



# 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

\$354.9M

#### MANAGEMENT FEES AND COSTS

1.36% per annum<sup>1</sup>

#### PERFORMANCE FEES

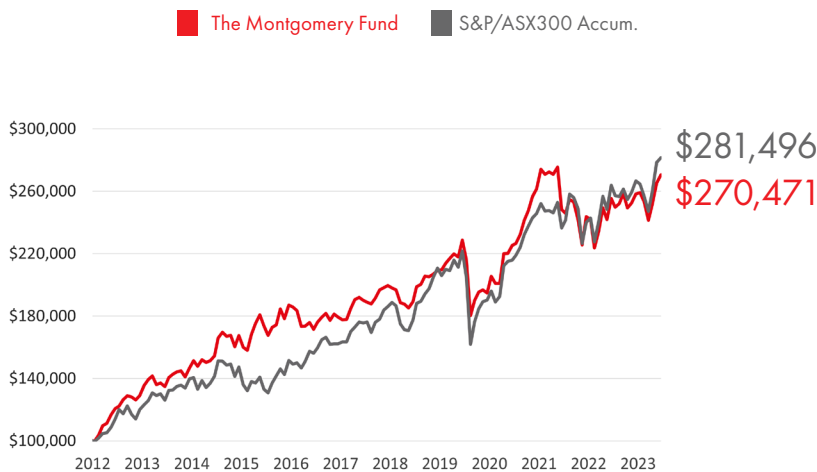
15.38% of the total return of The Fund that is in excess of the Index.<sup>1</sup>

<sup>1</sup> See page 5 of the PDS for more information

#### APPLICATION & REDEMPTION PRICES

[montinvest.com/tmf](http://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 31 January 2024, 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 <sup>2</sup> | Compound annual return (since inception) <sup>2</sup> |
|---|---------|----------|----------|-----------|----------------|----------------|----------------|-----------------|------------------------------|---|
| THE MONTGOMERY FUND                     | 1.97%   | 12.03%   | 4.74%    | 5.91%     | 6.29%          | 7.42%          | 6.73%          | 7.22%           | 170.47%                      | 9.07%   |
| S&P/ASX 300 ACCUM. INDEX                | 1.10%   | 13.89%   | 5.58%    | 6.66%     | 9.27%          | 9.67%          | 8.78%          | 8.36%           | 181.50%                      | 9.46%   |
| OUT/UNDER PERFORMANCE                   | 0.87%   | -1.86%   | -0.84%   | -0.75%    | -2.98%         | -2.25%         | -2.05%         | -1.14%          | -11.03%                      | -0.39%  |
| AUSTRALIAN EAGLE COMPOSITE <sup>3</sup> | 1.97%   | 12.03%   | 4.74%    | 5.91%     | 10.05%         | 12.61%         | 12.46%         | 11.91%          | 518.76%                      | 10.08%  |
| S&P/ASX 300 ACCUM. INDEX                | 1.10%   | 13.89%   | 5.58%    | 6.66%     | 9.27%          | 9.67%          | 8.78%          | 8.36%           | 304.89%                      | 7.65%   |
| OUT/UNDER PERFORMANCE                   | 0.87%   | -1.86%   | -0.84%   | -0.75%    | 0.78%          | 2.94%          | 3.68%          | 3.55%           | 213.87%                      | 2.43%   |

<sup>2</sup> 17 August 2012

<sup>3</sup> 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 31 January 2024)

| COMPANY NAME                   | ASX CODE | SECTOR                 | WEIGHT (%)   |
|--------------------------------|----------|------------------------|--------------|
| Commonwealth Bank of Australia | CBA      | Financials             | 7.53         |
| CSL Ltd                        | CSL      | Health Care            | 6.05         |
| Macquarie Group Ltd            | MQG      | Financials             | 6.03         |
| Rio Tinto Ltd                  | RIO      | Materials              | 5.97         |
| QBE Insurance Group Ltd        | QBE      | Financials             | 5.60         |
| Cochlear Ltd                   | COH      | Health Care            | 5.59         |
| Altium Ltd                     | ALU      | Information Technology | 4.99         |
| Transurban Group               | TCL      | Industrials            | 4.98         |
| Woodside Energy Group Ltd      | WDS      | Energy                 | 4.54         |
| BHP Group Ltd                  | BHP      | Materials              | 4.48         |
| <b>Total equity weighting</b>  |          |                        | <b>95.77</b> |
| <b>Total cash weighting</b>    |          |                        | <b>4.23</b>  |

