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 17 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
$391.1M

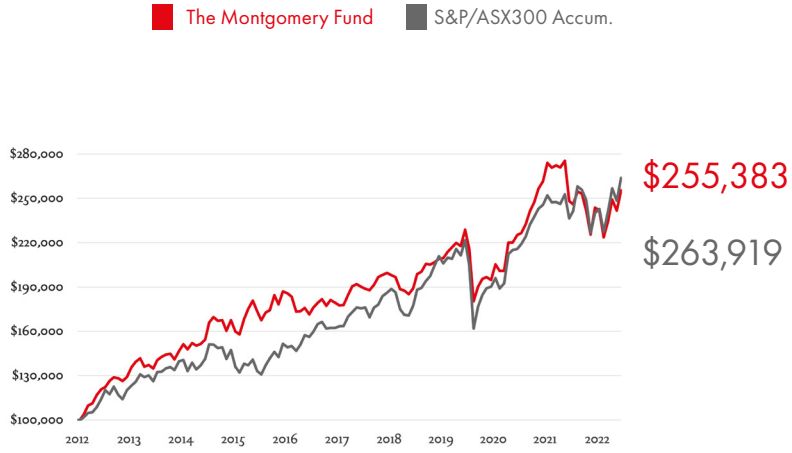
MANAGEMENT FEES AND COSTS
1.36% per annum[1]

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 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
December 2018	2.3155	1.52
June 2018	11.2554	7.55

PORTFOLIO PERFORMANCE

(to 31 January 2023, after all fees)

	1 month	3 months	6 months	12 months	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)	Since inception[2]	Compound annual return (since inception)[2]
THE MONTGOMERY FUND	5.62%	8.86%	4.80%	2.91%	3.75%	6.08%	5.67%	7.79%	155.38%	9.38%
S&P/ASX 300 ACCUM. INDEX	6.29%	9.46%	9.97%	11.61%	5.98%	8.50%	10.27%	8.75%	163.92%	9.73%
OUT/UNDER PERFORMANCE	-0.67%	-0.60%	-5.17%	-8.70%	-2.23%	-2.42%	-4.60%	-0.96%	-8.54%	-0.35%

Fund performance prior to 12 September 2022 is not attributable to the current sub-investment manager, but the previous investment manager. Presented below is the longer-term record of the current sub-investment manager's strategy since its inception.

AUSTRALIAN EAGLE COMPOSITE[3]	5.62%	8.86%	10.40%	14.39%	9.78%	11.71%	15.12%	11.98%	484.26%	10.32%
S&P/ASX 300 ACCUM. INDEX	6.29%	9.46%	9.97%	11.61%	5.98%	8.50%	10.27%	8.75%	279.60%	7.70%
OUT/UNDER PERFORMANCE	-0.67%	-0.60%	0.43%	2.78%	3.80%	3.21%	4.85%	3.23%	204.65%	2.62%

[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.

TOP COMPLETED HOLDINGS* (TCH)

(at 31 January 2023)

COMPANY NAME	ASX CODE	SECTOR	WEIGHT (%)
Commonwealth Bank of Australia	CBA	Financials	7.57
Rio Tinto Ltd	RIO	Materials	6.14
AMP Ltd	AMP	Financials	6.00
QBE Insurance Group Ltd	QBE	Financials	5.59
Macquarie Group Ltd	MQG	Financials	5.49
Woodside Energy Group Ltd	WDS	Energy	5.48
CSL Ltd	CSL	Health Care	5.41
Cochlear Ltd	COH	Health Care	5.19
Transurban Group	TCL	Industrials	4.92
Telstra Group Ltd	TLS	Communication Services	3.96
Total equity weighting			97.68
Total cash weighting			2.32

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

TOP 3 CONTRIBUTORS AND DETRACTORS

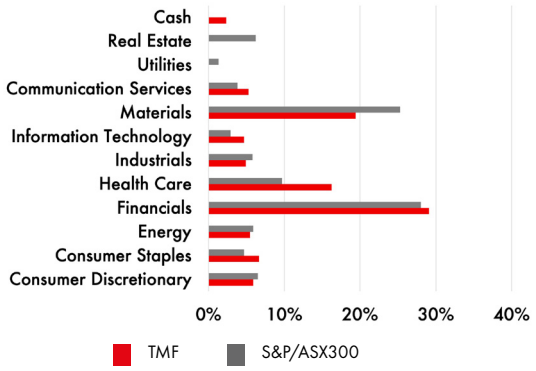
CONTRIBUTORS

Corporate Travel Management	The share price rose after the market digested the reopening of Chinese borders and increased domestic and international corporate travel.
Rio Tinto	The share price rose with the iron ore price.
Pro Medicus	The share price rose after announcing the successful signing of two new large U.S. medical institutions.

