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 17 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
$372.3M

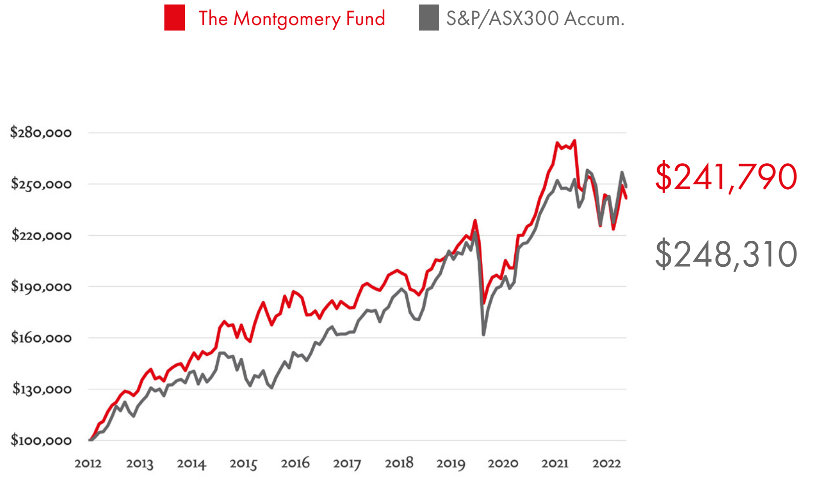
MANAGEMENT FEES AND COSTS
1.36% per annum[1]

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 (%)
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
June 2018	11.2554	7.55

PORTFOLIO PERFORMANCE

(to 31 December 2022, 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	-2.99%	8.10%	7.20%	-12.23%	3.55%	4.72%	4.25%	7.54%	141.79%	8.89%
S&P/ASX 300 ACCUM. INDEX	-3.29%	9.13%	9.62%	-1.77%	5.51%	7.10%	8.44%	8.61%	148.31%	9.17%
OUT/UNDER PERFORMANCE	0.30%	-1.03%	-2.42%	-10.46%	-1.96%	-2.38%	-4.19%	-1.07%	-6.52%	-0.28%
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.										
AUSTRALIAN EAGLE COMPOSITE[3]	-2.99%	8.10%	9.90%	-0.34%	9.27%	10.85%	13.56%	12.07%	453.17%	10.03%
S&P/ASX 300 ACCUM. INDEX	-3.29%	9.13%	9.62%	-1.77%	5.51%	7.10%	8.44%	8.61%	257.15%	7.37%
OUT/UNDER PERFORMANCE	0.30%	-1.03%	0.28%	1.43%	3.76%	3.75%	5.12%	3.46%	196.02%	2.66%

[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.

TOP COMPLETED HOLDINGS* (TCH)

(at 31 December 2022)

COMPANY NAME	ASX CODE	SECTOR	WEIGHT (%)
Commonwealth Bank of Australia	CBA	Financials	7.42
Rio Tinto Ltd	RIO	Materials	5.93
QBE Insurance Group Ltd	QBE	Financials	5.74
Woodside Energy Group Ltd	WDS	Energy	5.51
CSL Ltd	CSL	Health Care	5.49
Macquarie Group Ltd	MQG	Financials	5.47
AMP Ltd	AMP	Financials	5.43
Cochlear Ltd	COH	Health Care	5.24
Transurban Group	TCL	Industrials	4.86
Telstra Group Ltd	TLS	Communication Services	4.36
Total equity weighting			96.99
Total cash weighting			3.01

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

TOP 3 CONTRIBUTORS AND DETRACTORS

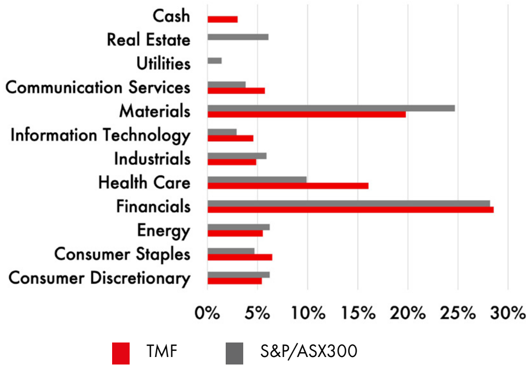
CONTRIBUTORS

Rio Tinto	The share price outperformed as the Chinese government reiterated support for the property sector.
QBE Insurance Group	The share price rose after the US Fed continued to raise interest rates.
Avita Medical	The share price outperformed as management revealed its growth plans for FY23.

DETRACTORS

Corporate Travel Management	The share price fell on concerns of the effect of surging COVID cases on the recovery of international travel.
Transurban Group	The share price fell on concerns that margins may suffer due to increasing operational costs.
IGO Limited	The share price followed the lithium price lower.

