



# 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

\$325.1M

#### 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>

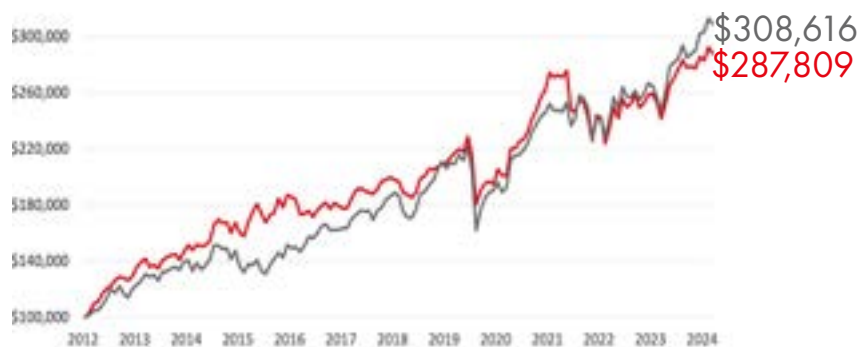
<sup>1</sup> See page 5 of the PDS for more information

#### APPLICATION & REDEMPTION PRICES

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

### PERFORMANCE GRAPH

■ The Montgomery Fund ■ S&P/ASX300 Accum.



### DISTRIBUTIONS

HALF-YEAR TO	CENTS PER UNIT	DISTRIBUTION RETURN (%)
June 2024	11.4223	7.87%
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%

### PORTFOLIO PERFORMANCE

(to 31 October 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	-1.45%	0.82%	3.55%	19.21%	1.85%	5.82%	6.54%	6.60%	187.81%	9.05%
S&P/ASX 300 ACCUM. INDEX	-1.30%	2.19%	8.30%	24.86%	7.62%	8.10%	8.88%	8.33%	208.62%	9.67%
OUT/UNDER PERFORMANCE	-0.15%	-1.37%	-4.75%	-5.65%	-5.77%	-2.28%	-2.34%	-1.73%	-20.81%	-0.62%

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>	-1.45%	0.82%	3.55%	19.21%	6.62%	9.80%	11.04%	11.40%	558.44%	10.02%
S&P/ASX 300 ACCUM. INDEX	-1.30%	2.19%	8.30%	24.86%	7.62%	8.10%	8.88%	8.33%	343.89%	7.85%
OUT/UNDER PERFORMANCE	-0.15%	-1.37%	-4.75%	-5.65%	-1.00%	1.70%	2.16%	3.07%	214.55%	2.17%

<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 October 2024)

COMPANY NAME	ASX CODE	SECTOR	WEIGHT (%)
Commonwealth Bank of Australia	CBA	Financials	7.78
QBE Insurance Group	QBE	Financials	6.07
Rio Tinto Ltd	RIO	Materials	6.06
Macquarie Group	MQG	Financials	5.85
Cochlear Ltd	COH	Health Care	5.68
Xero Ltd	XRO	Information Technology	5.01
ASX Ltd	ASX	Financials	4.44
ResMed	RMD	Health Care	4.31
CSL Ltd	CSL	Health Care	4.01
Treasury Wine Estates	TWE	Consumer Staples	4.00
<b>Total equity weighting</b>			<b>97.23</b>
<b>Total cash weighting</b>			<b>2.77</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

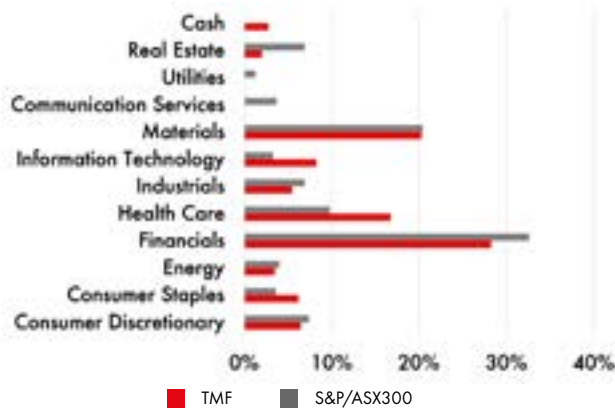
### CONTRIBUTORS

Silex Systems	The share price rose as large technology companies increased mergers and acquisitions activity with uranium.
Evolution Mining	The share price rose after a strong quarterly report.
ResMed	The share price rose after reporting strong margin improvement.

### DETRACTORS

Rio Tinto	The share price fell after reporting issues with cost inflation.
Pilbara Minerals	The share price fell after a period of outperformance.
ARB Corporation	The share price fell after the company downgraded near term earnings.

## INDUSTRY EXPOSURE



## MARKET CAPITALISATION

	TMF (%)	S&P/ASX300 (%)	ACTIVE (%)	# STOCKS
ASX 1 -20	50.9	61.4	-10.6	12
ASX 21 -50	28.2	16.7	11.5	7
ASX 51 -100	8.1	12.0	-3.9	3
ASX 101 -200	5.0	7.7	-2.6	2
ASX 201 -300	5.0	2.2	2.8	3
Ex S&P/ ASX 300	0.0		0.0	0
Cash	2.8			
<b>Total</b>	<b>100.0</b>			<b>27</b>

## CONTACT DETAILS

### INVESTORS

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### ADVISERS, RESEARCHERS AND PLATFORMS

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**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



Following material positive returns in September, October was a weak month for global markets, The Montgomery Fund (the Fund) essentially followed the S&P/ASX 300 Accumulation Index lower, marginally underperforming the market by 0.15 per cent and returning -1.45 per cent. Despite maintaining our underweight position in the banking sector for reasons we have previously explained, the Fund effectively kept pace with its benchmark.