DETRACTORS

Incitec Pivot	The share price fell with the ammonia and fertiliser price.
Elders	The share price fell to reflect the disappointment in the retirement of its long serving CEO.
Nitro Software	The share price remained around the takeover bid price of $2.15 as the takeover scheme meeting date came closer.

INDUSTRY EXPOSURE



MARKET CAPITALISATION

	TMF (%)	S&P/ ASX300 (%)	ACTIVE (%)	# STOCKS
S&P/ASX 1-20	54.4%	60.6%	-6.2%	13
S&P/ASX 21-50	18.5%	16.5%	2.0%	5
S&P/ASX 51-100	15.1%	12.1%	3.0%	4
S&P/ASX 101-200	8.3%	8.2%	0.1%	5
S&P/ASX 201-300	0.0%	2.6%	-2.6%	0
Ex S&P/ASX 300	1.4%		1.4%	2
Cash	2.3%			
Total	100.0%			

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The Australian market continued to experience volatility in January, rebounding strongly after a negative month in December 2022. The Montgomery Fund (The Fund) returned 5.62 per cent after all fees and expenses for January 2023, marginally underperforming the S&P/ASX 300 Accumulation Index by 0.67 per cent, largely due to its underweight position in BHP, which rose just shy of nine per cent.

BHP's weighting in the index is near 11 per cent, equivalent to The Montgomery Fund's combined allocation to BHP (ASX:BHP), Rio Tinto (ASX:RIO) and Fortescue Metals (ASX:FMG).

The Australian market was dragged higher in January by roaring global markets, encouraged by weaker-than-expected U.S. inflation. This led investors to pre-empt a pivot in the trajectory of future interest rate moves by the U.S. Federal Reserve.

Reflecting ongoing recession concerns, and lower future interest rates, short-term bond yields remained relatively stable while longer-term yields such as on the 5-year and 10-year Treasury bonds, moved down 38 basis points and 36 basis points, respectively.

Recession clouds grew greyer, as increasing numbers of multinational companies announced widespread job cuts.

The European Central Bank (ECB) President reaffirmed her commitment to returning inflation to the target two per cent in a timely manner, stating Eurozone inflation remains too high, despite falling from 10.1 per cent in November to 9.2 per cent in December 2022.

Australian inflation rose for the fourth consecutive quarter to 7.8 per cent p.a., its highest level since 1990. Despite some retailers such as JB Hi-Fi (ASX:JBH), Super Retail Group (ASX:SUL) and Myer (ASX:MYR) presenting strong trading updates after Christmas, official Australian retail sales data reflected a decline of 3.9 per cent in December. This was the first monthly decline after eleven consecutive increases, with department store sales being the worst hit, and falling 14.3 per cent.

Australia's strong market rebound saw the big banks, miners and technology stocks all performing well.

As mentioned in previous monthly reports, The Montgomery Fund's underweight position in BHP (circa three per cent versus 11 per cent) has contributed to the recent underperformance of The Fund. In light of China's reopening of its domestic and international borders, the iron ore price continued to rise in January.

The Fund remains at the maximum allowable weight for Rio Tinto at six per cent, which helped buffer the underweight position of BHP and was a strong contributor to the monthly return.

A company highlighted in the stock focus section of the December 2022 report, Corporate Travel Management (ASX:CTD), was the top contributor for the month as China's reopening and the increasingly endemic nature of the COVID-19 virus made markets more optimistic about the revival of domestic and international corporate travel.

Pro Medicus (ASX:PME) was also among the top three contributors to the monthly return as the market celebrated the signing of two long-term contracts with U.S. medical organisations worth at least a combined $37 million.

