



THE MONTGOMERY FUND

INVESTMENT REPORT & FACT SHEET

FUND FACTS

INVESTMENT MANAGER

Montgomery Investment Management Pty Ltd

SUB-INVESTMENT MANAGER

Australian Eagle Asset Management Pty Ltd and their 18 year track record has been appointed as the sub-investment manager from 12 September 2022.

OBJECTIVE

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

STYLE

Active, bottom-up, fundamental, quality

BENCHMARK

The S&P/ASX 300 Accumulation Index

FUND CONSTRUCTION

The Fund's All Cap portfolio will typically comprise 25-35 high-conviction stocks listed on the ASX.

APIR

FHT0030AU

RECOMMENDED INVESTMENT TIMEFRAME

5 years

MINIMUM INITIAL INVESTMENT

\$25,000

PORTFOLIO MANAGERS

Sean Sequeira
Alan Kwan

INCEPTION DATE

17 AUGUST 2012

FUND SIZE

\$358.4M

MANAGEMENT FEES AND COSTS

1.36% per annum¹

PERFORMANCE FEES

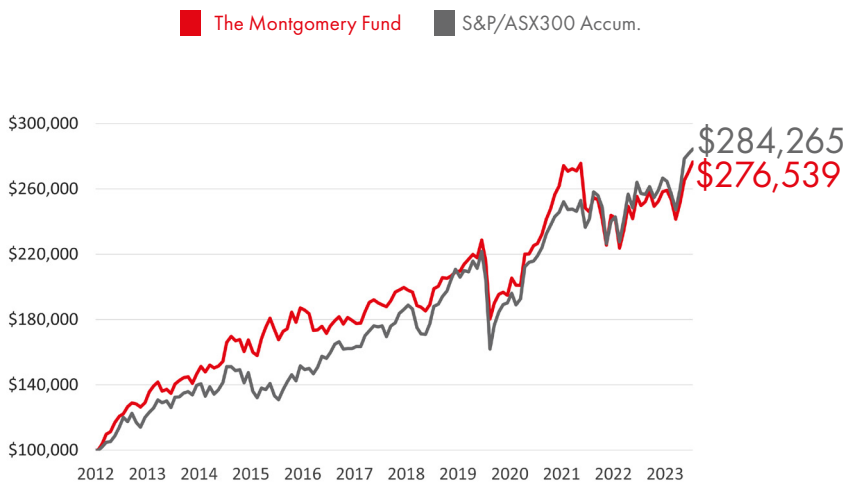
15.38% of the total return of The Fund that is in excess of the Index.¹

¹ See page 5 of the PDS for more information

APPLICATION & REDEMPTION PRICES

montinvest.com/tmf

PERFORMANCE GRAPH



DISTRIBUTIONS

HALF-YEAR TO	CENTS PER UNIT	DISTRIBUTION RETURN (%)
December 2023	2.1568	1.51
June 2023	4.4834	3.25
December 2022	1.5263	1.07
June 2022	14.4221	8.20
December 2021	1.0019	0.59
June 2021	5.0329	3.46
December 2020	0.4601	0.35
June 2020	0.0857	0.06
December 2019	1.5974	1.11
June 2019	6.2488	4.75

PORTFOLIO PERFORMANCE

(to 29 February 2024, after all fees)

	1 month	3 months	6 months	12 months	3 years (p.a.)	7 years (p.a.)	10 years (p.a.)	Since inception ²	Compound annual return (since inception) ²
THE MONTGOMERY FUND	2.24%	9.95%	6.73%	10.76%	6.88%	6.67%	7.01%	176.54%	9.22%
S&P/ASX 300 ACCUM. INDEX	0.98%	9.46%	7.44%	10.53%	9.09%	8.60%	7.94%	184.26%	9.48%
OUT/UNDER PERFORMANCE	1.26%	0.49%	-0.71%	0.23%	-2.21%	-1.93%	-0.93%	-7.72%	-0.26%
AUSTRALIAN EAGLE COMPOSITE³	2.24%	9.95%	6.73%	10.76%	10.29%	12.24%	11.47%	532.66%	10.16%
S&P/ASX 300 ACCUM. INDEX	0.98%	9.46%	7.44%	10.53%	9.09%	8.60%	7.94%	308.87%	7.67%
OUT/UNDER PERFORMANCE	1.26%	0.49%	-0.71%	0.23%	1.20%	3.64%	3.53%	223.79%	2.49%

² 17 August 2012

³ The inception date of the Australian Eagle Composite is 07 February 2005. The performance represents the Australian Eagle SMA performance adjusted to include The Montgomery Fund's fees. 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. The returns in the composite include the Australian Eagle returns from 7 February 2005 to 30 September 2022, and from this point onwards include the returns in The Montgomery Fund (the first full month Australian Eagle commenced as the investment manager for this product).