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

## TOP 3 CONTRIBUTORS AND DETRACTORS

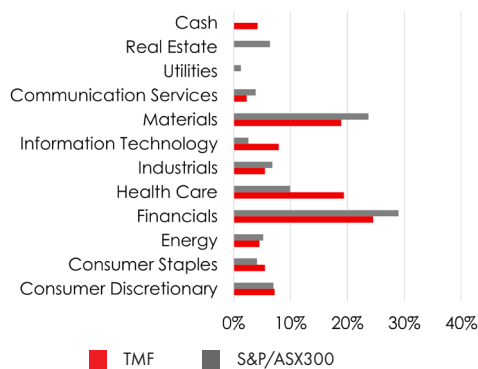
### CONTRIBUTORS

|                     |  |
|---------------------|--|
| ResMed Inc          | The share price rose after a recovery in margins and strong revenue growth in all geographies. |
| QBE Insurance Group | The share price rose after a period of underperformance.                                       |
| Altium              | The share price rose in anticipation of further progress towards its long term objectives.     |

### DETRACTORS

|                  |  |
|------------------|--|
| Evolution Mining | The share price fell as the company revealed further issues at Red Lake mine.    |
| IGO              | The share price fell after the announcement of further nickel asset impairments. |
| Rio Tinto        | The share price followed the iron ore price lower.                               |

### INDUSTRY EXPOSURE



### MARKET CAPITALISATION

|                 | TMF (%)      | S&P/ASX300 (%) | ACTIVE (%) | # STOCKS  |
|-----------------|--------------|----------------|------------|-----------|
| ASX 1 -20       | 51.4         | 61.2           | -9.8       | 12        |
| ASX 21 -50      | 27.9         | 16.6           | 11.2       | 8         |
| ASX 51 -100     | 8.8          | 11.3           | -2.5       | 4         |
| ASX 101 -200    | 7.2          | 8.4            | -1.2       | 4         |
| ASX 201 -300    | 0.5          | 2.5            | -2.0       | 1         |
| Ex S&P/ ASX 300 | 0.0          |                | 0.0        | 0         |
| Cash            | 4.2          |                |            |           |
| <b>Total</b>    | <b>100.0</b> |                |            | <b>29</b> |

## CONTACT DETAILS

### INVESTORS

|  |   |
|--|---|
| <b>Toby Roberts</b><br>t 02 8046 5017<br>e troberts@montinvest.com | <b>David Buckland</b><br>t 02 8046 5004<br>e dbuckland@montinvest.com |
|--|---|

### ADVISERS, RESEARCHERS AND PLATFORMS

|  |   |   |  |
|--|---|---|--|
| <b>Scott Phillips</b><br>States – National<br>m 0417 529 890<br>e sphillips@montinvest.com | <b>David Denby</b><br>States – VIC, SA & TAS<br>m 0455 086 484<br>e ddenby@montinvest.com | <b>Michael Gollagher</b><br>States – QLD<br>m 0409 771 306<br>e mgollagher@montinvest.com | <b>Dean Curnow</b><br>States – NSW, ACT & WA<br>m 0405 033 849<br>e dcurnow@montinvest.com |
|--|---|---|--|

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) commenced the new year with a solid start, delivering a 1.97 per cent return in January, outstripping the benchmark the S&P/ASX 300 Accumulation Index by 0.87 per cent.

Despite a recalibration by investors from an expected seven U.S. rate cuts in 2024 to just three, The Montgomery Fund adeptly navigated the resultant volatility. Our performance in January reflects several aspects of the quality investment process and the portfolio's construction and shape.

Somewhat predictably, the volatility prompted a 'flight to quality'. The healthcare sector consequently outperformed the broader index led by ResMed (see callout below), which announced results exceeding expectations.

The additional volatility introduced by robust U.S. employment and economic data – released in the middle of January – was prompted by the U.S. Federal Reserve Chairman dismissing a March 2024 rate cut. Expectations of fewer rate cuts alongside stronger fourth-quarter global insurance results drove a rebound in QBE shares, supporting portfolio performance.

The mining sector experienced headwinds, with lithium and nickel prices impacting The Fund's small positions in IGO and Pilbara Minerals. Meanwhile, retail sector growth was variable, reflecting the nuanced landscape of consumer behaviour in the face of escalating living costs.

### Portfolio developments

**Star Entertainment Group Ltd (ASX:SGR):** Star Entertainment Group has navigated a challenging period marked by regulatory scrutiny and operational disruptions. Despite the headwinds, including the cessation of international travel and higher government taxation, the company is charting a course towards recovery. Strategic asset sales, such as the profitable divestiture of the Sheraton Hotel, signal a prudent approach to capital management and latent asset value realisation. Furthermore, the proactive measures taken to address an AUSTRAC investigation underscore a commitment to compliance and governance. With a conservative estimate of the potential fine and a recent recalibration of the company's asset values, our investment thesis is supported by substantial unrealised asset gains and a fortified balance sheet. We are closely monitoring the development of the Queen's Wharf project in Brisbane and other strategic initiatives, which may significantly enhance shareholder value. Our initial investment is modest, and we await further affirmation of the company's trajectory in upcoming financial disclosures.

