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ISSUE 10: AUGUST 2015

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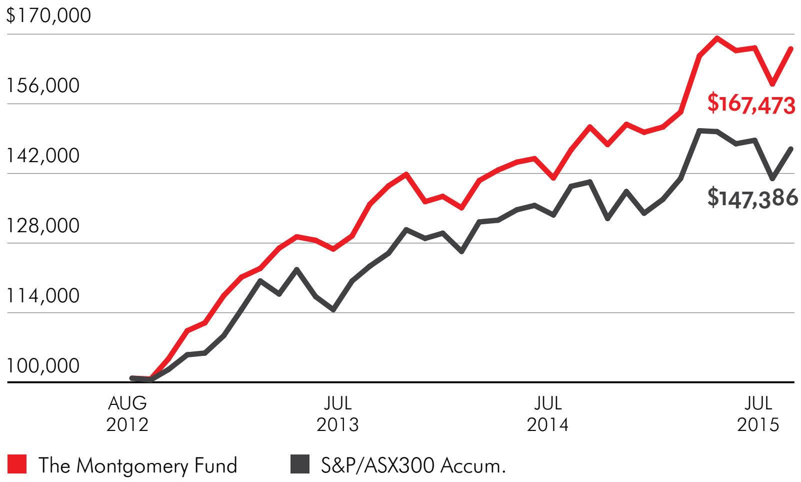
Performance to 31 July 2015*



Returns are since inception (17 Aug, 2012) of The Montgomery Fund and assumes distributions are reinvested. Past performance is not indicative of future performance.

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FROM THE EDITOR

If you're new to Montgomery – welcome. Our ***Best of the Best*** Magazine is a regular collection of our favourite Montgomery insights, from the last few months.

The only thing more surprising than a market correction is that investors are surprised by them. They are a common occurrence, if not always predictable. One should expect them and be prepared with cash aside to take advantage of the inevitable opportunities that are presented.

It has certainly been an interesting few weeks in global equity markets as fears over a slowing Chinese economy finally took hold. This is a subject we have written about at length since 2010. The Chinese correction has wiped more from that country's wealth, in terms of a percentage of GDP, than the combined total of the Tech Wreck and the GFC in the United States. Almost 70 per cent of stock market traders had less than a high school education and had borrowed money to 'invest'.

It is more than likely that the simultaneous popping of the real estate and stock market bubbles will have a negative effect on consumer confidence and economic growth in China in the next few years. Slower growth in China means less demand for the materials, like iron ore, coal and cement, required to build infrastructure and real estate. At the same time companies like Vale and Fortescue Metals, burdened as they are with high levels of debt, negative free cash flow and a large fixed cost in the form of interest expenses, are forced to produce even more iron ore at lower prices to meet their debt obligations. The prices of such commodities can only fall.

Already in the US, the large coal producers like Alpha natural Resources and Walter Coal, have filed for Chapter 11 bankruptcy protection - so they may even keep producing even though they are protected from paying their debts.

Amid all the gloom, there is always a silver lining and in the last weeks we have added to a handful of positions in companies that remain undervalued and have very bright prospects.

We have also launched our new Global funds and have been delighted with their early returns and popularity.

As always our desire is to keep you abreast of our thinking and provide you with insights that may help you invest more sensibly. Please enjoy our tenth edition of ***Best of the Best*** magazine.

And don't forget to set yourself up as a subscriber at rogermontgomery.com to keep up-to-date with our videos and daily insights.

Sincerely yours,

Roger Montgomery
Chief Investment Officer
Montgomery Investment Management

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Ten Network: the headwinds continue

David Buckland, Chief Executive Officer

A brief analysis over the past four and a half years seems to ask more questions than it answers, writes *David Buckland*.

Despite their well regarded Board of Directors, Ten Network Holdings Limited (ASX: TEN) has been one of the more disappointing industrial companies listed on the Australian Securities Exchange over recent years.

So it was no great surprise when Hamish McLennan, after nearly two and a half years with the Company, announced his sudden departure as Executive Chairman and Chief Executive Officer, on Monday. His replacement, Paul Anderson, is the Ten Network's fifth CEO in less than five years.