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. Past performance is not indicative of future performance.



TOP COMPLETED HOLDINGS* (TCH)

(at 29 February 2024)

COMPANY NAME	ASX CODE	SECTOR	WEIGHT (%)
Commonwealth Bank of Australia	CBA	Financials	7.22
Macquarie Group	MQG	Financials	6.10
Cochlear Ltd	COH	Health Care	6.04
Rio Tinto Ltd	RIO	Materials	5.97
QBE Insurance Group	QBE	Financials	5.24
CSL Ltd	CSL	Health Care	4.97
Transurban Group	TCL	Industrials	4.95
Alium Ltd	ALU	Information Technology	4.93
BHP Group Ltd	BHP	Materials	4.46
ResMed Inc	RMD	Health Care	4.17
Total equity weighting			95.75
Total cash weighting			4.25

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

TOP 3 CONTRIBUTORS AND DETRACTORS

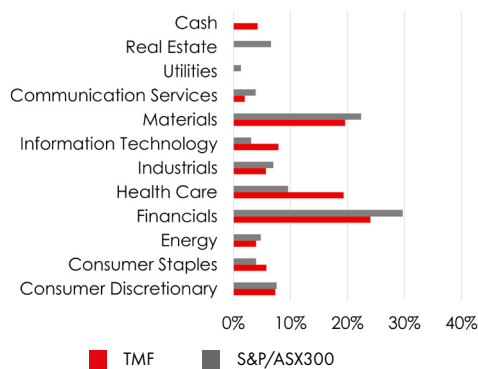
CONTRIBUTORS

Alium	The share price rose after the board accepted a compelling takeover proposal.
Cochlear	The share price rose after management upgraded earnings guidance.
Wesfarmers	The share price rose after a strong performance from Kmart Group.

DETRACTORS

Corporate Travel Management	The share price fell after revealing thin margins on its large UK government contract.
Rio Tino	The share price followed the iron ore price lower.
ResMed Inc	The share price corrected following a period of outperformance.

INDUSTRY EXPOSURE



MARKET CAPITALISATION

	TMF (%)	S&P/ASX300 (%)	ACTIVE (%)	# STOCKS
ASX 1 -20	48.9	60.4	-11.5	12
ASX 21 -50	29.9	17.1	12.8	8
ASX 51 -100	9.0	11.8	-2.8	4
ASX 101 -200	7.3	8.4	-1.1	5
ASX 201 -300	0.6	2.4	-1.8	1
Ex S&P/ ASX 300	0.0		0.0	0
Cash	4.4			
Total	100.0			30

CONTACT DETAILS

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PLATFORMS WE ARE ON: Asgard ⇄ BT Panorama ⇄ Colonial First Wrap ⇄ Clearview Wealthsolutions ⇄ Investment Exchange (IX) ⇄ Clearstream ⇄ DASH ⇄ HUB24 ⇄ Xplore Wealth ⇄ Macquarie Wrap ⇄ Mason Stevens ⇄ MLC/Navigator ⇄ Netwealth ⇄ North ⇄ OneVue ⇄ Praemium ⇄ Powerwrap



The Montgomery Fund (The Fund) continued its recent robust performance. The Fund returned 2.24 per cent in February handily beating, by 1.26 per cent, the benchmark and broader market as measured by the S&P/ASX300 Accumulation Index, which returned 0.98 per cent.

The month was dominated by reporting season and investors turned their attention to company results, trading updates and outlook statements. Absent was the volatility, driven by hitherto speculation about future Federal Reserve actions and U.S. bond yields.

Reporting season revealed several surprises reflected in large share price moves. While inflation continued to moderate, cost growth and labour scarcity posed an issue for some businesses although these were deemed more manageable compared with previous periods.

Mining companies reported broadly lower profits, driven by falling commodity prices, and extended their price downturns. This will likely define their trajectory in the short term, although we remain aware of nickel industry forecasts, for example, for a deficit amid slowing growth in Indonesia and delays to mining permit approvals.

Elsewhere, the technology sector's outperformance was more than partly driven by a takeover bid for Altium, and improving profitability at Wisetech and Block Inc. Notably, the share price re-ratings were despite the backdrop of higher interest rates. We note bull markets are built on good news and the dismissal of negative developments or circumstances.

