



MONTGOMERY ALPHA PLUS FUND

INVESTMENT REPORT & FACT SHEET

FUND OVERVIEW

The Montgomery Alpha Plus Fund offers investors a global equity market neutral strategy that harnesses the benefits of a distinctive investment process while seeking to produce risk-adjusted returns that are uncorrelated with equity markets.

The Fund invests in securities listed on Australian and international stock exchanges. Typically The Fund will hold 80-180 long positions and 80-180 short positions.

FUND FACTS

INVESTMENT MANAGER

Montgomery Quantitative Management Pty Limited

OBJECTIVE

The Montgomery Alpha Plus Fund seeks to generate higher risk-adjusted returns than are available in the market place over the medium term

BENCHMARK

RBA Cash Rate

APIR

FHT0041AU

RECOMMENDED INVESTMENT TIMEFRAME

5 years

MINIMUM INITIAL INVESTMENT

\$50,000

FUND SIZE

\$14.6M

INCEPTION DATE

1 AUGUST 2016

MANAGEMENT FEE

Up to 1.58% per annum, (inclusive of GST/RITC.)

PERFORMANCE FEES

17.5% of the amount by which The Fund outperforms its Benchmark. No performance fee is payable until any previous periods of underperformance have been made up.

APPLICATION & REDEMPTION PRICES*

montinvest.com/map

UNIT PRICE - BUY

0.8038

UNIT PRICE - MID

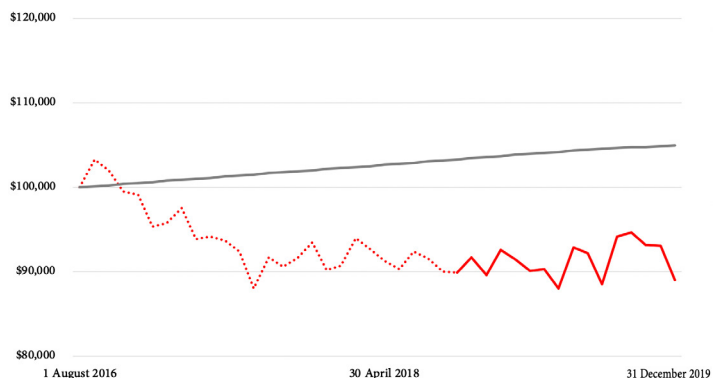
0.8018

UNIT PRICE - SELL

0.7998

The Fund is forward priced; you will receive the price struck subsequent to the receipt of your application / redemption request.

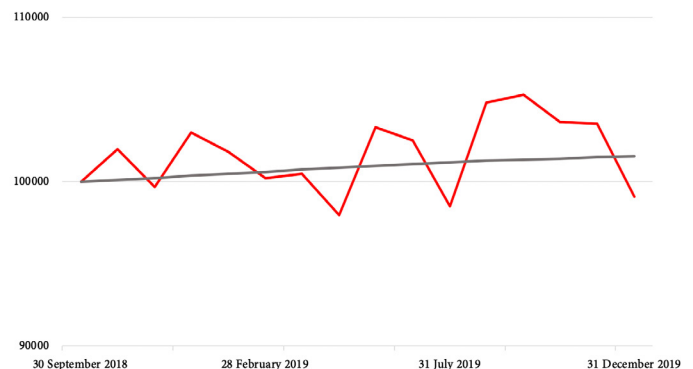
PERFORMANCE GRAPH SINCE INCEPTION



..... Montgomery Alpha Plus Fund

— RBA Cash Rate

PERFORMANCE GRAPH REVISED STRATEGY



— Montgomery Alpha Plus Fund Revised Strategy

PORTFOLIO PERFORMANCE

(to 31 December 2019, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY ALPHA PLUS FUND	RBA CASH RATE	OUT/UNDER PERFORMANCE
1 month	0.00%	-4.27%	-4.27%	0.06%	-4.33%
3 months	0.00%	-5.87%	-5.87%	0.19%	-6.06%
6 months	0.00%	-3.35%	-3.35%	0.44%	-3.79%
12 months	3.15%	-6.95%	-3.80%	1.17%	-4.97%
3 years (p.a)	3.12%	-5.37%	-2.25%	1.40%	-3.65%
Since Inception	9.19%	-20.13%	-10.94%	4.91%	-15.85%
Compound annual return (since inception)*	2.61%	-5.95%	-3.34%	1.41%	-4.75%

*Inception: 1 August 2016 ** Refers to global version of the fund launched 01/10/2018

PLATFORMS WE ARE ON: None at present



FUND COMMENTARY

Calendar 2019 finished on a weak note for the Montgomery Alpha Plus Fund (The Fund) with a negative December quarter erasing the modest gains achieved in the first three quarters.

More broadly, 2019 marked a second straight year of weak performance for quantitative managers generally, with the Hedge Fund Research Equity Market Neutral index (an Index that tracks the performance of equity market neutral funds employing quantitative strategies) declining by approximately 2 per cent for the year, having declined by approximately 3 per cent in calendar 2018. We also note that these numbers may well understate the extent

of the pain felt by investors during this period: several of the larger and better-known quantitative equity market neutral funds whose performance we follow have reported results well below these levels, and we have noticed a stream of news articles highlighting the performance weakness and associated investor outflows from quantitative equity funds. Indicative of these was a Bloomberg News Story published in early December with the headline: "Is Something Broken? Factor Quants Left Reeling by 2019 Strife".

