programming Interface) which revolutionized the industry (a year ahead of Amazon) and created the world's first app store called the AppExchange.

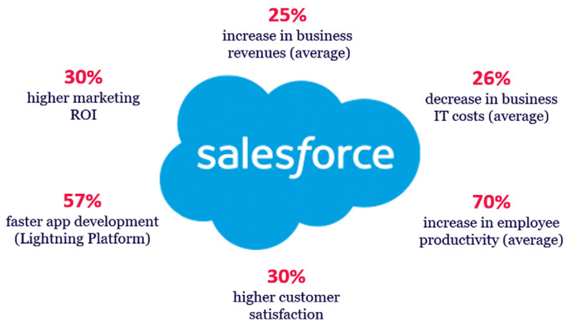
We believe the probability of Salesforce being a long-term winner in the global enterprise software space is high. Salesforce operates with a privileged, ecosystem business model, built in software – which naturally carries with it particularly favourable economics. Its access to large and growing pools of customer metadata allow Salesforce to develop predictive, artificial-intelligence-based algorithms to further enhance the value-proposition for customers. And there remains a large cross-selling opportunity for Salesforce within its own base of more than 150 thousand customers.

Mission-critical

As the name suggests, Salesforce originally started out as a highly effective software application for salespeople to keep track of their customers and manage their relationships more effectively i.e. Customer Relationship Management (CRM). At their core, the services Salesforce offered helped salespeople find new customers (lead generation) and retain existing customers, which dramatically improved salesperson efficiency and efficacy. SunGard, which morphed into fintech industry giant FIS, became an early customer in 2003, with its CEO noting: *"The sales people were buying it on their own; they were swiping their own credit cards and going around their managers to purchase an account."* This dynamic underscores how disruptive Salesforce was: salespeople were simply unable to compete in the workplace without access to the product and hence started buying it themselves.

Even today, the value that Salesforce creates for its customers is truly astounding. Customers report that, on average, they see a 25 per cent increase in revenue, 26 per cent decrease in IT costs, 70 per cent increase in employee productivity and 30 per cent increase in customer satisfaction. It is little wonder, therefore, that Salesforce has evolved into a mission-critical, non-negotiable system demanded by CEOs and corporate boards looking to digitally transform their businesses.

Average KPI Improvements Reported by Salesforce Customers



Source: Salesforce

Privileged business model

Beyond its core suite of products, Salesforce was a pioneer in opening access to its platform upon which third-party application businesses could be built (called "Lightning Platform"). This platform has given birth to numerous billion-dollar success stories, including recently listed nCino and Veeva Systems which are based on Salesforce's platform architecture. The AppExchange has grown into the world's leading enterprise cloud application marketplace, home to thousands of ready-to-install apps. This dynamic of developers, partners and service providers creating and leveraging a continually-expanding catalogue of enterprise applications – all built upon the Salesforce platform – represents a powerful network effect for the business. Michael Dell, founder and CEO of Dell Technologies, summed it up succinctly: *"By igniting the SaaS industry and then offering its Platform-as-a-Service, Salesforce has spawned an ecosystem of countless new companies...we are in unprecedented economic times, but we are also in a new era of innovation."*

Industry-leading

Fast forward to today; Salesforce dominates CRM and has been ranked number one in the world for fourteen consecutive years by the prestigious technology consultancy, Gartner. By leveraging the CRM "entry wedge" Salesforce has successfully expanded into several complementary adjacencies, entrenching itself in the enterprise and penetrating market opportunities beyond its core offering. Salesforce is now a leading industry player in customer service, marketing, analytics, eCommerce and software integration. This approach to expansion rhymes with that of another of our portfolio holdings, Microsoft, with its Windows and Office suites successfully leading its enormous enterprise customer base to adopt its Azure cloud platform.

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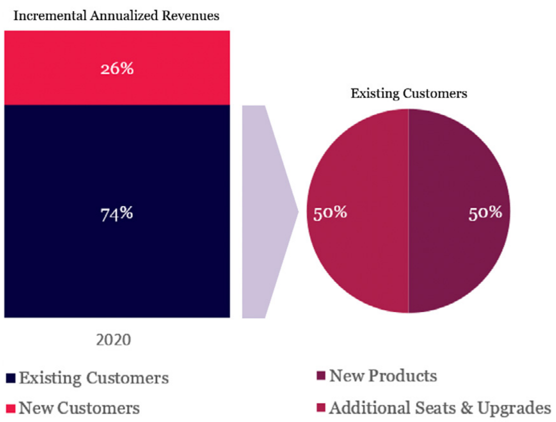
This strategy of expanding into adjacencies within an existing customer is commonly referred to as "land-and-expand" and is responsible for approximately 75 per cent of Salesforce's revenue growth. Customers are discovering that, upon integrating multiple Salesforce applications, a more complete picture of their customer can be portrayed by their CRM at any point in time. And this enables more tailored selling and servicing techniques to be deployed.