Australia's stock market reversed course in October, disappointed by subsequent Chinese announcements outlining underwhelming monetary and fiscal policy measures. The switch in sentiment towards China reversed September's bid for resources and the selling of banks. The resources sector, which had risen 11 per cent in September, declined by over five per cent in October, while financials rose by 3.3 per cent.

### Market overview

Global markets experienced heightened volatility in October due to significant events, including escalating geopolitical tensions in the Middle East, devastating hurricanes in the United States causing substantial economic damage and loss of life, and uncertainty surrounding the U.S. Presidential election.

Despite a generally positive quarterly reporting season, markets trended lower. U.S. economic data indicated a resilient economy, underscored by robust employment and consumption figures. This unexpected strength led markets to adjust expectations, dampening the likelihood of more significant or accelerated interest rate cuts. Consequently, the U.S. Treasury Yield Curve shifted higher, with the 2-year, 5-year, and 10-year yields rising by at least 50 basis points, or 0.5 per cent, throughout the month.

In Australia, headline inflation fell within the Reserve Bank of Australia's (RBA) target range of two to three per cent; however, services inflation remained persistently high at 4.6 per cent. Even as many global central banks have begun cutting rates, the RBA maintained its interest rate stance, keeping them on hold until at least next year.

### Fund positioning

We remain fully committed to diligently and consistently implementing our investment process. We are confident each portfolio holding possesses a strong investment thesis and is well-positioned to leverage its identified competitive advantages for superior long-term share price performance.

### Portfolio changes

During the month, the Fund increased its positions in Dexu (ASX:DXS), QBE Insurance Group (ASX:QBE), Evolution Mining (ASX:EVN), and SILEX Systems (ASX:SLX).

Conversely, we reduced exposure to Transurban (ASX:TCL), Woodside Energy (ASX:WDS), and Woolworths (ASX:WOW).

We also exited positions in Telstra (ASX:TLS) and Ramsay Healthcare (ASX:RHC).

We exited our position in Ramsay Healthcare due to ongoing margin pressures from cost inputs and private health insurance reimbursements, which are impeding the company's turnaround efforts. Adhering to our disciplined investment approach, we determined the turnaround timeline should not be extended.

Our initial investment thesis for our highly profitable investment in Telstra involved monetising underappreciated infrastructure assets on its balance sheet. Subsequent management changes led to a reversal of this strategy. The invalidation of our thesis prompted us to exit the position strategically in favour of more compelling opportunities.

From our perspective, both Ramsay Healthcare and Telstra exhibited substantial property and infrastructure characteristics. We have reallocated portions of these exposures into Dexu, an office property owner expanding its asset base into industrial and infrastructure sectors.

### Major contributors

**Silex Systems (ASX:SLX):** Silex's share price appreciated in sympathy with news several leading U.S. technology companies – often referred to as the "Magnificent Seven" – had announced initiatives targeting uranium and nuclear power to supply their energy-intensive data centres. Additionally, Silex Systems is nearing completion of its demonstration power plant utilising enriched uranium, which is expected by the end of this calendar year.

**Evolution Mining (ASX:EVN):** The share price increased following a positive September 2024 quarterly report, highlighting significant performance improvements at its Red Lake mine in Canada. A rising gold price also contributed to favourable cash flows, and the recent Northparkes acquisition has firmly bolstered earnings.

**ResMed (ASX:RMD):** The share price advanced as the company continued to recover its gross profit margins after facing higher freight costs and concerns over the impact of weight loss drugs on sleep apnoea patients. The Software-as-a-Service (SaaS) division also accelerated its growth from high single-digit to low double-digit rates.

### Detractors

**Rio Tinto (ASX:RIO):** The share price declined as the September 2024 quarterly report indicated that cost inflation remains a challenge, even for Australia's largest companies. The iron ore price also fell from US\$109 per tonne to US\$104 per tonne amid unmet expectations from China's stimulus announcements.

**Pilbara Minerals (ASX:PLS):** Following strong outperformance in September, the share price decreased in line with a decline in spodumene prices throughout October. The company also downgraded its production target for financial year 2025 by 100,000 tonnes, aiming to reduce costs and preserve cash amid those lower spodumene prices.

**ARB Corporation (ASX:ARB):** ARB's annual general meeting (AGM) and trading update revealed a minor profit downgrade due to higher one-off costs. Revenue growth however remains solid as management's international expansion strategy progresses, building on its strong foundation in the Australian aftermarket sector.

### Conclusion

We remain steadfast in our commitment to delivering superior long-term returns for our investors. The Fund's diversified portfolio is strategically and desirably positioned. We remain confident that our disciplined investment approach and focus on high-quality companies will continue to drive performance in the months ahead.

