

# MONTGOMERY ALPHA PLUS FUND

Tuesday 21 April 2020

Dear Investor,

## RE: DECISION TO CLOSE THE MONTGOMERY ALPHA PLUS FUND

It is with considerable disappointment that we write to advise you of a decision taken today to wind up the Montgomery Alpha Plus Fund (the Fund) and return capital to investors.

As you will be aware, the performance recently has been disappointing and, while we believe that the Fund remains capable of much better performance long-term, this is no longer enough to justify its continued operation. The specific reasons for the decision include:

- Firstly, the Fund suffered its worst ever draw down in March. While the decline in the Fund was much smaller than the declines seen in equity markets generally, a central goal for the Fund was to protect investors from market turbulence, and on this front it fell short at a crucial time. Coming on the back of an extended run of weak performance for the Fund, this has tested investor patience too far. We have received clear feedback that many of the Fund's investors would now prefer to deploy the capital elsewhere, and we are sympathetic to this.
- Secondly, given the sharp selloff seen in equity markets recently, this is a time of greatly increased opportunity for investors. We fully understand the desire to deploy capital into equities that are now trading at a fraction of their prior levels, and would prefer to facilitate this for those so inclined.

Before we address some administrative aspects of the wind down, some final observations on performance: While returns have clearly been disappointing, investors may find some comfort in the knowledge that comparable funds generally have reported a similar experience.

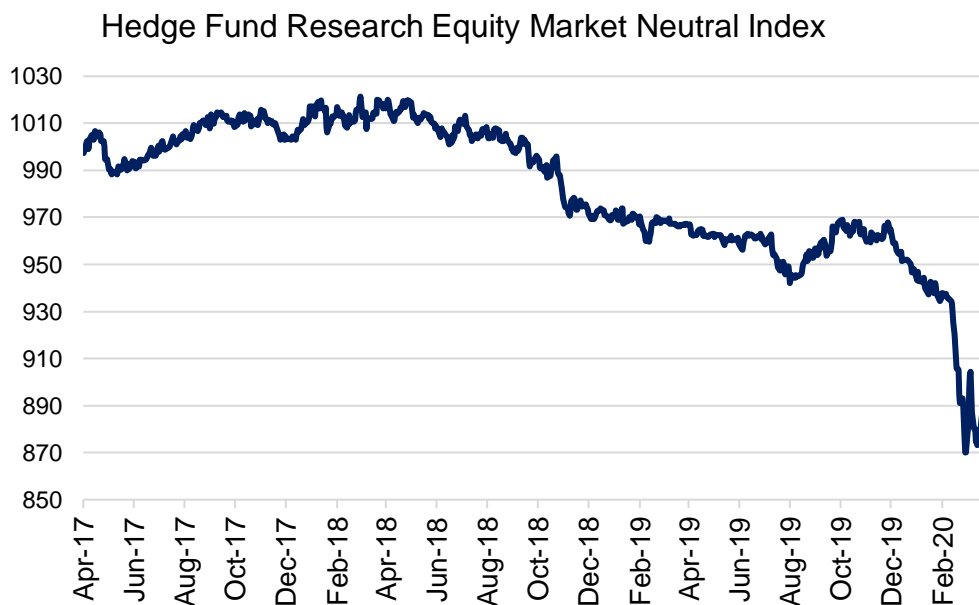
We have previously referred to the Hedge Fund Research Equity Market Neutral Index which tracks a basket of market neutral funds that employ quantitative strategies.

### MONTGOMERY QUANTITATIVE MANAGEMENT PTY LIMITED

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The performance of that index is shown in the chart below and, as you can see, after a difficult 2018 and 2019, the Index has recently plummeted, reflecting widespread and painful drawdowns for funds included in the index.



*Source: Bloomberg*

It is difficult to fully explain this calamity in quantitative investment, but we see that one significant driver has been the poor performance of “value” as an investment theme. Historically, cheaper stocks have delivered a better average returns over time than growth stocks, but in recent years the opposite has been true, and in recent months the performance gap has widened at an extraordinary rate and to extraordinary levels, taking with it the performance of funds that have a bias towards value.

While we continue to believe that value, along with other investment factors employed by the Fund, will mean revert at some point, we cannot predict when that might happen.

## **Wind Up Process**

The Fund will now move to liquidate its investment positions and, following final accounting and tax reports, distribute capital to investors. To ensure that all investors are treated equally, and to allow the liquidation to proceed in an orderly way, redemption requests will not be processed while this process is underway. As such, you do not need to take any action to effect the withdrawal of your investment.

The liquidation will be undertaken as quickly as practical, but it is difficult to be precise as to the final timing for a return of capital to investors.

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While the vast majority of the Fund's investment portfolio can be liquidated quickly, we anticipate that in some limited cases liquidation may take longer, for example where securities may be in trading halt or suspension. We will provide a further update on this shortly.

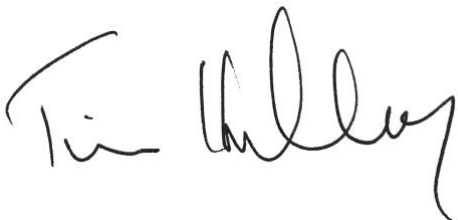
We also note that the manager has determined that various expenses associated with the wind up, including tax and audit reports, will be paid for by the manager rather than the Fund's investors.

Finally, we would like to thank investors for their patience and support over a difficult period, and express our sincere regret that we have not been able to deliver a better investment experience.

My colleagues and I, who have been significant investors in the Fund alongside you, feel this disappointment on many levels.

To the extent that you may wish to redeploy capital released from the Montgomery Alpha Plus Fund into other Montgomery equity funds, please be aware that Dean Curnow ([dcurnow@montinvest.com](mailto:dcurnow@montinvest.com)) or Toby Roberts ([troberts@montinvest.com](mailto:troberts@montinvest.com)) would be pleased to streamline this process for you, including filling in the relevant application forms.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Kelley". The signature is fluid and cursive, with the first name "Tim" written in a larger, more prominent script than the last name "Kelley".

Tim Kelley