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
$348.1M

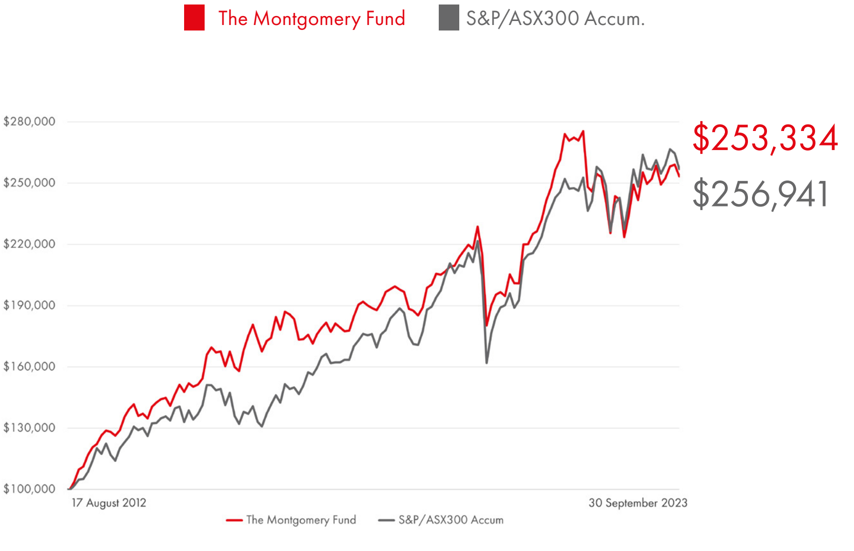
MANAGEMENT FEES AND COSTS
1.36% per annum[1]

PERFORMANCE FEES
15.38% of the total return of The Fund that is in excess of the Index.[1]

[1] See page 5 of the PDS for more information

APPLICATION & REDEMPTION PRICES
montinvest.com/tmf

PERFORMANCE GRAPH



DISTRIBUTIONS

HALF-YEAR TO	CENTS PER UNIT	DISTRIBUTION RETURN (%)
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
December 2018	2.3155	1.52

PORTFOLIO PERFORMANCE

(to 30 September 2023, 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[2]	Compound annual return (since inception)[2]
THE MONTGOMERY FUND	-2.22%	0.35%	0.50%	13.27%	8.03%	5.19%	4.72%	6.17%	153.33%	8.72%
S&P/ASX 300 ACCUM. INDEX	-2.89%	-0.84%	0.14%	12.92%	10.78%	6.62%	7.99%	7.40%	156.94%	8.86%
OUT/UNDER PERFORMANCE	0.67%	1.19%	0.36%	0.35%	-2.75%	-1.43%	-3.27%	-1.23%	-3.61%	-0.14%

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[2]	Compound annual return (since inception)[2]
AUSTRALIAN EAGLE COMPOSITE[3]	-2.22%	0.35%	0.50%	13.27%	12.29%	9.94%	11.98%	10.79%	479.57%	9.88%
S&P/ASX 300 ACCUM. INDEX	-2.89%	-0.84%	0.14%	12.92%	10.78%	6.62%	7.99%	7.40%	269.57%	7.26%
OUT/UNDER PERFORMANCE	0.67%	1.19%	0.36%	0.35%	1.51%	3.32%	3.99%	3.39%	210.00%	2.62%

[2] 17 August 2012

[3] 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 30 September 2023)

COMPANY NAME	ASX CODE	SECTOR	WEIGHT (%)
Commonwealth Bank of Australia	CBA	Financials	6.95
QBE Insurance Group Ltd	QBE	Financials	6.23
Rio Tinto Ltd	RIO	Materials	6.13
CSL Ltd	CSL	Health Care	5.69
Cochlear Ltd	COH	Health Care	5.49
Macquarie Group Ltd	MQG	Financials	5.06
Woodside Energy Group Ltd	WDS	Energy	5.01
Transurban Group	TCL	Industrials	4.97
Altium Ltd	ALU	Information Technology	4.13
Newcrest Mining Ltd	NCM	Materials	4.07
Total equity weighting			98.07
Total cash weighting			1.93

