

Montgomery Global Fund

INVESTMENT REPORT & FACT SHEET

FUND OVERVIEW

The Montgomery Global 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.

FUND FACTS

INVESTMENT MANAGER

MGIM Pty Ltd

OBJECTIVE

The Montgomery Global Fund aims to outperform the index over a rolling 5-year period.

BENCHMARK

MSCI World Net Total Return Index, in Australian dollars.

FUND CONSTRUCTION

The Fund will typically invest in a portfolio of 15-30 high-conviction stocks listed on the major global stock exchanges. Cash typically ranges from 0%-30%, but can be exceeded in certain situations.

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RECOMMENDED INVESTMENT TIMEFRAME

5 years

MINIMUM INITIAL INVESTMENT

\$25,000

INCEPTION DATE

1 JULY 2015

FUND SIZE

\$185.6M

MANAGEMENT FEE

1.28% per annum, inclusive of GST/ITC.

PERFORMANCE FEES

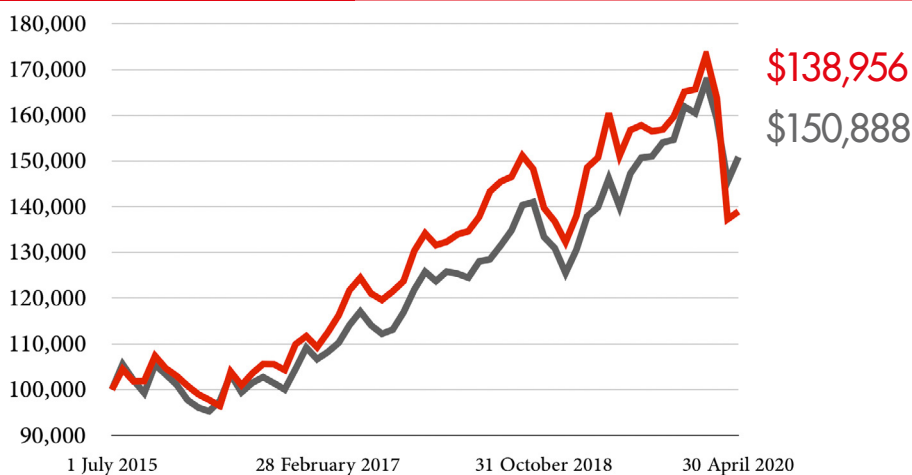
15.38% of the total return of The Fund that is in excess of its Benchmark. No performance fee is payable until any previous periods of underperformance has been made up.

APPLICATION & REDEMPTION PRICES

montinvest.com/mgf

PERFORMANCE GRAPH

■ Montgomery Global Fund ■ MSCI World Net Total Return Index



CONTACT DETAILS

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PORTFOLIO PERFORMANCE

(to 30 April 2020, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY GLOBAL FUND	MSCI WORLD NET TOTAL RETURN INDEX ¹	OUT/UNDER PERFORMANCE
1 month	0.00%	1.22%	1.22%	3.70%	-2.48%
3 months	0.00%	-19.78%	-19.78%	-9.91%	-9.87%
6 months	0.00%	-12.96%	-12.96%	-2.44%	-10.52%
12 months	11.43%	-24.83%	-13.40%	3.20%	-16.60%
3 years (p.a)	8.83%	-4.33%	4.50%	9.75%	-5.25%
Since inception ²	35.18%	3.78%	38.96%	50.89%	-11.93%
Compound annual return (since inception) ²	6.44%	0.61%	7.05%	8.89%	-1.84%

1) In Australian dollars 2) Inception: 1 July 2015

FUND COMMENTARY

This monthly report is slightly longer than usual to provide a further update with regards to our approach to navigating this COVID-19 crisis.

First on the performance update. The Montgomery Global Fund (the Fund) increased by 1.22 per cent net of fees, in the month of April. This return included the dampening effect of intentionally holding 33 per cent of the portfolio in cash, which we return to below. By comparison, the MSCI World Total Return Index in Australian dollar terms (the Benchmark) increased by 3.70 per cent. Since inception, the Fund has increased by 38.96 per cent with an average cash holding of 18 per cent. Over the same period, the Benchmark has increased by 50.89 per cent.

The Fund remains very defensively positioned, with a cash holding that represents a third of the portfolio. Such a large cash holding means that, in the short-run, the Fund will likely underperform in a rising market; and outperform in a falling market. But we are not here to bet your capital on

chasing short-run relative returns. Rather, we are here to compound your capital over the very long-term. This requires us to prioritise the protection of capital when risks to the economy and businesses are high, and stock prices rise quickly, like we are seeing today. It will also allow flexibility to deploy capital in future, when prices are attractive, and risks have subsided. We have come to learn that most of our clients appreciate this portfolio approach to building wealth.

Many investors were shocked to learn recently that Warren Buffett did not buy shares in the equity market selloff earlier in the year – and instead he was liquidating certain positions and sitting on more than \$100 billion of government bonds. He totally “missed the bounce” for want of a better expression. How could the world’s greatest investor seemingly have made such a mistake?