Source of Salesforce's Revenue Growth



Source: Salesforce

Enormous cross-selling opportunity remains

We believe significant growth opportunities remain within Salesforce's existing customer base. Today, most customers are leveraging only one or two of Salesforce's six products (a.k.a. clouds). And as of 2019, only one of Salesforce's largest (top 25) customers is also a large customer of five clouds – suggesting significant large cross-selling opportunities remain. We are starting to observe this dynamic shift as a consequence of the COVID-19 pandemic. In the company's recent Q2 result, for example, during a period of double-digit percentage decline in US economic growth, large Salesforce deals of at least seven-figures increased by 63 per cent versus the same time last year.

Significant Runway for Further Product Penetration Within Customer Base

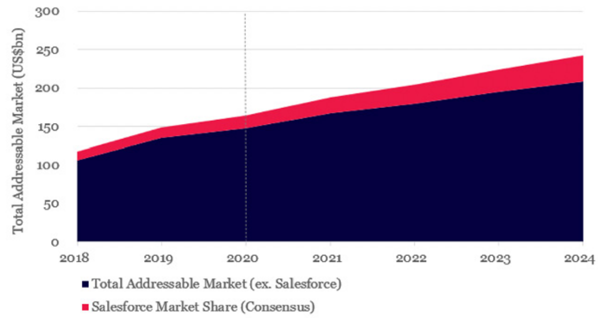
Top 25 Customers by Product (aka Cloud)

Customer Product (aka Cloud) Adoption	Sales	Service	Marketing	eCommerce	Integration	Platform
6 Products / Clouds	0%	0%	0%	0%	0%	0%
5 Products / Clouds	4%	4%	4%	0%	4%	4%
4 Products / Clouds	12%	16%	16%	0%	4%	16%
3 Products / Clouds	8%	16%	4%	4%	12%	16%
2 Products / Clouds	16%	24%	12%	12%	16%	32%
1 Product / Cloud	60%	40%	64%	84%	64%	32%

Source: Salesforce

Through this lens, the total addressable market (TAM) opportunity for Salesforce remains enormous. Morgan Stanley estimates the TAM for Salesforce at approximately US$160 billion today – and sees it at more than US$240 billion by 2024. Salesforce has a very long runway ahead of it, holding only around 10 per cent share of this TAM today, with business model and data advantages that we believe are far superior to the competition and growing.

Large, Growing and Underpenetrated Total Addressable Market



Source: Morgan Stanley, Bloomberg

It is for these reasons that Salesforce finds itself as a core holding in Montaka's portfolio today. We see it as a long-term winning business in a highly attractive market. We believe it will play a meaningful role in contributing to portfolio compounding for the foreseeable future.

* * *

In closing, we make a brief comment on short-term market volatility. Afterall, in the month of September, global equity markets were down across the board for the first time since March. In short, the movement of equity prices within individual months – both up and down – are largely dominated by noise. Where we end up in 2025, 2030 and beyond has little to do with movements in equity prices in the month of September 2020. Indeed, we use periods like September to incrementally increase exposure to our most advantaged businesses at better prices. And, as you can probably glean by our economic analysis above, we would not be surprised if there was additional short-term volatility over the coming months presenting further opportunities.

Our focus is medium to long-term compounding. And through this lens, public equity market irrationality and emotion is our friend. Our team operates with discipline under a value-based investment framework focused on those global businesses exhibiting sustainable business quality. Over the years, we have come to observe and appreciate that good things happen to great businesses. And we remain convinced this is the right way to compound capital. It should not be surprising, therefore, that substantially all of our internal capital is coinvested in our funds.

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Our best businesses are resilient, adaptable and, like Salesforce.com, already have the enviable combination of privileged market positioning relative to the competition; and enormous (and in many cases, expanding) growth opportunities. These characteristics will persist, independent of who is the President of the day, which way the US Supreme Court leans or who controls the South China Sea. History shows that a small proportion of businesses deliver outsized returns. This is why we invest, with conviction, in a concentrated portfolio of businesses we see as likely winners over the long-term.

