

# 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

\$362.7M

#### MANAGEMENT FEES AND COSTS

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

#### PERFORMANCE FEES

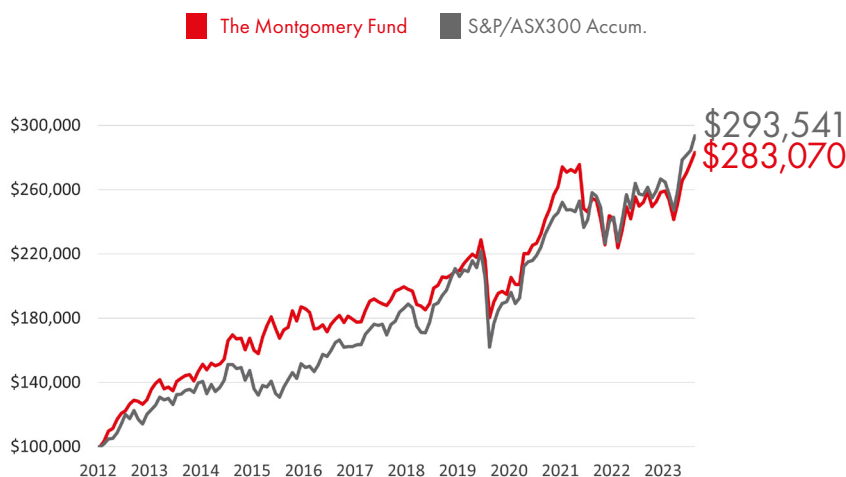
15.38% of the total return of The Fund that is in excess of the Index.<sup>1</sup>

<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 March 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	2.36%	6.72%	11.74%	12.30%	6.82%	7.16%	6.75%	7.09%	183.07%	9.37%
S&P/ASX 300 ACCUM. INDEX	3.26%	5.43%	14.24%	14.40%	9.43%	9.15%	8.60%	8.27%	193.54%	9.71%
OUT/UNDER PERFORMANCE	-0.90%	1.29%	-2.50%	-2.10%	-2.61%	-1.99%	-1.85%	-1.18%	-10.47%	-0.34%

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.

	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>
AUSTRALIAN EAGLE COMPOSITE <sup>3</sup>	2.36%	6.72%	11.74%	12.30%	10.84%	12.09%	12.35%	11.65%	547.60%	10.25%
S&P/ASX 300 ACCUM. INDEX	3.26%	5.43%	14.24%	14.40%	9.43%	9.15%	8.60%	8.27%	322.21%	7.81%
OUT/UNDER PERFORMANCE	0.90%	1.29%	-2.50%	-2.10%	1.41%	2.94%	3.75%	3.38%	225.39%	2.44%

<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.



COMPANY NAME	ASX CODE	SECTOR	WEIGHT (%)
Commonwealth Bank of Australia	CBA	Financials	7.27
Macquarie Group	MQG	Financials	5.99
Cochlear Ltd	COH	Health Care	5.95
Rio Tinto Ltd	RIO	Materials	5.95
QBE Insurance Group	QBE	Financials	5.43
Transurban Group	TCL	Industrials	5.02
CSL Ltd	CSL	Health Care	4.94
BHP Group Ltd	BHP	Materials	4.44
Wesfarmers Ltd	WES	Consumer Discretionary	4.07
Treasury Wine Estates Ltd	TWE	Consumer Staples	4.06
<b>Total equity weighting</b>			<b>96.68</b>
<b>Total cash weighting</b>			<b>3.32</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

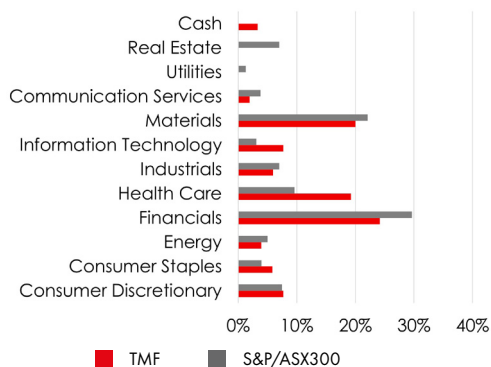
### CONTRIBUTORS

ResMed Inc	The share price rose after a period of underperformance.
QBE Insurance Group	The share price rose as bond yields steadied after a period of volatility.
Evolution Mining	The share price rose with the gold and copper prices.