It is interesting to review Ten's fundamentals over that period. For example, a brief analysis over the four and half-years from the 31 August 2010 year-end balance date to the 28 February 2015 half-year end balance date seems to ask more questions than it answers.

Some of the more pertinent points follow:

- Shareholders' Funds declined by 50 per cent from $902m to $456m, despite the fact shares on issue jumped by more than 150 per cent from 1045m to 263m.
- This is reflected in the Company's net asset backing per share figure, which declined from $0.86 to $0.17. At 28 February 2015, Intangible Assets of $482m meant that net tangible asset backing per share was slightly negative.
- The Company recorded an aggregate net loss after tax over the period under review of $706m. This comprised a net profit of $15m in FY11; a net loss of $14m in FY12; a net loss of $281m in FY13; a net loss $162m in FY14 and a net loss of $264m in the February 2015 half-year.
- The Company's revenue line has grinded down from $852m in the year to August 2011 to $727m in the year to August 2012 to $654m in the year to August 2013 and to $626m in the year to August 2014. Revenue for the six months to February 2015 was $324m, down 2 per cent year on year; and
- The share price of Ten Network Holdings has declined from $1.40 to $0.22.

As we have touched on previously, PwC forecast that over half of Australia's total advertising expenditure will be directed to online content providers by 2019, with free-to-air television expected to suffer the most, dropping to 28 per cent from the current 30 per cent.

While Ten Network's newly appointed Chairman, David Gordon, wrote "he (Hamish) has led a strong and talented management team to effect a turnaround in the Company's performance", it seems to us the headwinds continue.

This article was written on 29 July 2015.
Any mention of prices and rates are to this date.

****Interested readers might like to view, over the page, one of the many pieces we wrote about Network Ten, over four years ago, when several prominent billionaires had just invested in the company.*

Accidents of business

Roger Montgomery, Chief Investment Officer

Warren Buffett observed that we are all "accidents of the womb", writes *Roger Montgomery.*

If you will allow me to extend this train of thought to "accidents of business" there must be many successful entrepreneurs in Australia who might wonder how much bigger their empires could have been if they had perhaps been born or established their business in LA, New York or London.

And I suspect this is a question – give or take a few expletives – that must surely vex Lachlan Murdoch in the context of his latest management decisions at Ten Network where he has a maximum audience of just 22,638,747.

The way to think about the market economics of TV is like a giant card game. There are three high roller teams at the table: Lachlan, Gina Rinehart and James Packer at Ten; the private equity outfit CVC at Nine; and Kerry Stokes at Seven.

Each ratings season represents a hand that is dealt and must be played. Sometimes Seven gets a good hand, but next time it will be Ten and then after that it will be Nine. The order doesn't matter much and the stakes don't get any bigger (literally!).

The point is that the three teams are sitting in a room with the doors and windows closed, there's a fixed amount of money in the pot and who wins will simply depend on the strength of their current hand.

It's a card game without an end. New hands are being dealt constantly. Occasionally one of the players will have a good run, get cocky and overplay his hand by spending too much on programs that flop. Someone else takes up the mantle and round and round we go.

That anyone thinks this is going to dramatically and permanently improve is perhaps the only surprising thing about the television game.

Actually, on second thoughts, I may have been a little optimistic. I did say the amount of money in the pot stays the same. After we take inflation into consideration it definitely is smaller! Then there are the forces of fragmentation at work.

The upshot of all of this is that the share prices of these companies go through periods of favour – almost always at the expense of another – and then periods of rejection. In the long run, the aggregate performance is unlikely to be impressive, nor any improvement be permanent.

But as we all know the stockmarket is a popularity contest in the short term and there aren't enough companies for fund managers to chase, so a turnaround story could translate to an improving share price.

Ten has just announced the run of bad hands is over and has changed its lucky cufflinks. Lachlan Murdoch at the weekend announced a restructure following a review of costs that commenced in February. With that in mind, what is Ten Network worth?

I thought it might be useful to run a couple of scenarios and, using the *Value.able* formula for estimating intrinsic value, produce a range of valuations below which the price of Ten Network could be deemed attractive.

As an aside, well-run businesses don't need restructures or cost cutting drives to keep the business on track. A well-run business never gets "fat" in the cost department, just as a well-kept house never needs a wholesale cleanout. Keeping costs down at Ten Network should be automatic, a part of the culture and daily business life of the television station.

