



# 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

\$450.2M

#### 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)

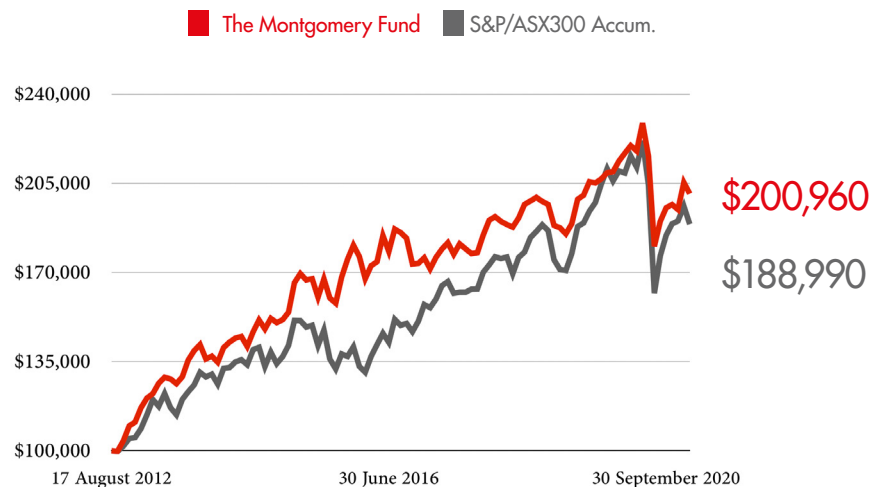
### FINANCIAL YEAR RETURNS

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**	9.0%	8.2%

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

\*\*Compound annual returns

### PERFORMANCE GRAPH



### PORTFOLIO PERFORMANCE

(to 30 September 2020, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-2.15%	<b>-2.15%</b>	-3.59%	1.44%
3 months	0.00%	2.17%	<b>2.17%</b>	-0.06%	2.23%
6 months	0.07%	11.39%	<b>11.46%</b>	16.73%	-5.27%
12 months	1.18%	-7.18%	<b>-6.00%</b>	-9.96%	3.96%
3 years (p.a.)	5.30%	-1.13%	<b>4.17%</b>	4.94%	-0.77%
5 years (p.a.)	4.58%	0.35%	<b>4.93%</b>	7.42%	-2.49%
7 years (p.a.)	4.72%	0.66%	<b>5.38%</b>	5.98%	-0.60%
Since inception#	57.34%	43.62%	<b>100.96%</b>	88.99%	11.97%
Compound annual return (since inception)# # 17 August 2012	5.74%	3.23%	<b>8.97%</b>	8.15%	0.82%



September saw an unwind of the August enthusiasm, as the S&P/ASX 300 Accumulation Index lost 3.59 per cent. The Montgomery Fund (The Fund) lost 2.15 per cent, mitigating the downturn and continuing to build on the positive relative performance in August. Following a strong start in the first two months of 2020/21 financial year, the total return for the S&P/ASX 300 Accumulation Index is now flat, as the impact of aggressive fiscal and monetary sugar hits begins to wane. Pleasingly, The Fund has registered a positive performance of 2.17 per cent.

The relative return for the month of September was characterised by lower than benchmark holdings in financials and materials companies, however The Fund's active positions in Woolworths (ASX:WOW) and Wesfarmers (ASX:WES) detracted from Fund performance as they were unable to escape the broader negative market performance.

The Fund's smaller company holdings added to relative performance, with the two largest contributors in September being Centuria Capital Group (ASX:CNI) and RedBubble (ASX:RBL). With most companies having recently updated the market in the August reporting season, there was nothing specific of note for both companies albeit external observation of operating trends suggesting continued positive momentum for both businesses.

In terms of broader market sentiment, we observe the tide is turning the other way on COVID-19, with Melbourne getting on top of the breakout in community spread of the virus during September. The imposition of an aggressive second lockdown has finally seen active case and new case numbers reduce to controllable levels such that measures are beginning to be wound back.