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

TOP 3 CONTRIBUTORS AND DETRACTORS

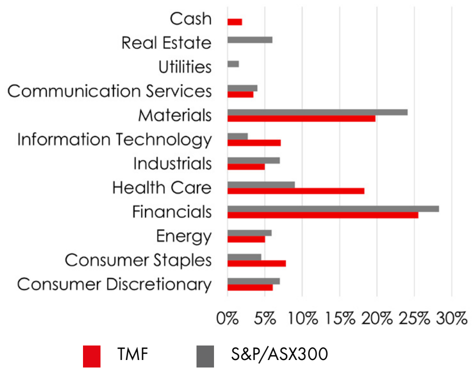
CONTRIBUTORS

QBE Insurance Group	The share price outperformed, assisted by rising U.S. bond yields.
Costa Group Holdings	The share price rose after the board of directors recommended the revised takeover bid to shareholders.
Treasury Wine Estates	The share price outperformed on news of Chinese-Australian wine tarrif removal talks.

DETRACTORS

Altium	The share price fell after a period of outperformance.
CSL	The share price fell as the market continued to digest news of margin pressure during reporting season.
Xero	The share price fell due to pressure rising bond yields.

INDUSTRY EXPOSURE



MARKET CAPITALISATION

	TMF (%)	S&P/ ASX300 (%)	ACTIVE (%)	# STOCKS
ASX 1 -20	53.8	60.7	-6.9	13
ASX 21 -50	24.1	17.0	7.2	7
ASX 51 -100	9.6	12.1	-2.5	3
ASX 101 -200	9.9	8.0	1.9	5
ASX 201 -300	0.0	2.2	-2.2	0
Ex S&P/ ASX 300	0.6		0.6	1
Cash	1.9			
Total	100.0			29

CONTACT DETAILS

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Following September's conclusion, The Montgomery Fund (The Fund) has now risen 13.27 per cent over 12 months, beating its benchmark, the S&P/ASX 300 Accumulation Index by 0.35 per cent.

September however was not a positive month and we begin this month's report with some background coverage of the influences on our market. Over the month, the U.S. Technology based Nasdaq declined almost six per cent, reversing part of the sensational gains accumulated this calendar year. In sympathy, declines of various magnitudes were experienced across global markets including here in Australia. Much of the decline can be attributed to re-emerging concerns about rising U.S. bond yields. The benchmark U.S. 10-year bond is now yielding 4.80 per cent, the highest yield since 2007, prior to the global financial crisis.

The Montgomery Fund's benchmark, the S&P/ASX 300 Accumulation Index, fell 2.89 per cent in September. The Fund handily beat the market but was unable to escape the broad sell off, declining 2.22 per cent and therefore outperforming by 0.67 per cent. The declines mean the benchmark S&P/ASX 300 Accumulation Index has now risen just 0.14 per cent in the 6 months to 30 September. The Fund has risen 0.50 per cent over the same period, outperforming by 0.36 per cent.

At the risk of repetition, the U.S. 10-year bond yield increased a material 70 basis points in September. And with it, market optimism for a rate cut cycle beginning in early to mid-2024 by the U.S Central Bank, the Federal Reserve, evaporated. The U.S. Federal Reserve indicated that most of its members support the idea of higher interest rates for longer.

It is the view of your author, that investors suffer from a condition known as Representativeness. This is the almost inescapable belief that the future will look like the recent past. Humans therefore are terrible at predicting turning points. With respect to interest rates, which have recently been volatile, it is therefore predictable that investors and commentators would expect rates to continue to be volatile. One camp believes they will continue to rise, and the other camp believes they must start declining. What they aren't able to expect is that the recent volatility in interest rates stops, that interest rates now do nothing for the next year or so.

Meanwhile, concerns about a global inflation rebound were fueled by a resurgent oil price (up nearly a third since June 30) and sticky service inflation indicators. Domestically, the new Reserve Bank Governor, Michele Bullock, faces her own challenges due to a falling local currency and potential imported inflation. However, recent comments from our Central Bank suggest satisfaction with current policies, making a significant rate hike unnecessary.