More worryingly, all the free-to-air stations are merely reacting to the structural challenges presented by the internet.

There is arguably no clearly defined strategy among the networks that proactively embraces any online opportunity. Indeed one wonders whether there is any strategy at all.

But back to what it could be worth. From what I can gather, operating costs are running at just over $600 million, representing a rise of $200 million over the past five years. Costs are expected to rise further next year around news, the digital station Eleven and MasterChef – the popularity of which may begin wane this year or next.

It has been reported that headcount will be reduced by more than 100, possibly 200, and that the network will save about $45 million by walking away from AFL coverage. Attrition is already reducing headcount.

The digital station One, which has been losing about $20 million, is being relaunched but one expects that $20 million loss to be reduced rather than eliminated. Also rumoured to be eliminated is $20 million of additional costs associated with 100 staff hired for regional news bulletins and the 6.30 with George Negus program.

Assuming no new ratings sensations next year, the revenue may remain flat. The network employs more than 1300 people and last year salaries were $145.2 million, an average of $111,692.

Cutting, say, 150 people produces savings of $16.8 million. Add the $45 million saved from the AFL, the $20 million from cutting news and cuts to Sports Tonight, Video Hits and publicity and marketing departments in Perth, Adelaide and Brisbane, and you have savings of maybe $100 million.

Starting with $120 million in savings, some of which will be reversed because of the aforementioned cost increases, Ten may end up with net savings of $90 million pre tax.

'PREDICTING CHANGES OF PRICE, HOWEVER, IS NOT THE JOB OF THE VALUE INVESTOR'

The market might think like this: If market capitalisation is $1.2 billion and stays at 8.5 times earnings, and 70 per cent of those savings drop to the bottom line, the measures could add almost $535 million to the market's valuation of Ten. That is a big increase.

Predicting changes in price, however, is not the job of the value investor. Intrinsic value is what I am interested in and the intrinsic valuation changes from the cost cutting are significant but less so. The changes being proposed may add $63 million in 2012 to the profit expected this year of $86 million. The impact would be an increase in intrinsic value from the current 85¢ to 99¢. The shares recently traded at $1.05 and James Packer paid more than $1.60.

Because Packer & Co paid too much, they will need to extract a whole lot more to avoid an accident of the womb!

This article was written on 6 July 2011.
Any mention of prices and rates are to this date.

To go back in time

Andrew Macken, Portfolio Manager

If I could go back in time, around 1988 would be a good place to start, says *Andrew Macken.*

I was recently asked when the best time to start a new fund might have been. Not that most fund managers really have control over this, however, if I could go back in time, around 1988 would be a good place to start.

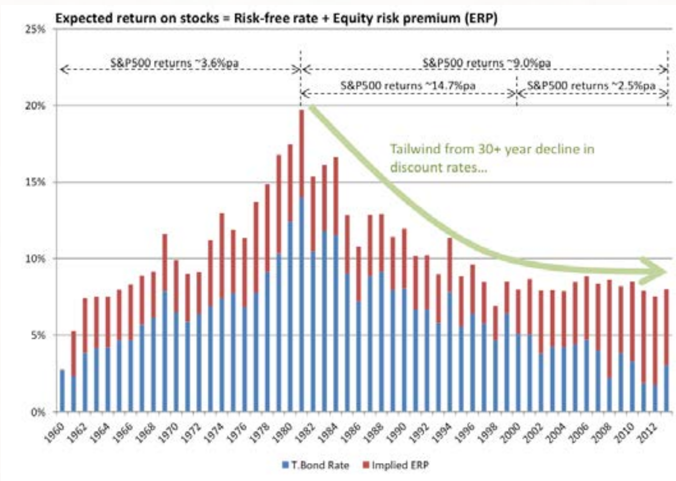
Immediately you might think my answer has something to do with the stock market crash of October, 1987; but it does not. It has everything to do with the tailwind that increasing corporate profit margins and falling interest rates had on equity markets over the subsequent period.

Corporate profit margins have been on an upward trend for the last 25 years. Typically corporate profit margins have mean-reverted – thanks to competition and the laws of industry supply and demand; so the last 25 years has certainly represented an unusually good run.

