The Montgomery Fund

Monthly investment report

May 2026

Fund overview

The Montgomery Fund's portfolio will typically comprise 25-35 high-conviction stocks listed on the ASX. The Fund employs an active, bottom-up investment approach focused on fundamental analysis and high-quality companies.

Fund facts

Investment manager:	Montgomery Investment Management Pty Ltd
Sub-investment manager:	Australian Eagle Asset Management Pty Ltd appointed 12 September 2022.
Objective:	To outperform the index over a rolling 5-year period.
Benchmark:	S&P/ASX 300 Accumulation Index
Portfolio managers:	Sean Sequeira, Alan Kwan
APIR code:	FHT0030AU
Investment style:	Agnostic

Investment timeframe:	5 years recommended
Inception:	17 August 2012
Minimum initial investment:	$25,000
Fund size:	$249.85 million
Management fees and costs:	1.36% pa*
Distributions:	Half-yearly. View a history of our website **here**.
Performance fee:	15.38% outperformance of the benchmark**
Unit prices:	montinvest.com/our-funds/the-montgomery-fund/

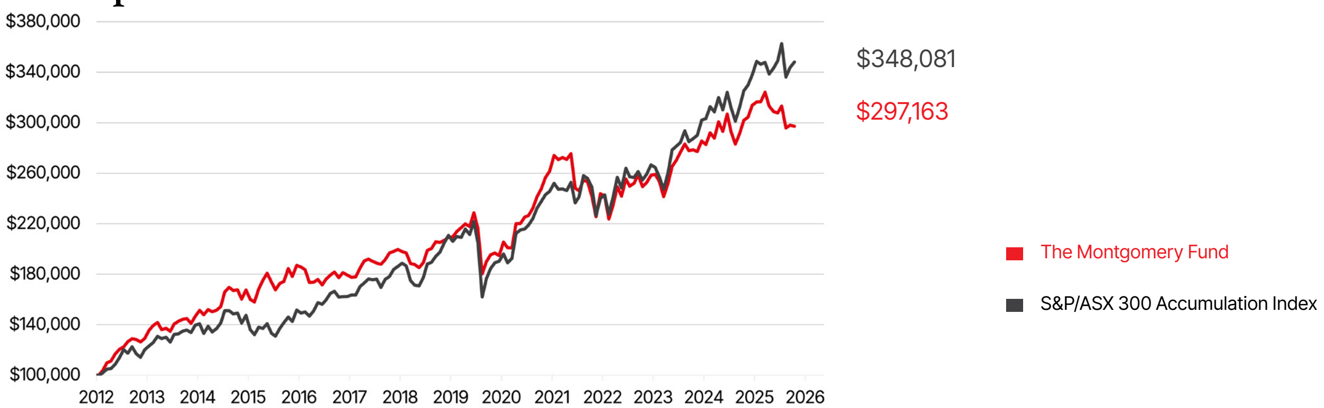
* Includes the Responsible Entities fees, Montgomery's fees, custody fees, ordinary and abnormal expenses and any indirect costs. This is an estimate as cost may vary.
** Please read the Product Disclosure Statement for details.

Portfolio performance

	1 month	3 months	6 months	12 months	3 years (p.a.)	5 years (p.a.)	Since inception#	Compound annual return (since inception)
The Montgomery Fund	-0.30%	-5.13%	-5.13%	-1.57%	6.02%	3.72%	197.16%	8.22%
S&P/ASX 300 Accumulation Index	1.25%	-4.03%	2.80%	7.02%	10.97%	7.93%	248.08%	9.47%
Out/under performance	-1.55%	-1.10%	-7.93%	-8.59%	-4.95%	-4.21%	-50.92%	-1.25%

\# Inception: 17 August 2012, past performance is not indicative of future performance. 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 and assume distributions are reinvested.

Fund performance



Fund commentary

The Montgomery Fund (the Fund) posted a -0.30 per cent return after fees in May, lagging the S&P/ASX 300 Accumulation Index by 1.55 per cent.

Importantly, our overall approach was strengthened by a timely and proactive shift away from major banks and towards the resources sector. Investors re-evaluated the banking sector amid cautious outlooks, higher loan provisions, and recent federal budget adjustments – supporting our more cautious view on banks.

The overall portfolio demonstrated robust underlying strength, though monthly performance was negatively affected by sharp, concentrated declines in three key holdings: Brambles, ASX, and CSL. Each of these companies reported earnings downgrades, and the market reactions were historically severe relative to the actual earnings adjustments. Together, these three positions reduced the monthly return by over 3.0 per cent, overshadowing strong gains elsewhere in the portfolio.

Portfolio changes

The Fund increased positions in Aristocrat Leisure Ltd (ASX:ALL), BHP Group Ltd (ASX:BHP), PLS Ltd (ASX:PLS), Rio Tinto Ltd (ASX:RIO), Weebit Nano Ltd (ASX:WBT), Wesfarmers Ltd (ASX:WES) and Worley Ltd (ASX:WOR).