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TOP COMPLETED HOLDINGS\* (TCH)

(at 30 September 2020, out of 31 holdings)

COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Woolworths	17.1	183.7	25.8	6.04
Commonwealth Bank	10.6	N/A	17.1	5.32
CSL	35.7	73.5	41.6	5.24
Wesfarmers	23.2	74.8	25.8	4.57
Sydney Airport	N/A	N/A	N/A	4.26
Avita Therapeutics	N/A	N/A	N/A	4.10
Atlas Arteria	0.3	21.9	28.9	4.07
Reliance Worldwide	8.7	21.3	26.8	3.84
Seek	-9.3	101.2	61.3	3.50
Macquarie Group	6.2	N/A	19.7	3.49
<b>TCH AVERAGE</b>	<b>11.6</b>	<b>79.4</b>	<b>30.9</b>	
<b>MARKET AVERAGE</b>	<b>9.0</b>	<b>62.3</b>	<b>20.5</b>	

Total equity weighting

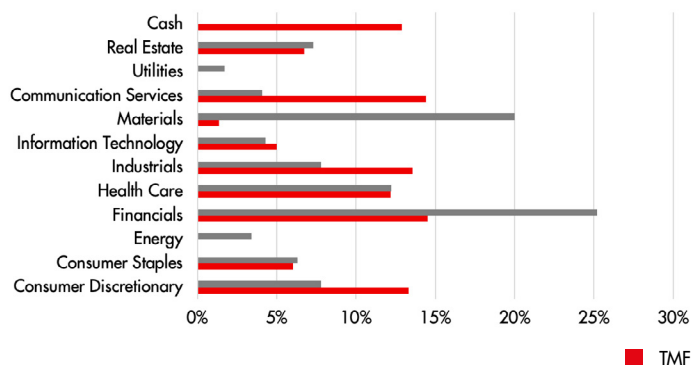
87.12

Total cash weighting

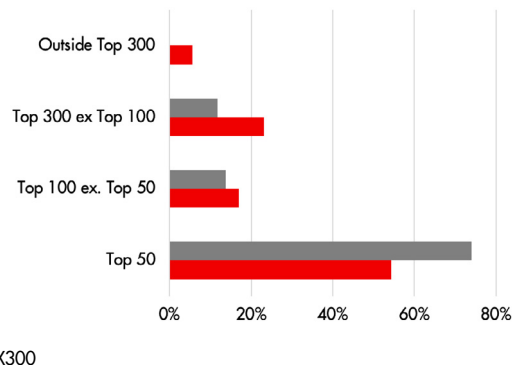
12.88

\*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.

Importantly, this is leading to increased discussion around the opening of State borders as well as the establishment of travel bubble with New Zealand. This saw travel exposed stocks perform well during the month, including The Fund's recently added investment in Webjet as well as Sydney Airport, which were two of the positive performers for The Fund during September.

Looking to the month ahead, the market will be focused on any swings in sentiment resulting from the US Presidential election. The potential impact on markets in the near term has been demonstrated by the reaction to the news that Donald Trump has tested positive for COVID-19. The obvious exposure to a Biden win is the potential for the corporate tax cuts from 2019 to be unwound. This would directly impact the profitability of several stocks in the Australian market.

Our overall stance on the market remains unchanged – while cognisant of potential positive vaccine and health developments and investor hunger for returns in a record low interest rate world, we balance this with a level of caution on the potential for consumer and economic weakness as the world gradually leaves its stimulus bubble.

In this backdrop, The Fund has remained active in seeking opportunities where companies have added value to their business during unprecedented uncertainty, have been a “COVID winner” as beneficiaries of structural changes to consumer spending or where longer-term valuations have remained relatively attractive. This has led to a reduced overall cash balance, which at the end of the month sat at 13 per cent.