In twelve months, commentators might express surprise that rates have done little for so long. Importantly however, the sticker shock of higher rates will have subsided with many economic and business activity indicators likely to have returned to normal. Of course, the equity market's road to that destination may not be calm.

Speaking of volatility, any increase always offers attractive opportunities and by way of example, many quality industrials experienced declines in September.

Our low cash levels indicate active engagement in exploiting this volatility, with portfolio valuation and individual company quality metrics, such as gearing, comparing favorably to the overall market.

Portfolio commentary

With reporting season concluding in August, numerous adjustments to the portfolio were made. However, the investment team have chosen not to make any significant changes to The Fund in September.

In terms of individual stock performances in September, QBE Insurance Group (ASX:QBE) topped the list for The Fund. The investment team has maintained QBE at maximum weight for over a year due to rising short-term bond yields and surging insurance premiums, which have created a favourable operating environment for the company. The market has recognised the $27 billion investment book as a significant beneficiary of rising bond yields, while the broader market has generally suffered. This recognition was the primary reason for the monthly outperformance.

Costa Group Holdings (ASX:CGC): In August, Costa faced challenges when management reported a deteriorating outlook for the remainder of 2023. They also mentioned ongoing discussions with Paine Schwartz Partners regarding a takeover bid. In late September, the board of directors unanimously recommended that shareholders accept the revised bid for Costa, which was lowered from $3.50 to $3.20 per share. Although the takeover price was lower than our expectations, the share price reacted positively to this news. Despite only initiating a position in December 2022, Costa remains a profitable investment for The Fund. While the shareholder vote is still a few months away, we have maintained our position in Costa as we explore various opportunities for deploying this capital.

Treasury Wine Estates (ASX:TWE): Treasury Wine Estates continued its strong performance from the reporting season, driven by the strength of the Penfolds brand and other luxury brands. This strength offset any perceived weaknesses in its premium and commercial wine portfolio. In September, the share price responded positively to news that China was considering overturning its onerous tariffs on Australian-made wine. Management had already started allocating some Penfolds inventory in anticipation of a reopening of the Chinese market. The portfolio weight for Treasury Wine Estates remains steady, pending further developments in this direction.

In any month there must, by definition, be stocks that rank poorly in terms of performance within the portfolio, and in the short term, detract from the long-term goal of building value.

Altium (ASX:ALU), which was the top contributor to The Fund in August, experienced underperformance in September. This was expected, given its high price-to-earnings (P/E) ratio, as many similarly-rated stocks also underwent corrections due to those rising bond yields. Despite the underperformance, the share price remains significantly higher than pre-reporting season levels, reflecting the market's recognition of the company's progress toward dominating the printed circuit board design process on a global scale.

CSL (ASX:CSL) has been facing pressure since June, following a trading update concerning foreign exchange and margin headwinds. Management also mentioned temporary headwinds, with additional time needed to cycle through the "expensive" plasma generated during COVID-19. The team remains confident that this is a transitory phase, and we anticipate further upside when the company implements efficiencies in its plasma processing, potentially yielding up to 25 per cent more immunoglobulin, a key product for CSL, compared to previous operations.

Xero (ASX:XRO), is another high P/E stock that was affected by rising bond yields. The company remains on track to achieve its cost-cutting targets, aiming for a cost-to-revenue ratio of 75 per cent in FY24, following substantial progress in this direction since the arrival of Sukhinder Singh Cassidy as the new CEO at the end of 2022. Apart from making Xero a leaner and more efficient enterprise, Singh Cassidy has committed to disciplined growth, particularly in North America, where the company has faced challenges in gaining market share.

Months with market declines, such as September, will occur again but such volatility should be eagerly anticipated, and seen as an opportunity to add to investments judiciously. We remain confident in the 18-year track record Sean, Alan and Daniel have produced for Australian Eagle investors. As the team now managing The Montgomery Fund, the result is confidence our investors can look forward to the rewards of a highly-regarded, proven and consistent approach to quality-based investing.