**IDP Education Ltd (ASX:IEL):** IDP Education, renowned for its leadership in student placements and English language testing, is confronting sectoral challenges with resilience. Recent policy shifts in Canada have impacted migration trends, presenting a temporary valuation opportunity for this fundamentally quality enterprise. Our investment rationale is underpinned by IDP Education's diversified revenue streams and market dominance, evident in its pricing power and volume growth. Despite current uncertainties, which have delivered what we believe is a temporary value opportunity, the company's strategic acquisitions and introduction of innovative services position it well to navigate regulatory changes and maintain its growth trajectory. A cautious yet optimistic stake has been established, with an eye towards the company's forthcoming recovery indicators.

**AMP Ltd (ASX:AMP):** The decision to exit our position in AMP followed a period of reflection on the company's trajectory, which diverged from our initial expectations. Despite early signs of a promising turnaround, AMP faced considerable challenges, including margin pressures in its banking division and stagnation in wealth management. The sale of key assets, coupled with external pressures from legal proceedings and media scrutiny, impeded the company's progress. This experience has been instructive, refining our approach to portfolio management and reinforcing the importance of accountability in corporate stewardship.

**Costa Group Holdings Ltd (ASX:CGC):** The sale of our stake in Costa Group post-approval of a takeover bid was a strategic decision to optimize capital allocation. The marginal spread between the trading price and the offer price did not justify prolonged exposure, leading us to reallocate resources towards more compelling investment prospects.

In summary, our portfolio adjustments reflect a disciplined and forward-looking investment philosophy. We remain vigilant in our oversight, judicious in our capital deployment, and steadfast in our pursuit of value creation for our investors.

### Top 3 contributors

**ResMed Inc (ASX:RMD):** ResMed's January update was favourably met by the market, showcasing an uptick in margins from reduced freight and input costs. As expected, and as we wrote to you about previously, concerns about the impact of diabetes/weight loss medications on the demand for sleep apnoea products proved to be exaggerated as the company posted robust double-digit revenue growth across all regions. The strategic acquisitions in out-of-hospital care and the launch of new products annually are a testament to ResMed's steady progress towards its goal of enhancing 250 million lives by 2025.

**QBE Insurance Group Ltd (ASX:QBE):** QBE has made a commendable recovery in January, supported by the climb in short-term U.S. bond yields. The adjustment of market expectations regarding the pace of interest rate declines potentially positions QBE to benefit from prolonged higher earnings. With gross written premiums on the rise and a year of substantial investment earnings, we are optimistic about QBE's performance and await the detailed results to inform our next move for The Fund's already overweight position.

**Altium Ltd (ASX:ALU):** Altium stands out as a significant contributor to this month's performance. The company's commitment to transparency and timely market communication, particularly during challenging periods, has cemented investor confidence. The absence of negative announcements in January has also led the market to anticipate positive news, and we share this positive outlook.

### Challenging 3

**Evolution Mining Ltd (ASX:EVN):** Despite earlier signs of improvement, Evolution Mining's operational challenges at the Red Lake mine have persisted, leading to market disappointment and a consequent reduction in our position. The Northparkes mine acquisition, however, has been a positive development, with copper production increases aligning with our investment strategy. We will continue to monitor the situation for potential capital reallocation opportunities.



**IGO Ltd (ASX:IGO):** IGO's share price has been adversely affected by the downturn in lithium and nickel markets. Despite owning a stake in Greenbushes, the world's premier low-cost spodumene mine, IGO has been impacted by the decision to reduce production and await price recoveries. We have acknowledged the unique circumstances surrounding this high-caliber asset and have adjusted our holdings accordingly, focusing on more robust opportunities within the sector.

**Rio Tinto Ltd (ASX:RIO):** Rio Tinto exhibited strength towards the end of 2023, buoyed by iron ore price increases following Chinese economic stimuli. However, a softening in demand, due to various economic pressures in China, has prompted a cautious stance. Our current underweight position in iron ore reflects a strategic wait-and-see approach, as we anticipate further insights from the company's management on growth and capital initiatives.

In closing, our informed and measured approach to portfolio management, grounded in a thorough analysis of corporate developments, ensures we maintain a posture of calm confidence in our investment strategies.