The Fund decreased exposure to ASX Ltd (ASX:ASX), Commonwealth Bank Ltd (ASX:CBA), CSL Ltd (ASX:CSL), Evolution Mining Ltd (ASX:EVN), National Australia Bank Ltd (ASX:NAB) and Woodside Energy Ltd (ASX:WDS).

The Fund bought Computershare Ltd (ASX:CPU). After years of underperformance, it divested its U.S. and U.K. mortgage businesses last year, leaving three high-quality core units in Issuer Services, Employee Share Plans, and Corporate Trust. These generate strong, largely recurring organic growth and better earnings. Trading at a low multiple with potential tailwinds from rising interest rates and more corporate activity, the market undervalues the company's improved earnings profile. If organic growth and macroeconomic tailwinds persist, the stock could re-rate higher.

The Fund established a position in Megaport Ltd (ASX:MP1). Acquiring Latitude.sh boosted Megaport's networking in compute and storage, expanding its target market and growth. Latitude.sh's recent wins more than doubled annual recurring revenue, showing strategic timing and positioning Megaport to benefit from AI-driven infrastructure demand. The combined platform enables cross-selling of networking, connectivity, compute, and storage solutions, shifting Megaport from a connectivity provider to a broader cloud and AI platform, enhancing medium-term growth prospects.

The Fund exited its Dexus Ltd (ASX:DXS) position as its thesis didn't materialise. Management didn't move decisively toward a capital-light model by selling assets, so proceeds were reinvested into higher-conviction opportunities with clearer earnings improvement pathways.

Contributors

Rio Tinto (ASX:RIO) outperformed in May as commodity prices rose, with iron ore, aluminium, and copper increasing, boosting earnings expectations across key divisions.

Worley Ltd (ASX:WOR) rose after securing three new contracts, boosting backlog growth. The stock gained support from a new buyback and an investor presentation emphasising increasing involvement in complex infrastructure, including data centres, expanding market perception beyond traditional energy engineering.

Weebit Nano (ASX:WBT) rose after announcing two customers taped out chips with its ReRAM, and another is at prototype stage. The update boosted investor confidence in AI infrastructure and semiconductor investments, supporting firms in next-gen memory and chip efficiency.

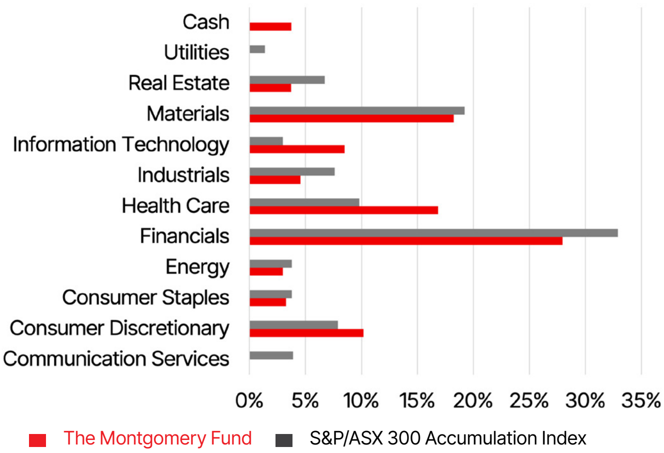
Detractors

Brambles Ltd (ASX:BXB) underperformed after revising financial year 2026 guidance, citing U.S. repair capacity constraints and new pallet purchases expected to cut earnings by US$60 million. Management remains confident this is temporary and announced a US$400 million buyback.

ASX Ltd (ASX:ASX) – ASX fell after issuing financial year 2027 guidance for higher cost growth driven by technology modernisation and regulatory remediation. Revenue growth remains strong at low double-digit rates while the appointment of a new external CEO from Europe provides a potential reset opportunity.

CSL Ltd (ASX:CSL) underperformed after downgrading financial year 2026 guidance due to U.S. immunoglobulin inventory normalisation, weaker China albumin prices, and Middle East conflict impacts. Sentiment was further pressured by US$5 billion non-cash impairments mostly related to CSL Vifor, as the company searches for a permanent CEO.

Industry exposure



Top 10 holdings

Company Name	ASX Code	Weight (%)
QBE Insurance Group	QBE	5.97
Commonwealth Bank of Australia	CBA	5.90
Rio Tinto	RIO	5.57
Aristocrat Leisure	ALL	5.21
PLS Group	PLS	5.06
Worley	WOR	4.96
Brambles	BXB	4.94
BHP Group	BHP	4.65
Macquarie Group	MQG	3.99
Evolution Mining	EVN	3.60
Cash		**2.63**
Weighted average market capitalisation		**71.21 bn**

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Platform availability

- **Asgard**
- **BT Panorama**
- **CFS Edge**
- **DASH**
- **HUB24**
- **Insignia eXpand**
- **Macquarie Wrap**
- **Mason Stevens**
- **Netwealth**
- **North**
- **Powerwrap**
- **Praemium**

Ratings

Zenith RECOMMENDED

Zenith
Recommended

Recommended Lonsec Research

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Read our insights at
rogermontgomery.com

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Important information