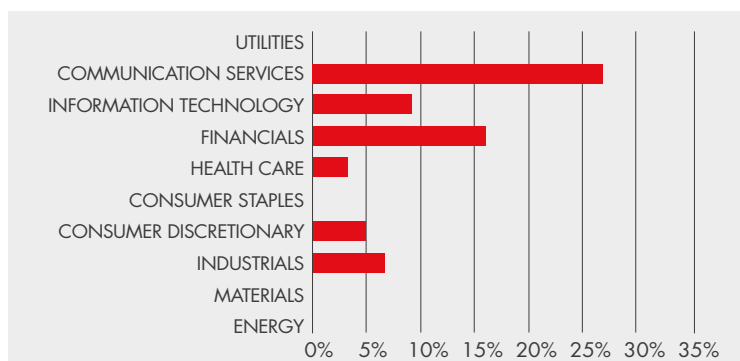
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TOP COMPLETED HOLDINGS* (TCH) (at 30 April 2020, out of 19 holdings)

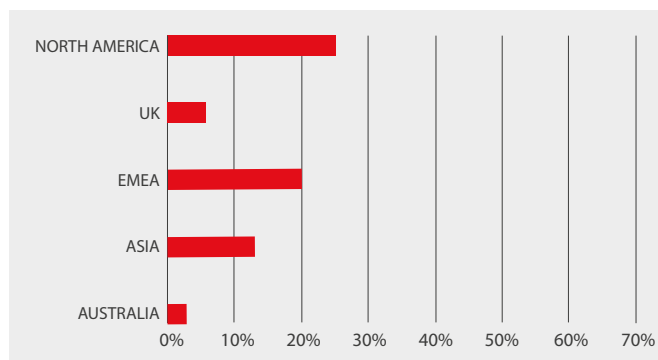
COMPANY NAME	COUNTRY OF DOMICILE	MARKET CAP (\$USDM)	WEIGHT (%)
Spotify	SE	28,158	7.3
Vivendi	FR	25,582	7.0
Ping An	CN	189,822	5.7
Facebook	US	583,240	4.6
Apple	US	1,285,516	4.5
Rheinmetall	DE	2,949	4.5
Microsoft	US	1,359,028	4.3
St James's Place	GB	5,751	4.2
Alibaba	CN	543,707	3.9
Berkshire Hathaway	US	455,940	3.8
		70,555	3.8
Total equity weighting			67.0
Total cash weighting			33.0

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

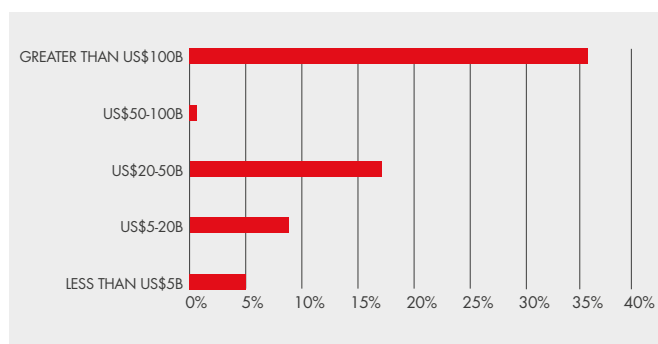
GICS SECTOR INDUSTRY EXPOSURE



GEOGRAPHIC - COUNTRY OF DOMICILE



MARKET CAPITALISATION EXPOSURE



PLATFORMS WE ARE ON: Netwealth IDPS ⇌ Netwealth Super ⇌ BT Panorama ⇌ BT Wrap ⇌ Powerwrap ⇌ Macquarie Wrap ⇌ HUB24 ⇌ Asgard
Colonial FirstWrap ⇌ Ausmaq ⇌ uXchange

#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 Fund (ARSN: 604 883 418). 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, financial 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. Available here: <https://fundhost.com.au/fund/montgomery-global-fund/>. 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, officers 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.

One conclusion might be that he simply got it wrong. Some have even suggested that he is past his prime or has lost his nerve. But perhaps Buffett is protecting against the risk of a downside scenario, which may or may not eventuate, but which remains possible, and with potentially severe impact.

The impact of COVID-19 has been extraordinary, yet we are still far from knowing when the “other side” of this pandemic will be, and the full extent of the economic costs. Equity markets are pricing in a return to normal within weeks or months; but the world’s leading epidemiologists are suggesting this may not occur until well into 2021, and business leaders are looking out years before economic activity returns to pre-COVID-19 levels. Evan Greenberg, the CEO of Swiss-based insurer, Chubb, said only days ago that this will be “the largest event in insurance history.” Yet, many stocks are trading near their pre-pandemic highs – but with growth prospects that have become materially impaired.

Warren Buffett remains defensively positioned today because he is protecting against a stock market scenario which has not played out. We are too. Today, this downside scenario is called an alternative history. Over the coming weeks and months, it may well become history.