



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

\$441.3M

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

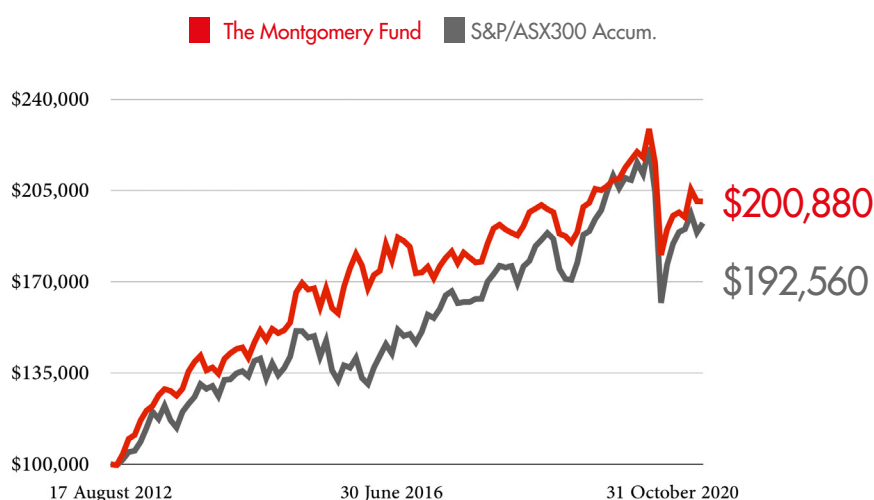
FINANCIAL YEAR RETURNS

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**	8.9%	8.3%

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

**Compound annual returns

PERFORMANCE GRAPH



PORTFOLIO PERFORMANCE

(to 31 October 2020, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-0.04%	-0.04%	1.89%	-1.93%
3 months	0.00%	3.16%	3.16%	1.22%	1.94%
6 months	0.07%	5.62%	5.69%	9.09%	-3.40%
12 months	1.16%	-8.53%	-7.37%	-7.91%	0.54%
3 years (p.a.)	5.11%	-2.28%	2.83%	4.22%	-1.39%
5 years (p.a.)	4.32%	-0.70%	3.62%	6.89%	-3.27%
7 years (p.a.)	4.65%	0.46%	5.11%	5.68%	-0.57%
Since inception#	57.34%	43.54%	100.88%	92.56%	8.32%
Compound annual return (since inception)# # 17 August 2012	5.68%	3.19%	8.87%	8.31%	0.56%



The month of October was a tale of two halves. Following the September sell-off, the market rallied strongly in the first half of October with the Index up 7.1 per cent, before reversing 4.9 per cent to leave the ASX 300 Accumulation Index up 1.9 per cent.

October volatility was perhaps best highlighted by the contrast between relative strength in the banks (the ASX Banks Index was up 7.5 per cent in October), and profit taking-inspired selling in small capitalisation companies exposed to retail, e-commerce and “re-opening” companies.

The Montgomery Fund (The Fund) posted a flat return for the month driven by its current underweight position in the banks as well as holdings in companies leveraged to an economic reopening.

Positive contributors during October included the Commonwealth Bank and Reliance Worldwide. Reliance Worldwide benefitted from

positive businesses momentum, which we have previously written to you about. Negative contributors for the month included Avita Therapeutics, which fell on the back of shifting sentiment amid low trading volumes, and Megaport, which disappointed some investors with its quarterly sales update.

Short term share price volatility, even in the best quality companies, is something investors should consider normal, and in the case of both Avita and Megaport, we currently remain confident about the long-term prospects for the businesses.

Most meaningful for The Fund’s portfolio was information released by Seek Limited during October. Seek remains a high-quality company with a very long runway for growth. Through the use of data analytics and artificial intelligence, Seek offers its clients a substantial reduction in friction associated with labour “mobility”.

