



# THE MONTGOMERY FUND

## INVESTMENT REPORT & FACT SHEET

### FUND OVERVIEW

The Montgomery Fund employs a bottom-up, value style to invest and manage the equity portfolio. The Fund has the ability to retain a cash weighting, with a 'soft' 30 per cent limit, while seeking to identify companies that satisfy three main points of criteria. For inclusion in The Montgomery Fund, a business must be of premium quality, display bright prospects for earnings and growth in intrinsic value, and be available to purchase at a reasonable price.

Pursuant to this objective, The Fund aims to deliver superior positive returns where suitable investment opportunities are abundant, and to preserve capital through cash allocations where suitable investment opportunities are scarce.

### FUND FACTS

#### INVESTMENT MANAGER

Montgomery Investment Management Pty Ltd

#### OBJECTIVE

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

#### BENCHMARK

The S&P/ASX 300 Accumulation Index

#### FUND CONSTRUCTION

The Fund's All Cap portfolio will typically comprise 20-40 high-conviction stocks listed on the ASX and/or NZSX. Cash typically ranges from 0%-30%, but up to 50% in extreme situations.

#### APIR

FHT0030AU

#### RECOMMENDED INVESTMENT TIMEFRAME

5 years

#### MINIMUM INITIAL INVESTMENT

\$25,000

#### INCEPTION DATE

17 AUGUST 2012

#### FUND SIZE

\$475.0M

#### MANAGEMENT FEE

1.36% per annum, which includes a management fee of 1.18% per annum. Both figures are GST inclusive and net of RITC.

#### PERFORMANCE FEES

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

#### APPLICATION & REDEMPTION PRICES

[montinvest.com/tmf](http://montinvest.com/tmf)

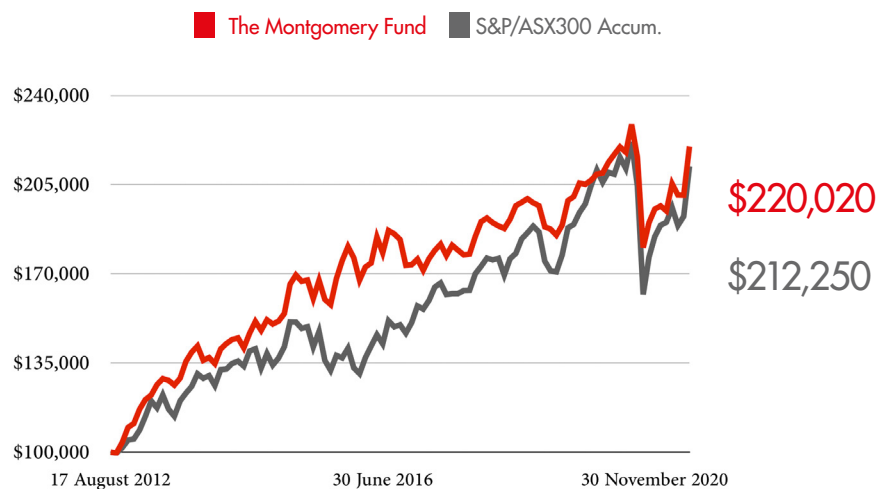
### FINANCIAL YEAR RETURNS

FINANCIAL YEAR	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX
2013*	26.3%	14.1%
2014	11.6%	17.3%
2015	13.7%	5.6%
2016	11.2%	0.9%
2017	1.7%	13.8%
2018	9.3%	13.2%
2019	4.4%	11.4%
2020	-4.9%	-7.6%
Since Inception**	10.0%	9.5%

