



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

\$337.0M

MANAGEMENT FEES AND COSTS

1.36% per annum¹

PERFORMANCE FEES

15.38% of the total return of The Fund that is in excess of the Index.¹

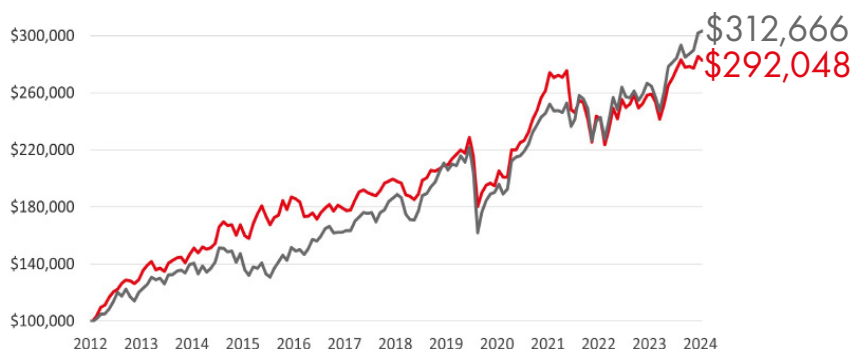
¹ See page 5 of the PDS for more information

APPLICATION & REDEMPTION PRICES

montinvest.com/tmf

PERFORMANCE GRAPH

■ 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 30 September 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 ²	Compound annual return (since inception) ²
THE MONTGOMERY FUND	3.31%	5.38%	3.17%	15.28%	2.55%	6.44%	7.35%	7.05%	192.05%	9.25%
S&P/ASX 300 ACCUM. INDEX	3.07%	7.81%	6.52%	21.69%	8.13%	8.30%	9.70%	8.92%	212.67%	9.86%
OUT/UNDER PERFORMANCE	0.24%	-2.43%	-3.35%	-6.41%	-5.58%	-1.86%	-2.35%	-1.87%	-20.62%	-0.61%

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	3.31%	5.38%	3.17%	15.28%	7.82%	10.35%	12.17%	12.00%	568.14%	10.15%
S&P/ASX 300 ACCUM. INDEX	3.07%	7.81%	6.52%	21.69%	8.13%	8.30%	9.70%	8.92%	349.72%	7.95%
OUT/UNDER PERFORMANCE	0.24%	-2.43%	-3.35%	-6.41%	-0.31%	2.05%	2.47%	3.08%	218.42%	2.20%

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.



COMPANY NAME	ASX CODE	SECTOR	WEIGHT (%)
Commonwealth Bank of Australia	CBA	Financials	7.82
Rio Tinto Ltd	RIO	Materials	6.32
Macquarie Group	MQG	Financials	5.66
Cochlear Ltd	COH	Health Care	5.45
QBE Insurance Group	QBE	Financials	5.10
Xero Ltd	XRO	Information Technology	5.05
Transurban Group	TCL	Industrials	4.51
CSL Ltd	CSL	Health Care	4.22
ASX Ltd	ASX	Financials	4.21
Treasury Wine Estates	TWE	Consumer Staples	4.09
Total equity weighting			97.02
Total cash weighting			2.98

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

TOP 3 CONTRIBUTORS AND DETRACTORS

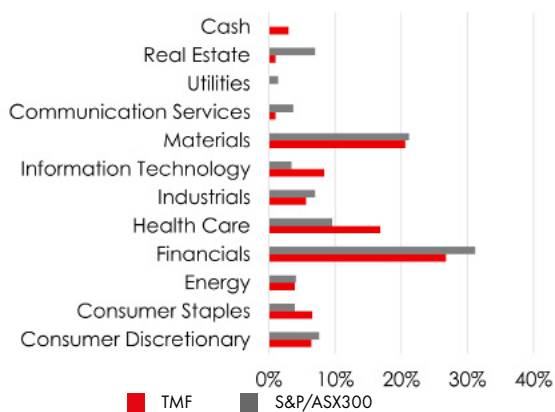
CONTRIBUTORS

Rio Tinto	The share price followed the iron ore price higher.
BHP Group	The share price followed the iron ore price higher.
Macquarie Group	The share price rose after announcing the sale of its AirTrunk stake to Blackstone.

DETRACTORS

Cochlear	The share price continued to fall back as management forecast slowing profit growth.
CSL	The share price pulled back after a period of outperformance.
Transurban Group	The share price fell as sentiment weighed on the stock due to the approaching deadline for NSW toll road reforms.

INDUSTRY EXPOSURE



MARKET CAPITALISATION

	TMF (%)	S&P/ASX300 (%)	ACTIVE (%)	# STOCKS
ASX 1 -20	52.5	61.0	-8.5	13
ASX 21 -50	27.0	17.0	10.1	8
ASX 51 -100	7.7	12.2	-4.4	3
ASX 101 -200	5.1	7.7	-2.7	2
ASX 201 -300	1.1	2.2	-1.1	1
Ex S&P/ ASX 300	3.6		3.6	2
Cash	3.0			
Total	100.0			29

CONTACT DETAILS

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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



The Montgomery Fund (The Fund) returned 3.31 per cent in September, pleasingly outperforming the S&P/ASX 300 Accumulation Index benchmark by 0.24 per cent, which returned 3.07 per cent. Most of the Australian market's hitherto gains this year can be attributed to the rise of the big banks, and this suffered a large reversal with a sharp rotation from banks into resources stocks.