At this juncture, we echo the sentiments of legendary investor Nicholas Sleep when he said: *"The thoughtful, easy patience of our clients therefore has an important part to play in the process... Please do not underestimate the importance of your role..."* We thank you for your ongoing support and encourage you to allow the time necessary for the dynamics we are identifying to be appropriately reflected in equity prices. We believe we are at a unique time in history and the rewards to the patient investor will be large.

Sincerely,

Andrew Macken | Christopher Demasi

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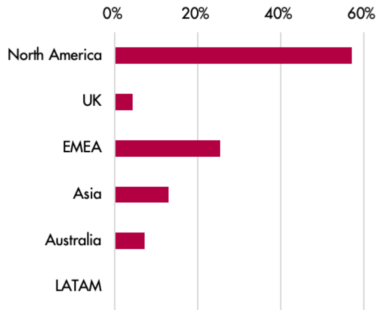
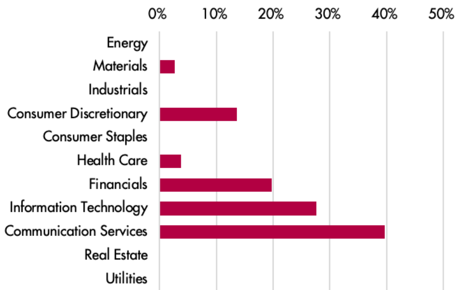
LONG PORTFOLIO* (30 September 2020)

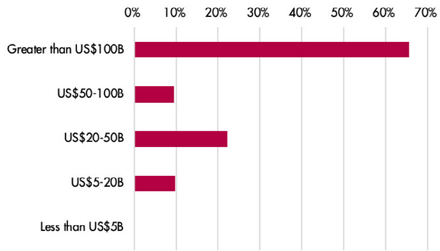
GEOGRAPHIC EXPOSURE (Country of domicile)



INDUSTRY EXPOSURE (GICS sector)

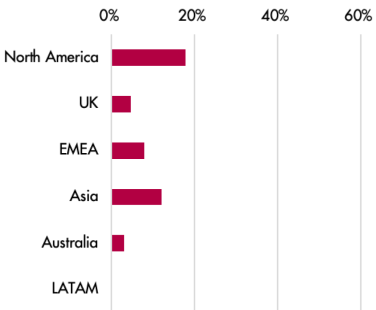


MARKET CAP EXPOSURE

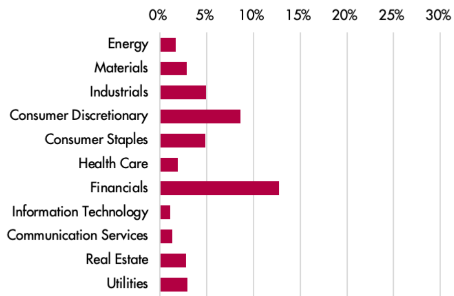


SHORT PORTFOLIO* (as at 30 September 2020)

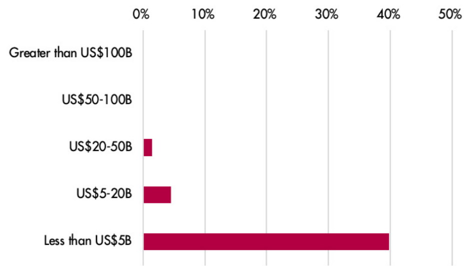
GEOGRAPHIC EXPOSURE (Country of domicile)



INDUSTRY EXPOSURE (GICS sector)



MARKET CAP EXPOSURE



Note: exposures shown as % of NAV
*Includes ETFs; ETF exposure shown on look-through basis except for Market Cap Exposure

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DISCLAIMER

#Fund performance is calculated after fees and costs, including the investment management fee and performance fee. 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 Montaka Global Access Fund (ARSN 607 245 643). The responsible entity of The Fund is Fundhost Limited (ABN 69 092 517 087) (AFSL No: 233 045) (Fundhost). This document has been prepared for the purpose of providing general information, without taking account your particular objectives, nancial circumstances or needs. You should obtain and consider a copy of the Product Disclosure Statement (PDS) relating to The Fund before making a decision to invest. While the information in this document has been prepared with all reasonable care, neither Fundhost nor Montgomery makes any representation or warranty as to the accuracy or completeness of any statement in this document including any forecasts. Neither Fundhost nor Montgomery guarantees the performance of The Fund or the repayment of any investor's capital. To the extent permitted by law, neither Fundhost nor Montgomery, including their employees, consultants, advisers, of cers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this document. Past performance is not indicative of future performance.