\* 2013 is the period 17 August 2012 to 30 June 2013

\*\*Compound annual returns

### PERFORMANCE GRAPH



### PORTFOLIO PERFORMANCE

(to 30 November 2020, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	9.53%	<b>9.53%</b>	10.23%	-0.70%
3 months	0.00%	7.14%	<b>7.14%</b>	8.27%	-1.13%
6 months	0.07%	12.53%	<b>12.60%</b>	14.98%	-2.38%
12 months	1.15%	-1.06%	<b>0.09%</b>	-1.62%	1.71%
3 years (p.a.)	4.96%	-0.04%	<b>4.92%</b>	7.06%	-2.14%
5 years (p.a.)	4.16%	0.50%	<b>4.66%</b>	9.14%	-4.48%
7 years (p.a.)	4.82%	2.29%	<b>7.11%</b>	7.37%	-0.26%
Since inception#	57.34%	62.68%	<b>120.02%</b>	112.25%	7.77%
Compound annual return (since inception)#	5.62%	4.36%	<b>9.98%</b>	9.51%	0.47%



November was an incredible, if unsustainable, month for markets. The news of a new President-elect in the US was quickly followed by positive headlines around Pfizer’s COVID-19 phase 3 vaccine trials and other vaccine candidates. These external macro events helped push the market higher as investors looked beyond the aftermath of the COVID-19 pandemic and certainty around the US election outcome despite escalating COVID cases in the Northern Hemisphere.

For the month of November, The Montgomery Fund (The Fund), delivered a total return of 9.5 per cent despite holding an average of 9.2 per cent cash over the month. This compares to the S&P/ASX 300 Accumulation Index’s 10.2 per cent for the same period.

The cash weighting in the Fund has been materially reduced over the last six months and is currently at its lowest level in the history of the Fund. As we have previously written, this reflects the Fund’s pursuit of opportunities where companies have added value to their business during unprecedented uncertainty; have been a “COVID winner” as beneficiaries

of structural change to consumer spending; or where longer-term valuations have remained relatively attractive as the world recovers to a new “normal”.

However, when the market rallies as hard as it did in November, the near 10 per cent cash balance was always going to be a drag on The Fund’s performance. The cash holding was the largest detractor from relative performance to the broader market as The Fund’s equities holdings outperformed.

The month was also characterised by significant rotation within the market – especially on 10 November – as investors looked to sell their COVID-19 “winners”, i.e. those that had benefited from lock-downs and movement restrictions, to buy COVID-19 “losers”, i.e. those that were most likely to benefit from a vaccine.

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TOP COMPLETED HOLDINGS\* (TCH)

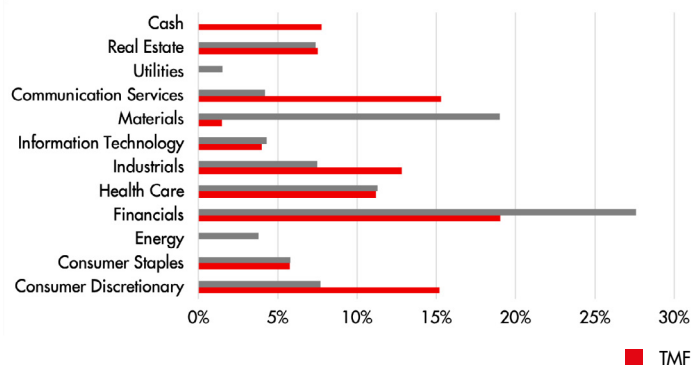
(at 30 November 2020, out of 31 holdings)

COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Westpac Banking Corp	2.8	N/A	14.7	5.98
Woolworths Group	17.1	183.7	26.0	5.75
Commonwealth Bank	10.6	N/A	19.8	5.56
Wesfarmers	23.2	74.8	27.6	5.17
CSL	35.7	73.5	43.5	5.15
Sydney Airport	N/A	N/A	N/A	4.59
REA Group	28.7	12.1	59.8	4.13
Macquarie Group	3.8	N/A	18.4	3.83
Seek	-9.3	101.2	172.8	3.51
Avita Therapeutics	N/A	N/A	N/A	3.47
<b>TCH AVERAGE</b>	<b>14.1</b>	<b>89.0</b>	<b>47.8</b>	
<b>MARKET AVERAGE</b>	<b>9.6</b>	<b>61.1</b>	<b>22.1</b>	