TOP COMPLETED HOLDINGS* (TCH)

(at 31 October 2020, out of 30 holdings)

COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Woolworths Group	17.1	183.7	26.8	6.25
Commonwealth Bank	10.6	N/A	17.8	5.89
CSL	35.7	73.5	40.5	5.36
Wesfarmers	23.2	74.8	26.5	5.02
Sydney Airport	N/A	N/A	N/A	3.84
Macquarie Group	6.2	N/A	20.6	3.77
Avita Therapeutics	N/A	N/A	N/A	3.76
Atlas Arteria	4.1	21.9	35.1	3.71
Reliance Worldwide	8.7	21.3	25.6	3.65
REA Group	28.7	12.1	43.8	3.62
TCH AVERAGE	16.8	64.5	29.6	
MARKET AVERAGE	9.5	61.9	20.0	

Total equity weighting

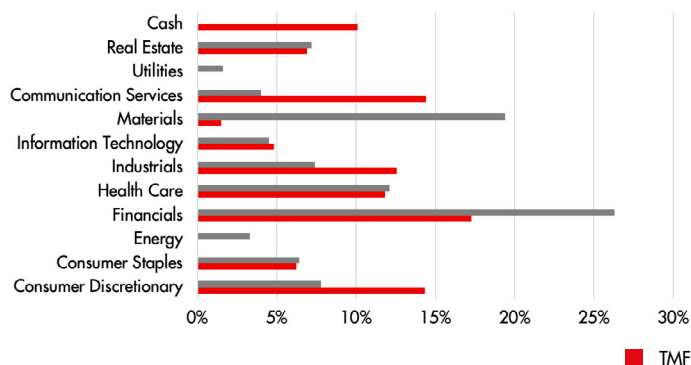
89.91

Total cash weighting

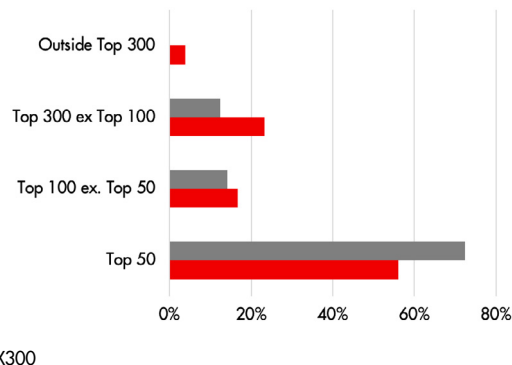
10.09

*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.

The company has also built a class-leading platform and dominant market position across Oceania as well as most of Asia and The Fund has held Seek for a long time.

During the month, Seek was the target of a report released by a foreign short seller. The report discussed a range of issues, such as underlying growth in the Asian and Australia & New Zealand markets, which did not incorporate the impact of COVID-19 on labour demand and therefore job ad volumes in the last year. We concluded these matters raised were simplistic and unbalanced with the capacity to mislead. The matters raised with respect to asset revaluations and capitalised costs are also well-known and understood by the market.

The assertion regarding the ANZ and Asian businesses was then used to make the claim that the company's valuation and growth was almost entirely reliant on its 61 per cent-owned Chinese online recruitment business Zhaopin. While Zhaopin is important, it currently represents approximately one quarter of the overall value of the company.

More serious were the comments regarding Zhaopin's fake resumes and jobs as well as overstated claims regarding site traffic. The integrity of any jobs portal is critical to confidence and trust and therefore to establishing a network effect and the long term opportunity. Apart from the results quoted in the research paper being prone to sampling and extrapolation errors, the commentary lacked context. Our view is that its significance is dependent on its uniqueness to Zhaopin. Similar investigations of competitor sites such as 51job and Boss Zhipin need to be undertaken - something we are investigating at present.

By design, these types of reports do not present an argument with any sense of balance. They are designed solely to drive down a share price to deliver the short seller a profit on the existing investment. It is incumbent upon the reader to do their own work to determine the validity of the claims and provide the necessary balance in assessing the merits of both the claims and the investment. Not infrequently, such reports can provide an opportunity to take advantage of attractive share prices however the report has hitherto had a limited impact on Seek's share price.

In terms of overall conditions, market sentiment remains extremely fluid. We observed last month a turning of the tide with respect to COVID-19 – especially in Australia – as Melbourne successfully suppressed infections after employing some of the longest-running restrictions in the world. Unfortunately, infections and deaths are rising rapidly in much of Europe and the US, which has adversely impacted re-opening sentiment internationally.

The Fund's cash position of 10 per cent at the end of the month is near the lowest in its history reflecting success in identifying opportunities where; 1) companies have added value to their business during unprecedented uncertainty, 2) have been a "COVID-19 winner" or beneficiary of structural changes to consumer spending, and 3) where longer-term valuations have remained relatively attractive while the world lurches along a path to the new "normal".