An increase in global market volatility was evident at the beginning of September as investors tweaked their bets on the size of the U.S. Federal Reserve's long-awaited interest rate cut. After economic data that reflected moderating growth, the 50 basis point cut to the 4.75 per cent to 5.00 per cent range helped markets sustain their record highs. The U.S. Federal Reserve's chairman noted the cut was not the beginning of an aggressive rate-cutting cycle, providing confidence the cuts were not in anticipation of a recession. Recall our previous commentary that the combination of disinflation and positive economic growth is good for equities.

On the other side of the world, China revealed ongoing declines in property prices, rising unemployment, sliding consumer sentiment, and a challenging deflationary environment. After months of inaction, the Chinese government finally announced a 1 trillion yuan (US\$142 billion) stimulus package. China's central bank, the People's Bank of China (PBoC), was ordered to inject liquidity into Chinese state banks, buy domestic stocks and reduce short-term interest rates as well as mortgage rates for existing loans. The scale of the stimulus surprised investors, triggering a 23 per cent rally in Chinese equities.

Last month, we noted Australia's fortunes rely heavily on the health of China's economy. This was highlighted by the powerful reaction of the Australian market to the stimulus announcement, resulting in a large sector rotation from banks into resources. It is interesting to note that only the iron ore price rose strongly in the days following news of China's stimulus, while all other commodities remained flat or rose only slightly.

Domestically, the Reserve Bank of Australia (RBA) kept rates steady at 4.35 per cent and reiterated earlier comments about stable interest rates as services inflation remains persistent. The effect of high interest rates saw the Australian economy grow by only 0.2 per cent in the June 2024 quarter. Although the economy is still growing, it is at the softest pace in five quarters and only an increase in government spending has kept gross domestic product (GDP) in positive territory. Australia has now recorded six consecutive quarters of negative GDP per capita.

As mentioned in last month's report, we remain confident about the overall shape of the portfolio, the companies held and their respective investment theses. Despite challenging macroeconomic conditions, each company remains in good shape, and most reported solid results in August. Irrespective of market conditions, we will continue to implement the investment process with consistency and diligence.

Portfolio changes

As mentioned earlier, September was an extremely volatile month for equities. The Fund increased its resources exposure by increasing positions in Fortescue (ASX:FMG) and Pilbara Minerals (ASX:PLS). Positions were also increased in Infratil (ASX:IFT) and ARB (ASX:ARB).

The Fund decreased positions in the Commonwealth Bank of Australia (ASX:CBA), Ramsay Healthcare (ASX:RHC), Woodside Energy (ASX:WDS) and Woolworths (ASX:WOW).

Dexus Ltd (ASX:DXS) is a new holding added in September. Prior to COVID-19, Dexus was a dominant provider of office property in Sydney and Melbourne, with over 80 per cent of its portfolio exposed to the office sector. After peaking in early 2022, the Dexus share price has fallen over 40 per cent as office properties suffered large downward revaluations due to a combination of rising interest rates and a lingering work-from-home movement.

In a concerted effort to diversify away from office, the company sold off several non-core assets and recycled capital into the growing segments of Industrial and Infrastructure assets. Management also accelerated this diversification through the recent acquisition of AMP Capital's real estate and domestic infrastructure platform. This resulted in the group's office property exposure falling to 35 per cent within the space of 4 years.

Now armed with a considerably larger funds management platform, the company has an effective way of increasing return on capital and decreasing execution risk by co-investing alongside partners. With the market slow to adjust its view of the company's diversification away from office, the share price has been languishing at an approximately 15 per cent discount to net tangible assets while all other property trusts are trading at, or at a premium to, net tangible assets. In an ideal series of events, the valuation regime applied to the company could receive a sizeable uplift when 1) office property values stabilise or rise, and 2) if the funds management platform expansion goes according to plan. If this situation unfolds – and we expect it will – the share price could easily exceed its net tangible assets. The mechanics for this rerating would be through a price-to-earnings multiple being added to a growing funds management platform, much as we have seen with Charter Hall Group (ASX:CHC).

Remember, we remain focused on changes or improvements in quality and/or the earnings growth profile. This has resulted in the addition of Dexus to the portfolio. While only a small initial position, we will continue to add to it as we identify future triggers that confirm the investment thesis. Major contributors

Rio Tinto (ASX:RIO) – The share price rose in sympathy with the iron ore price after China announced their most recent stimulus package. The iron ore price rose from US\$90 per tonne on 24 September to US\$108.90 per tonne on 1 October, representing a 21 per cent rise in a week.

BHP Group (ASX:BHP) – BHP's share price rose strongly in the last week of the month, following the sharp rise in the iron ore price.

Macquarie Group (ASX:MQG) – Macquarie's share price rose throughout the month, buoyed by the sale of its shareholding in AirTrunk. Macquarie Group bought a large stake in the data centre operator in 2020 when the whole company was valued at \$3 billion. AirTrunk was subsequently sold to private equity four years later for \$24 billion.

Major detractors

Cochlear (ASX:COH) – Cochlear's share price continued to fall after reporting season. The short-term outlook is for a positive but softer performance in Financial Year 2025, as some one-off costs will temporarily detract from the recent strong growth trajectory.

CSL (ASX:CSL) – CSL's share price pulled back after a period of outperformance. The Financial Year 2024 report revealed continued strong growth in immunoglobulin offset by positive but lower growth rates in the vaccines and iron deficiency divisions. Management gave guidance for low double-digit earnings growth for the 2025 Financial Year, continuing into the medium and longer term.

Woodside Energy (ASX:WDS) – Woodside's share price fell after management's investor presentation revealed a focus on new lower carbon-emitting projects. The company is planning on spending US\$5 billion on these new energy projects, which contain technologies that are still in their relative infancy, potentially resulting in higher risk and lower returns for shareholders.