### DETRACTORS

Pilbara Minerals	The share price fell with the lithium price.
Cochlear	The share price fell after a period of outperformance.
IGO Ltd	The share price fell as the nickel supply glut continued to gather pace.

### INDUSTRY EXPOSURE



### MARKET CAPITALISATION

	TMF (%)	S&P/ASX300 (%)	ACTIVE (%)	# STOCKS
ASX 1 -20	54.3	60.3	-6.1	13
ASX 21 -50	26.0	17.0	9.0	7
ASX 51 -100	7.6	11.9	-4.3	5
ASX 101 -200	7.9	8.5	-0.6	5
ASX 201 -300	0.9	2.4	-1.4	1
Ex S&P/ ASX 300	0.0		0.0	0
Cash	3.3			
<b>Total</b>	<b>100.0</b>			<b>31</b>

## CONTACT DETAILS

### INVESTORS

**Toby Roberts**  
 t 02 8046 5017  
 e troberts@montinvest.com

**David Buckland**  
 t 02 8046 5004  
 e dbuckland@montinvest.com

### ADVISERS, RESEARCHERS AND PLATFORMS

**Scott Phillips**  
 States – National  
 m 0417 529 890  
 e sphillips@montinvest.com

**David Denby**  
 States – VIC, SA & TAS  
 m 0455 086 484  
 e ddenby@montinvest.com

**Michael Gollagher**  
 States – QLD  
 m 0409 771 306  
 e mgollagher@montinvest.com

**Dean Curnow**  
 States – NSW, ACT & WA  
 m 0405 033 849  
 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) rose 2.36 per cent for the month of March and rose 6.72 per cent for the quarter ending 31 March 2024. While The Fund underperformed the S&P/ASX 300 Accumulation Index in March by 0.90 per cent, The Fund outperformed the benchmark by 1.29 per cent for the quarter.

Following a February filled with pivotal updates from companies, equity investors spent March assimilating these developments as well as the latest prognostications from the U.S. Federal Reserve. The Fed's Chairman, Jerome Powell, indicated a potential shift towards lowering interest rates later in 2024, citing a gradual mitigation of inflationary pressures. This view, however, is not broadly shared by other Fed members, some of whom provided outlooks for rates that were nuanced at best and starkly contradictory at worst.

Both unemployment and consumer metrics in the U.S. have displayed unexpected strength, leading to an uptick in bond yields throughout the period.

In the resources sector, performance was varied. Notably, iron ore prices declined by U.S.\$15 to U.S.\$102/t, influenced by disappointing property sector data from China, adversely impacting the share prices of major mining companies. Conversely, copper prices saw a 5 per cent increase, reaching U.S. \$4.06 per pound, and gold surged to an all-time high of U.S. \$2,270 per ounce, propelled by augmented purchases by central banks.

The Australian stock market rose overall, mainly attributable to significant gains in the banking sector, where share prices neared recent peaks. Robust Australian consumer data and steady employment figures played a key role in bolstering investor confidence and reducing concerns about a rise in non-performing loans.

Australian inflation, at 4.1 per cent, remains above the preferred range. However, it has been consistently moving towards the Reserve Bank of Australia's target of 2-3 per cent after reaching a high of 7.8 per cent in December 2022. To preserve profit margins, the corporate sector has scaled back expenditures in response to consumer cost-of-living adjustments. For their part, consumers are increasingly opting for more affordable alternatives.

### Portfolio changes

TechnologyOne Ltd (ASX:TNE) is a leading Australian provider of enterprise software solutions for local governments and educational institutions, known for its consistent double-digit growth. After years of effort, the company has made significant inroads into the U.K. market, acquiring key education clients and experiencing notable revenue growth. The U.K.'s larger market size, of course, offers substantial growth opportunities for TechnologyOne's admired solutions.

The company's solid performance in Australia, coupled with its expanding presence in the U.K., prompted an upward revision by management of the company's revenue goal to \$500 million in annual recurring revenue by Financial Year 2025. This is ahead of initial projections and market expectations.

The Fund invested in TechnologyOne, encouraged by the company's sustained success and stable leadership over two decades. This history of growth and management stability underpins our confidence in the security of our Fund's investment. We continue to evaluate TechnologyOne's performance for potential further investment.