Furthermore, over the same period, interest rates have been falling. As illustrated by the chart, the discount rate applied to future dividends – defined as the sum of the risk-free rate and equity-risk-premium – has either been declining or moving sideways. This has provided a boost to price-to-earnings multiples on equities (which can be roughly viewed as the reciprocal of the discount rate).

So with margin expansion driving earnings growth; and with falling interest rates driving price-to-earnings multiple expansion, we can start to see why equities delivered stellar returns over this period.

Today is a very different starting point: corporate profit margins are at record highs; and interest rates cannot move any lower. It would seem sensible to conclude, therefore, that equity returns over the coming decades may be materially lower than they have been in recent decades.



Source: Professor Aswath Damodaran (Stern School of Business); UBS

Such conditions only strengthen the value proposition of Montaka – for two reasons:

1. Montaka, with its dual long and short portfolios, significantly increases the scope for us, as the Investment Manager, to add value through superior stock selection. In finance speak, we are saying that, in a lower equity-returning environment, every 100 basis points of "alpha" is a higher share of the total return and, therefore, relatively more valuable;

2. Montaka's dramatically reduced net market exposure (resulting from the short portfolio offsetting the long portfolio) enhances the downside protection of client capital.

We think the space of increased alpha generation and downside protection is a good place to be in the current market environment.

This article was written on 17 August 2015. All share and other prices and movements in prices are to this date.

STOP: Big global theme ahead

Christopher Demasi, Portfolio Manager

We are often asked if big global themes are important to us. The answer is yes, but themes are only part of the story, writes *Christopher Demasi.*

Investing in stocks that are tied to the next big global theme is very alluring for many investors. After all, the promise of structural growth in demand for a product or service over a long period of time seems like a sure way to make money year in year out for many years to come regardless of the vicissitudes of underlying economies. But investors should pause and exercise caution by taking a deeper look at the inner workings of the business they are buying.

We are often asked if big global themes are important to us. The answer is yes, but themes are only part of the story. The investment needs to stack up on a bottoms-up basis to be included in our clients' portfolios. Certainly we account for the tailwinds that big themes like changing demographics, technologies, economic policy, regulatory environments and other characteristics of the world we live in will provide for the companies we analyse. Indeed, this will inform our assessment of the future prospects of a business. However we know that quality and value will also be key determinants of an investment's prospective performance. Let me illustrate by way of example.

Digital data is exploding globally. Not only are people and businesses creating and sharing more digital content than ever before, but all our gadgets and "things" are becoming more connected. Every time you take a photo on your smartphone and send it to a friend you are contributing to this growth in the digital universe. Think of how many people are tweeting and downloading and messaging and the increasing frequency of this behaviour.

There are now nearly as many digital bits in digital universe as there are stars in the physical universe. And as we create and copy the amount of data doubles in size every two years! But where does it go?

'RECENT HICCUPS AT SANDISK HAVE INDICATED TO US THE CHALLENGES OF COMPETING IN A RAPIDLY CHANGING INDUSTRY'

This exponentially increasing digital data must be stored. The most attractive form of storage is based on technology called "flash" memory which has speed, power and reliability advantages over other forms. Flash is the type of memory found in USB drives, embedded in smartphones and laptops, and increasingly in storage drives used by big companies. So who makes flash memory?

SanDisk (NASDAQ: SNDK) is the global leader in flash storage solutions and the only pure-play flash storage provider. SanDisk is headquartered in California and trades on the NASDAQ with a market capitalization of around US$14 billion. SanDisk is one of a handful of companies that produce flash memory, with a revenue share of about 20 per cent. With the digital universe driving demand this group expects demand for bits to grow 30 per cent annually. So from a top-down view of the world SanDisk is an easy buy?

Not exactly. A bottom-up view of the company reveals reason to pause. The marketplace for flash storage is notoriously competitive among the big players, which includes the behemoth Samsung. To a large degree the flash storage chips have been viewed as relatively commoditized products and any increase in supply from the industry drives prices down – the industry expects to expand supply even quicker than the astronomical demand growth over the foreseeable future. Recent hiccups at SanDisk have indicated to us the challenges of competing in a rapidly changing industry, where the capital cost to stay in the game by advancing product technology is increasing, and the customer base is becoming more concentrated.