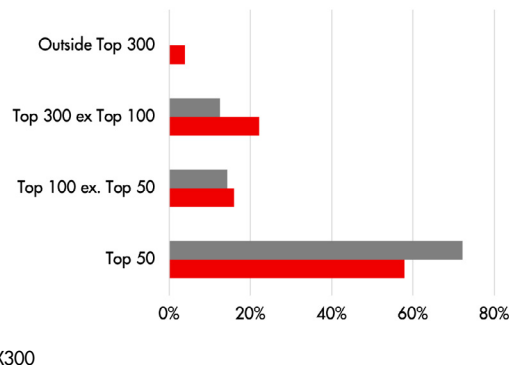
Total equity weighting 92.23  
 Total cash weighting 7.77

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

INDUSTRY EXPOSURE



MARKET CAPITALISATION EXPOSURE



PLATFORMS WE ARE ON: Ausmaq ⇄ AMP PortfolioCare ⇄ AMP Summit ⇄ AMP Wealthview ⇄ AMP North ⇄ Asgard ⇄ BT Wrap ⇄ BT Panorama ⇄ Colonial First Wrap ⇄ Clearview Wealthsolutions ⇄ Investment Exchange (IX) ⇄ Federation Accounts ⇄ HUB24 ⇄ Linear Managed Accounts ⇄ Macquarie Wrap ⇄ MLC Wrap ⇄ Navigator ⇄ Netwealth IPDS ⇄ Netwealth Super ⇄ OneVue ⇄ Powerwrap ⇄ UBS ⇄

# 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 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. 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.

Fortunately, the Fund was well positioned for such an event as it had reduced cash to fund investments in “reopening” trades that stood to be major beneficiaries in the event of a vaccine. Recent additions such as Webjet (+65 per cent) and IDP Education (+27 per cent) posted strong returns, while re-opening asset plays in Sydney Airport (+23 per cent) and Scentre Group (+33 per cent) had been acquired during the immediate COVID-19 aftermath, also performed well.

This strong performance of these stocks helped to more than offset the weak performance of some of the Fund’s COVID-19 “stay-at-home winners” including Codan (-10 per cent) and tech companies such as Megaport (-5 per cent). E-commerce names also experience a significant sell-off, albeit the Fund’s investment in Redbubble (+20 per cent) bucked the trend as it announced the appointment of a new CEO while its largest global competitor Etsy posted a 32 per cent gain.

Another major beneficiary of the reopening trade were the banks, as the market’s perception regarding the risk of a major credit default cycle dissipated. The S&P/ASX 200 Banks Index returned a whopping 18.35 per cent in November. While we view the medium to longer-term prospects for Australia’s major banks to be challenging, we took advantage of the relative weakness in bank share prices in late October to lift The Fund’s exposure.

The banks represent a significant weighting in the market index and we are unlikely to ever hold a similar weighting in The Fund. Consequently, when the banks run hard as they did in November, The Fund’s lower bank weighting will drag on relative returns.

The Fund was also mindful of other COVID-19 vaccine beneficiaries that were likely to provide greater share price performance, as highlighted above.

As we enter December, many investors will be looking forward to putting the stress of this year behind them. The rolling over of the calendar however will not see the current set of risks and uncertainties disappear. We remain in a volatile environment. Sentiment swings and thematic investing have dominated relative returns. And as highlighted by the pressure being exerted upon Australia by China through blatant violations of trade agreements and ramped up tariffs, new risks are always emerging.

We believe this means a balanced approach to risk remains the wise course of action rather than placing an all-in bet on one outcome. We remain vigilant in seeking opportunities we deem attractive from both a risk and reward perspective, all the while retaining our quality focus.