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GEOGRAPHIC EXPOSURE (LONG) (%)

Australia	40.88
Canada	34.97
Hong Kong	47.15
Other	0.00
USA	39.61
Western Europe	43.21

GEOGRAPHIC EXPOSURE (SHORT) (%)

Australia	35.09
Canada	31.69
Hong Kong	42.36
Other	0.00
USA	38.43
Western Europe	38.61

MARKET CAP EXPOSURE (LONG) (%)

Less than \$5b	61.41
\$5-20b	86.48
\$20-50b	25.75
\$50-100b	10.79
Greater than \$100b	21.37

MARKET CAP EXPOSURE (SHORT) (%)

Less than \$5b	87.27
\$5-20b	74.96
\$20-50b	19.57
\$50-100b	1.88
Greater than \$100b	2.50

NUMBER OF HOLDINGS

Number of Long Positions	184
Number of Short Positions	149

PORTFOLIO EXPOSURES (%)

Gross Long	205.81
Gross Short	186.19
Net Long	19.62

SECTOR INDUSTRY EXPOSURE

SECTOR NAME	LONG PORTFOLIO (%)	SHORT PORTFOLIO (%)	NET (%)
Communication Services	7.95%	-8.35%	-0.40%
Consumer Discretionary	32.85%	-15.64%	17.21%
Consumer Staples	8.63%	-4.07%	4.57%
Energy	15.86%	-19.67%	-3.81%
Financials	40.25%	-17.12%	23.13%
Health Care	16.87%	-32.48%	-15.61%
Industrials	26.30%	-25.76%	0.54%
Information Technology	17.97%	-25.00%	-7.03%
Materials	28.65%	-27.71%	0.94%
Real Estate	9.50%	-10.38%	-0.89%
Utilities	0.90%	0.00%	0.90%

CONTACT DETAILS

INVESTORS

Dean Curnow
 † 02 8046 5019
 e dcurnow@montinvest.com

ADVISERS, RESEARCHERS AND PLATFORMS

Scott Phillips
 (NSW, ACT & QLD)
 † 02 8046 5005
 e sphillips@montinvest.com

David Denby
 (VIC, TAS, SA & WA)
 † 0455 086 484
 e ddenby@montinvest.com

FUND PERFORMANCE (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2019	-1.14	-1.59	0.25	-2.48	5.43	-0.75	-3.92	6.40	0.44	-1.55	-0.12	-4.27	-3.80
2018	0.56	3.63	-1.41	-1.45	-1.19	2.32	-0.83	-1.67	-0.20	2.01	-2.25	3.31	2.63
2017	0.38	1.87	-3.68	0.31	-0.52	-1.38	-4.72	4.08	-1.14	1.13	2.07	-3.53	-5.38
2016								3.24	-1.25	-2.42	-0.36	-3.82	-4.66

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 Montgomery Quantitative Management Pty Limited, CAR #001267155 of AFSL 354564 ('Montgomery') the investment manager of the Montgomery Alpha Plus Fund ('MAPF'). 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 into account your particular objectives, financial circumstances or needs. You should obtain and consider a copy of the Product Disclosure Document ('PDS') relating to the Fund before making a decision to invest. Available here: <http://fundhost.com.au/investor/map>. While the information in this document has been prepared with all reasonable care, neither Fundhost nor Montgomery Quantitative makes any representation or warranty as to the accuracy or completeness of any statement in this document including any forecasts. Neither Fundhost nor Montgomery Quantitative guarantees the performance of the Fund or the repayment of any investor's capital. To the extent permitted by law, neither Fundhost nor Montgomery Quantitative, including their employees, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this report. Past performance is not indicative of future performance.



This extended run of weakness certainly requires some explanation, and while quantitative investment methods can seem something of a 'black box' when viewed from the outside, the recent poor investment experience can be understood in reasonably straightforward terms. Ultimately, all quantitative investors are seeking to exploit statistical relationships that have been proven robust over long stretches of time, and included in these relationships are a core group of well-documented phenomena including value (cheaper stocks tend to do better, on average), quality (companies with strong profitability and cashflow (for example) tend to do better, on average) and momentum (stocks with improving earnings and strong past stock returns tend to do better, on average). While quantitative managers seek to identify unique sources of investment insight and find improved ways to capture the underlying phenomena, the strength of these well-known factor groups typically sees them account for a significant portion of stock selection for most quantitative investors.

These factors are well-known because they can be demonstrated to work well - on average - over long periods of time. However, they all experience periods of underperformance as well as periods of strong performance. One of the appealing features of quantitative investing is that different factor groups typically offer some diversification benefits – when one factor is delivering weak performance, there is a fair chance that other factors are delivering better performance, resulting in a more consistent investment experience over time.

However, there is no guarantee that the periods of weak performance for different factors will not coincide from time to time. On the contrary, it is almost inevitable that periodically this will happen. If several factor groups do deliver poor results at the same time, and this is not offset by strong performance from other factors, the likely result is widespread weak performance from quantitative investment strategies generally, leading to investor outflows which can extend the period of underperformance through forced selling. This appears to be exactly what we have seen recently.

While the underlying dynamics can be understood in these terms, it is fair to say that very few investors can feel genuinely sanguine about an extended run of poor performance like this. Evolution has equipped us to favour a fight or flight response to pain, and in an investment context, a natural expression of this is outflows, as investors seek to disengage from the thing that is causing them pain. However, where the underlying logic of the investment strategy remains sound – as we believe it does – our natural instincts tend to do more harm than good. As many others have pointed out previously, investment markets typically reward the patient at the expense of the impatient.

While we can not forecast with any confidence when the recent run of weak performance will end, a large body of evidence gives us confidence that the underlying philosophy and methods of The Fund remain sound, and that ultimately, investor patience will be rewarded as the cycle of factor performances moves closer to long-term averages. In the meantime, we continue to work at improving our methods to ensure that the potential upside is captured to the greatest extent possible.

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