Apple was SanDisk's biggest customer last year, accounting for 20 per cent of company sales, but recently dropped SanDisk as flash provider to its MacBooks in favour of Samsung. Even with a recent stock price correction of around 30 per cent, SanDisk trades at 23x forward Price/Earnings ratio and less than 5 per cent free cash flow yield.

In our view, from the bottom up, an investment in SanDisk is not as attractive as the view from the top down might have us believe.

This article was written on 25 May 2015. All share and other prices and movements in prices are to this date.

UPDATE: Remember?

The memory chip space is back in focus. Yesterday morning news broke that Chinese state-owned Tsinghua Unigroup was preparing to make a US$23billion bid for Micron (NASDAQ: MU). The bid equates to US$21 per share and represents a 19 per cent premium to yesterday's closing price of US$17.61.

Shareholders, however, may only be "semi" excited by the proposal. After all the stock price has halved from around US$35 at the beginning of the year and the offer premium would only narrow this loss to 40 per cent. In fact Micron's stock price was trading above US$24 as recently as the last week of June.

Yet Micron shareholders wouldn't be the only memory-chip manufacturer owners out there wanting to forget. In my post *Stop: Big Global Theme Ahead*, I compared the top-down investment view for flash memory-maker, and Micron's peer, SanDisk (NASDAQ: SNDK) with a bottom-up thesis on the stock. Despite multi-year exponential growth in digital data that must be stored the world over I concluded:

"Even with a recent stock price correction of around 30 per cent, SanDisk trades at 23x forward Price/Earnings ratio and less than 5 per cent free cash flow yield"

"In our view, from the bottom up, an investment in SanDisk is not as attractive as the view from the top down might have us believe"

At the time SanDisk stock was trading close to US$70 per share. At last close on Monday (13 July) SanDisk shares were trading at US$53.65, representing a 20 per cent fall in just over a month. Even if SanDisk itself became the target of an acquirer, top-down believers from the end of May would need a 25 per cent premium just to break even.

Remember, at Montgomery we continue to work hard for our clients from the bottom up.

This article was written on 15 July 2015. All share and other prices and movements in prices are to this date.

*** Since then the SanDisk share price has fallen further and traded below $50 at the time of publication.

Pop!

Russell Muldoon, Portfolio Manager

Russell Muldoon asks; Do we have a property bubble in Australia?

It's a topic that has numerous sides to the debate; from supply, demand, debt levels and affordability. However, perhaps the best view of the state of Australia's property market has rather silently and with little fanfare come straight from the prudential regulator of the Australian financial services industry.

The Australian Prudential Regulation Authority (APRA) oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, private health insurance, friendly societies and most members of the superannuation industry. Their role is to ensure that these institutions keep their financial promises; that is, that they will remain financially sound and able to meet their obligations to depositors, fund members and policy holders.

So when you see them make wholesale changes to the way banks carry out investment lending, such as they have recently, you have to ask yourself – why?

In recent weeks, on top of forcing the major banks to restrict investment lending growth to 10 per cent, banks have also had to hold significantly more capital for every housing investment loan they make. This move is designed to not only ensure a larger buffer is held by the banks but also to reduce the level of profitability each loan will generate.

As a summary, if you were today to try and obtain a loan to buy an investment property then you might notice the following; Where previously you could get 95 per cent loan to valuation ratios, you will likely need a minimum deposit of 20 per cent before your application would be considered.

Further, the days of getting a discount on your loan now appear to be over. Most banks are now going to give you the rate they advertise which in recent weeks have moved materially higher.

Some banks have gone further and completely removed the negative gearing benefit from initial loan assessments. This has the impact of drastically reducing borrowing capacities.

Finally; a number of banks are now only allowing 60 per cent of the properties rental income stream from the investment property when assessing low repayment affordability. Again, this reduces borrowing capacity.

'THE DAYS OF GETTING A DISCOUNT ON YOUR LOAN ARE OVER'

We believe this is a clear sign that ARPA has seen unsustainable market growth and has instructed the banks to toughen the qualifying criteria for investment loans. The question is; have they done enough?

We suspect more is to come. Whilst investor loans have been the lions share of the market, owner-occupied housing still makes up a significant share and hence its natural for one to assume that once the above changes take effect, APRA will move to tighten the rules right across the board.