Discretionary retailers proved more resilient than expected with smaller companies including Temple & Webster, Nick Scali and Cettire producing growth or margins well in excess of expectations. Rising cost of living concerns remain however a sleeve of companies are navigating the crisis with aplomb.

Portfolio changes

ARB Corporation Ltd (ASX:ARB)

ARB announced strong original equipment (OEM) division sales driven by increased volumes from existing contracts and solid Australia aftermarket growth. Disputes at Australian ports did not deter positive sales momentum nor prevent the company from improved margins. We initiated what expect to be a very long-term position in ARB. Measured U.S. expansion plans have the potential to deliver significant future earnings growth as well as a rerating when analysts switch from treating the company as a domestic and cyclically exposed retailer to an international growth company.

Pilbara Minerals Ltd (ASX:PLS)

Despite already being a low-cost producer, the company is on track to drive costs even lower with P680 and P1000 production expansion projects both running as planned and on budget. With commodity prices currently at cyclical lows, Pilbara Minerals is on track to significantly increase earnings amid any uplift in demand which inevitably drives commodity prices higher. With mid-stream and downstream projects also progressing well, we have recognised the strong potential upside at this point in the cycle and have increased our position in Pilbara Minerals.

Treasury Wine Estates Ltd (ASX:TWE)

The company's Penfolds brand has proven to be a world class asset defying broader consumer hesitancy and caution. The brand continues to grow year-on-year. Management's revitalised focus on building a portfolio of luxury brands, and the recent acquisitions are already generating contributions to earnings. We have increased our position. We are optimistic about the outlook for luxury Australian wine brands, especially amid the suspension by China and Australia of their World Trade Organisation wine tariff dispute and the upcoming review of tariffs by China.

CSL Ltd (ASX:CSL)

The company's strong track record in successfully integrating large acquisitions provided confidence that Vifor Pharma would prove to be an astute purchase. Management however recently indicated that Vifor has not met expectations and consequently we have decreased The Fund's exposure to CSL awaiting further details.

Corporate Travel Management (ASX:CTD)

After maintaining profit guidance at the Annual General Meeting (AGM) in November 2023, management have downgraded market expectations for FY24 due to disappointing performance in North America and Australia as well as only minimal contributions from a large and well-publicised U.K. government contract. Our trust in management has diminished resulting in reduced exposure.

Top three

Altium Ltd (ASX:ALU) – Takeover offer received.

Altium entered into a scheme implementation agreement after receiving a cash takeover proposal from Renesas Electronics, a large semiconductor solutions provider. The bid was priced at a 31 per cent premium to Altium's all-time high earlier the same week and was promptly supported by the board of directors, sending the share price up 29 per cent.

Cochlear Ltd (ASX:COH)

After pre-announcing an upgrade to FY24 profit, the share price continued to climb to all-time highs as management revealed increased implant unit growth driven by improved referral rates for adults and seniors. This is a market segment which has traditionally been hard to gain traction for Cochlear, but the long-term education program targeted at this segment is finally starting to bear fruit.

Wesfarmers Ltd (ASX:WES)

Despite concerns surrounding cost of living pressures for Australians in the lead up to reporting season, Wesfarmers outperformed all expectations as their low cost and value-for-money offering for Kmart group continued to resonate strongly with consumers.

Continues on next page...



Top three challenges

Corporate Travel Management Ltd (ASX:CTD)

As mentioned, management downgraded their FY24 profit guidance after the U.K. government contract margin proved less lucrative. Management have recommenced an on-market share buyback, supporting the share price while Corporate Travel takes longer to recover than anticipated.

Rio Tinto Ltd (ASX:RIO)

RIO's share price followed the iron ore price lower as China's economy fails to respond meaningfully to fiscal stimulus and looser monetary policy. The company also guided for higher iron ore production costs in FY24.

ResMed Inc (ASX:RMD)

Resmed's February share price decline did not reflect the company successfully dismissing concerns about the recent popularity of weight loss drugs, nor the revelation of strong double-digit revenue growth in its first-half result. We can therefore only attribute the share price falls to profit taking after they outperformed in January.

Amid the conclusion of February's reporting season, the investment team will continue to sift and measure the information provided, taking particular note of promises being made by management. Management's trustworthiness is one of the key pillars of our investment philosophy and we will constantly monitor and assess this to ensure The Fund is invested with only proven and excellent stewards of shareholder capital.

We will also be constantly monitoring our investment universe for any opportunities of mispriced change to complement our current portfolio of improving quality stocks with limited downside and significant upside potential.