The continued momentum of new contract signings, as well as the renewal of existing contracts on better terms, has been a key reason for the outperformance. With a business that has such a strong disruptive nature, growing market size and low penetration rate, we remain optimistic about its future prospects and have increased its portfolio weight in response.

One of the detractors to January performance was Incitec Pivot (ASX:IPL). Despite reporting a record FY22 profit in late-2022, the share price has fallen recently on the back of small declines in the prices of ammonia and fertiliser. Management have also delayed the Annual General Meeting until 16 February 2023 and the market has been waiting for an update from the company about the demerger of its explosives and fertiliser businesses and the potential sale of its U.S. ammonia plant, Waggaman. Amid the growing uncertainty, we have trimmed The Fund's position and reallocated the capital to portfolio companies with limited downside and what we believe to be clearer potential upside.

The Fund's position in Newcrest Mining (ASX:NCM) has also increased in recent months. We see further upside available when considering its expanding low-cost copper and gold production profile. With an attractively improving quality profile, a rising gold and copper price, alongside planned production volume increases, could pave the way for pleasing returns. You can read more on Newcrest Mining here.

Another position we added to in January is AMP (ASX:AMP). Our investment case has been well publicised. With management's turnaround plan progressing as scheduled, earnings growth potentially resuming and capital management initiatives underway, we believe other investors will reappraise the downside risks and revaluate the upside opportunity. The net tangible assets per share of $1.28 provide downside support while delays to the sale of AMP's Collimate Capital businesses persist.

Transurban Group Ltd (ASX:TCL)

With inflation remaining the central theme for investors, this month's Stock Focus is Transurban Group.

The urban toll road network in Sydney is the most extensive and expensive in the world and Transurban holds concession rights to a significant majority of these lucrative toll roads. The company's portfolio also includes similar vital road infrastructure assets in Melbourne, Brisbane and North America.

Over the past decade, and amid a backdrop of falling rates, the company expanded its roads portfolio impressively.

While the stock price fell with the rest of the market at the beginning of 2020 due to the impact of COVID-19 lockdowns, Transurban has since benefited from the subsequent return to normality.

Operating cashflows and shareholder distributions have also benefited from the rebound in traffic growth and the purchase of Sydney's WestConnnex. As domestic and international inflation reached multi-decade highs, the insertion of clauses in renewed government contracts enforcing quarterly and annual inflation-linked toll rises has provided another welcome tailwind to revenue growth.

Transurban has a considerable interest expense servicing its large debt pile which finances those high-quality infrastructure toll roads. While this is commonly known in markets, the interaction of these factors in the current environment produce an evolving situation of significant interest.

PLATFORMS WE ARE ON: Ausmaq | AMP PortfolioCare | AMP Summit | AMP Wealthview | AMP North | Asgard | BT Panorama | Colonial First Wrap | Clearview Wealthsolutions | HUB24 IDPS | HUB24 Super | Investment Exchange (IX) | Macquarie Wrap | MLC/Navigator S&P | MLC/Navigator IDPS | Netwealth | OneVue | Praemium | Powerwrap | Wealth02/uXchange

This report was prepared by Montgomery Investment Management Pty Ltd, AFSL No: 354564 ('Montgomery') the investment manager of The Montgomery Fund ('TMF'), ARSN 159 364 155. 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. Both the PDS and the Target Market Determination are available here: http://fundhost.com.au/investor/tmf. 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 report. Past performance is not indicative of future performance.

In the past few years, Transurban's management took advantage of low-interest rates and extended its debt maturity profile to lock in lower rates for at least three years. Fixing a large expense at cyclical lows, while experiencing rebounding traffic growth and toll rates, provides an opportunity for shareholders to receive increasing distributions. We anticipate the increase in free cashflow to flow through to increased distributions, especially should inflation remain somewhat sticky at elevated levels.

While any of these points would individually add value to shareholders, the combined effect of these internal and external factors may provide the opportunity for earnings to grow at a faster rate in the short-term should inflation-linked toll increases outpace increases in interest expense.

And despite higher interest rates globally, the recent acquisitions, by global pension funds, of Sydney Airport and telecom mobile towers highlight the continued demand for quality infrastructure assets. The rare combination of growing organic volumes, a partly fixed short-term cost base and accelerating revenue, make Transurban an attractive investment opportunity.