Watch this space.

This article was written on 13 August 2015. All share and other prices and movements in prices are to this date.

Are you investing or speculating?

Tim Kelley, Head of Research

Tim Kelley talks about the line between speculation and investment, and how to tell which side you're on.

When you last bought a parcel of shares, were you investing or speculating? The term speculation carries some negative connotations, evoking thoughts of risk and recklessness, and is probably not one many of us would want to identify with. It's a distinction that often arises in financial journalism and marketing, with money managers typically laying claim to the investor label to convey that what they are doing is good, wholesome and professional, and not prone to misadventure.

But where exactly is the line between speculation and investment, and how do you tell which side you're on?

Unfortunately, the definition itself is a bit unclear. The Oxford English Dictionary suggests that speculation is the investment in stocks, property, etc. in the hope of gain but with the risk of loss. On that basis we are all speculators.

When finance professionals use the term however, they are usually drawing a distinction between buying an asset in the hope of profiting from movements in its price, and buying an asset in hope of benefiting from the underlying attributes of the asset. In simple terms, buying a cheap stock with a view to selling in down the track when it is fully valued is speculation. Buying the same stock purely to benefit from the stream of future dividends is investing.

There is a powerful concept implicit in this distinction: the idea that owning a stock can be its own reward, irrespective of what happens subsequently in the equity market.

For a true "investor", a crash in the stock market is more likely to be a good thing than a bad thing, as the loss of market value of their holdings is of no concern, especially when the opportunity arises to acquire additional dividend streams on favourable terms.

The GFC was some years ago now, but many readers will recall the stress and anxiety it provoked, and the wholesale abandonment of the equity market by disappointed shareholders in the wake of the losses. Imagine being able to sail through a period like that and view it as a positive thing.

'FOR A TRUE INVESTOR, A CRASH IN THE STOCKMARKET IS MORE LIKELY TO BE A GOOD THING THAN A BAD THING'

Of course, none of us live forever, and in reality most investors remain conscious of the market value of their holdings. However, it is worth reflecting on the distinction between speculation and investment. If you can adopt a little more of the mindset of the "investor" in your stock market deliberations, you may be much better placed to weather the next storm when it comes. And it always does.

This article was written on 30 July 2015. All share and other prices and movements in prices are to this date.

The liquidity surprise!

Roger Montgomery, Chief Investment Officer

Buffett's phrase 'the curse of liquidity' sums up markets perfectly, writes *Roger Montgomery.*

Freelancer shares (not owned by Montgomery) entered a trading halt last week, pending an announcement. While we were aware of the reason for the halt, not all market participants were, so we were unable to discuss this issue with you at the time.

Now that the trading halt has been lifted we can inform you that institutional investors were notified the company was raising $10 million in an institutional placement. "Proceeds from the raising will be used to take advantage of near term growth opportunities including, but not limited to, potential bolt-on acquisitions and acceleration of organic growth, and for general corporate purposes."

That all sounded pretty promising, remembering the company has recently become operating cash flow positive and reported a 41 per cent increase in net revenue in the first half of 2015 (December year end), and one would expect that major shareholders are excited by the additional value that will be created by these near term growth opportunities, which include potential bolt-on acquisitions.

So it may come as a surprise to some that concurrent with the capital raising is a vendor selldown of $35 million. "Concurrent with the Placement, Startive Holdings Limited [a company associated with venture capital investor Simon Clausen] will sell down approximately 16.4 million Securities at A$1.40 per Security and Matt Barrie will also sell down approximately 8.6 million Securities at A$1.40 per Security." According to the last annual report, Startive owned approximately 167.9 million shares and Matt Barrie owned 200.4 million shares, collectively 84.4 per cent of the company.

So the sell down represents a small change of 6.7 per cent of the holdings declared by the vendors in the annual report. Neverthless it is good practice for investors to question and analyse how relevant or required a capital raising is when it is accompanied by a much larger sell down by vendors.

Postscript: In the subsequent completion announcement, Freelancer.com Matt Barrie said, "I am thrilled that Freelancer is continuing to attract high quality institutions to its register. As we continue to rapidly grow the Company, it is important that all shareholders benefit from increased market liquidity and a broadened share register."