The Fund also increased positions in Pilbara Minerals (ASX:PLS), Ramsay Health Care (ASX:RHC) and Xero (ASX:XRO) and decreased positions in Altium (ASX:ALU) and ResMed (ASX:RMD).

### March 2024 attribution

#### Top 3

**ResMed Inc (ASX:RMD)** – Resmed's share price outperformed after an underwhelming February. The company reported strong double-digit revenue growth while maintaining cost growth at mid-single-digit rates. ResMed also successfully defended a patent infringement complaint, which reinforces its unique ability to create and distribute market-leading sleep apnea technology.

**QBE Insurance Group Ltd (ASX:QBE)** – QBE's share price rose after reporting a strong February result. Bond yields also helped improve the outlook for the company's portfolio returns, rising throughout March as stronger-than-expected U.S. economic data resulted in investors deferring their timing of U.S. interest rate cuts.

**Evolution Mining Ltd (ASX:EVN)** – Evolution's share price rose in sympathy with the gold and copper price. After issues at Red Lake in January resulting in a downgrade to guided production volumes, higher realised prices have helped alleviate concerns of an adverse impact to profits.

#### Bottom 3

**Pilbara Minerals Ltd (ASX:PLS)** – Pilbara's share price fell on weak Chinese economic data. Electric Vehicle (EV) sales have slowed amid weak consumer spending, which is yet to display signs of recovery. Despite this, the spodumene price has risen steadily after troughing in February 2024.

**Cochlear Ltd (ASX:COH)** – Cochlear's share price suffered from profit-taking after strong quarterly outperformance. The company's reported growth in implants has exceeded expectations, while China's production is ramping-up according to plan.

**IGO Ltd (ASX:IGO)** – IGO holds a 25 per cent stake in the Greenbushes Lithium Mine (other JV owners are Tianqi, 26.01 per cent, and Albermarle, 49 per cent). Greenbushes is the lowest-cost spodumene producer in the world, but current market conditions have resulted in Tianqi Lithium electing not to take its full entitlement of spodumene concentrate production from Greenbushes with the unallocated concentrate volumes being stockpiled and current production exceeding current forecast sales.

### Stock in focus

#### Telix Pharmaceuticals

In evaluating investment opportunities, the lack of an extensive historical record can obscure a company's growth inflection points, which are critical to our decision-making process. In their absence, we rely on historical analogs from our investment experience to identify key performance indicators. Telix Pharmaceuticals, despite its brief history on the ASX, has demonstrated extraordinary progress by generating over \$100 million in revenue in the March 2023 quarter, a remarkable leap from zero, less than twelve months ago. The rapid growth underscores the significant potential of their product offerings.

As a self-described "theranostics" company, Telix focuses on developing radiopharmaceuticals for cancer diagnosis and treatment. Their leading product, Illuccix, represents a breakthrough in accurately detecting prostate cancer. The swift achievement of revenue milestones attests to the company's adept management of the migration from Research & Development to commercialisation, including the proficient handling of the complexities of licensing, production, and global distribution. Such success significantly enhances our optimism about Telix's growth trajectory, especially with plans to extend Illuccix's penetration internationally and across new products.



Anticipated growth hinges on Telix's entry into the radio-diagnostic markets for kidney and brain cancers, which are currently untapped and represent a combined annual opportunity of approximately US\$1.3 billion. Additionally, a forthcoming radiotherapy treatment for prostate cancer might exceed the total market potential of all diagnostic products.

The combination of Telix's promising product pipeline and management's proven execution skills portends strong future cash flow growth and substantial value increase. Furthermore, the radiopharmaceutical sector's growing appeal to major pharmaceutical companies, as evidenced by recent acquisitions, positions Telix as a prime candidate for strategic partnerships or acquisition, amplifying its attractiveness as an investment.

### **Outlook**

In recent months, the market and investors have reacted excessively to each data point. While others are focused on inflation, unemployment, and interest rates, we remain of the view that the combination of disinflation and positive economic growth will prove supportive for equity market performance. Since the 1970s, the combination of those two macroeconomic conditions has proven particularly helpful for the share price performance of innovative companies and those with pricing power. We have no reason to believe the combination currently experienced should prove any different, and we remain invested in companies we have assessed as being high quality, having attractive growth potential, have pricing power or some combination of those characteristics.