Simon Clausen said; "I am happy to support the company's needs to increase market liquidity…"

Investors however should not allow themselves to be distracted by these statements. Liquidity has nothing to do with business quality or value and neither does attracting institutions to the register. Indeed liquidity can be a curse.

It should be seen as somewhat perverse that liquidity does affect market valuations. Market participants tend to be willing to pay a premium for liquidity. In the case of two otherwise identical stocks, the one with the better trading liquidity tends to command a price premium over the less liquid stock. A stock that is easier to trade in and out of would be awarded a higher multiple than the less liquid alternative. But this is folly and a dangerous distraction to the investor.

To help understand the way stock markets work, Warren Buffett used his 2014 annual newsletter to tell the story of a farm he has owned since 1986. Unless you are a short-term trader, in other words a gambler, Buffett believes you should treat your share portfolio in exactly the same way as you would your real estate investments.

'BUFFETT COMPARED THE FLUCTUATIONS IN THE SHARE MARKET AS AKIN TO AN ERRATIC NEIGHBOUR LEANING OVER THE FENCE SCREAMING OUT OFFERS FOR HIS LAND EVERY DAY'

"Those people who can sit quietly for decades when they own a farm or apartment too often become frenetic when they are exposed to a string of stock quotations," Buffett said. "For these investors, liquidity is transferred from the unqualified benefit it should be, to a curse." He argues that the goal of the ordinary investor should not be to pick winners: they should simply hold a diversified portfolio and stick with it.

Buffett compared the fluctuations in the share market as akin to an erratic neighbour leaning over the fence screaming out offers for his land every day.

"Imagine a moody fellow with a farm bordering on my property who yelled out a price every day at which he would either buy my farm or sell me his – and those prices varied widely over short periods of time depending on his mental state. If his bid today was ridiculously low, I could buy his farm … if it was ridiculously high I could either sell to him or just go on farming."

Let's translate that to our local market. Let's say you owned a blue chip share XYZ Limited that was selling at $40. The company is highly profitable, paying increasing dividends, is well managed, and is a market leader. Suddenly, due to the possibility of war in Ukraine, Wall Street tumbles, traders all around the world panic and sell, and our market drops 3 per cent. Of course, shares in XYZ will fall too, and you may wake up to find your $40 share is now trading at $35.

As far as XYZ is concerned, nothing has changed. The business is as strong as ever, and 99.5 per cent of investors are happy to sit tight and enjoy the growing income stream. Only a desperate few panic and sell and take a loss, just because the market in general reacted to events that happened thousands of miles away.

No investment offers the growth potential, ease of ownership, or tax concessions of shares. Buffett's phrase 'the curse of liquidity' sums up markets perfectly. Every investment decision you make will have advantages and disadvantages. The downside of liquidity is that you can be tempted to sell just because you can.

This article was written on 11 August 2015. All share and other prices and movements in prices are to this date.

THE

MONTGOMERY GLOBAL FUND

MONTGOMERY
INVESTMENT MANAGEMENT PTY LTD

MINIMUM INVESTMENT $25,000

The Montgomery Global Fund has a portfolio of extraordinary global businesses with bright prospects.

HOW?

The Montgomery Global Fund offers the long-term benefits of a focused portfolio of extraordinary global businessess, available at an attractive price, as well as the flexibility to hold funds in the safety of cash.

No time to invest yourself? Too much information to process? Invest in The Montgomery Global Fund – high quality businesses purchased at rational prices.

How are stocks selected?

The Montgomery Global Fund seeks to identify high quality businesses with attractive prospects that can be acquired at discounts to intrinsic value. The Fund may suit investors seeking the benefits of a focused portfolio of extraordinary global businesses.

Where does the fund invest?

The Fund will typically invest with conviction in a portfolio of 15 to 30 high quality global businesses listed on major global stock exchanges including North America, Western Europe, the United Kingdom, Japan, Hong Kong, Singapore and Australia.

How does the Fund deal with foreign exchange?

Montgomery Global, may on occasion, hedge the Fund against movements in the Australian dollar and other currency exchange rates, but the default position is to remain unhedged. Australian investors may therefore potentially benefit from any decline in the Australian dollar.

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