INDUSTRY EXPOSURE



MARKET CAPITALISATION

	TMF (%)	S&P/ ASX300 (%)	ACTIVE (%)	# STOCKS
S&P/ASX 1-20	54.5%	60.9%	-6.4%	13
S&P/ASX 21-50	18.6%	16.5%	2.1%	5
S&P/ASX 51-100	15.2%	12.4%	2.8%	4
S&P/ASX 101-200	7.1%	7.8%	-0.7%	5
S&P/ASX 201-300	0.0%	2.5%	-2.5%	0
Ex S&P/ASX 300	1.6%		1.6%	2
Cash	3.0%			
Total	100.0%			

CONTACT DETAILS

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The S&P/ASX 300 Accumulation Index fell throughout December, returning negative 3.29 per cent. The Montgomery Fund (The Fund) fared slightly better, returning negative 2.99 per cent after fees and outperforming the benchmark by 0.30 per cent. For the December 2022 half-year, The Fund returned 7.20 per cent, after fees, versus the S&P/ASX300 Accumulation Index return of 9.62 per cent. It is important to remind readers Australian Eagle Asset Management took over the management of The Fund from 12 September 2022 and while it is early days, we are pleased with the team's dedication to that role.

World markets reversed their trajectory compared to the previous two months, falling after the U.S. Fed raised interest rates by 50 basis points to the 4.25 per cent to 4.50 range. The U.S. Fed Chairman Jerome Powell increased his hawkish rhetoric, stating that "we still have some way to go" in terms of interest rate rises, consequently starting a downwards trajectory for global equity markets from the middle of the month. The U.S. yield curve remained inverted (implying recession) but steepened slightly, with the 10-year yield increasing 26 basis points to 3.87 per cent. The Bank of Japan (BoJ) unexpectedly tweaked its approach to interest rates, abandoning its long-standing yield curve control policy and increasing its upper band limit on yield target from 0.25 per cent to 0.50 per cent, causing financial markets to fluctuate as investors took time to digest the potential ramifications for multiple asset classes.

In other significant global news, China abruptly abandoned its zero COVID-19 policy during December with Chinese residents no longer required to take PCR tests on a regular basis while also allowing people to move without restriction, domestically and internationally. The U.S. suffered a prolonged and severe winter storm across large parts of the country, resulting in thousands of cancelled flights, chaos on the highways, thousands of households without power and dozens of fatalities.

The iron ore price rose 10 per cent to U.S.$111/tonne on increased government support for the Chinese property sector and the easing of border and social restrictions, leading to the big iron ore miners outperforming the broader market. The oil price endured a volatile month but ultimately ended flat at U.S.$80/barrel with news of higher U.S. crude inventories and China's reopening and subsequent surge of COVID cases causing intra-month volatility.

Domestically, the RBA raised interest rates for the eighth consecutive time to a 10-year high of 3.10 per cent. The energy crisis continued to cause problems at all levels of Australian society as the Federal Government passed new legislation, capping domestic gas and coal prices for one year to provide energy bill relief to households while also compensating energy companies for their lost earnings.

Top contributors to monthly performance were Rio Tinto Ltd (ASX:RIO), QBE Insurance Group (ASX:QBE) and Avita Medical Inc (ASX:AVH). As mentioned previously, the big iron ore miners all followed the iron ore price higher during the month while the rest of the market broadly fell due to tightening monetary policy. QBE also contributed to performance as the market has continued to recognise the benefit of higher interest rates on the company's $26 billion investment book. Avita Medical continued to contribute to performance after giving further detail for their FY23 expansion plans at their Annual General Meeting.

The main detractors to performance were Corporate Travel Management (ASX:CTD), Transurban Group (ASX:TCL) and IGO Ltd (ASX:IGO). Corporate Travel Management fell as the surge in COVID-19 cases reignited fears of another slowdown in international travel activity. Transurban underperformed during the month on concerns of higher costs having a negative effect on profit margins. IGO also detracted from performance as the lithium price fell during the month.

Major changes to the portfolio include a new position initiated in Costa Group (ASX:CGC). With fruit and vegetable operations Australia-wide, the core domestic division has been a stable grower in recent times despite enduring a crippling drought as well as heavy rainfall and cooler temperatures, highlighting the quality of the group operations. Additionally, the international segment is providing significant upside potential for shareholders with both China and Morocco operations starting to contribute to performance in a meaningful way. The asset base of the company consisting mostly of domestic farmland has grown significantly in the last few years, providing downside protection for a company that is subject to the cyclical weather patterns. With a growing royalty income stream and growing domestic and international demand for high quality produce, Costa Group remains well placed to weather any cyclical downturns as well as capitalise on potential future growth opportunities.

Newcrest Mining (ASX:NCM) was another portfolio holding that was increased during the month. This stock was highlighted last month as an increased position due to its growing copper production that is equivalent of a recently acquired company OZ Minerals (ASX:OZL) worth just under $10 billion. We remain positive on NCM as the rising gold price is providing additional upside to the low cost and high volume operations of the company.

Two stocks that were mentioned last month as ones that were decreased in weight, IGO Ltd (ASX:IGO) and Incitec Pivot Ltd (ASX:IPL) were also down-weighted again in December. With model weights decreased, we have progressively been harvesting our positions in both these stocks as we reallocate your capital to holdings that have larger upside potential.

At the conclusion of the 6 months to December 2022, The Montgomery Fund paid a distribution of 1.5263 cents per unit. After finishing the year at $1.3809, the starting unit price for the commencement of the 2023 calendar year 2023 is $1.3657.

Below, we have included a stock highlight on one of our portfolio holdings, Corporate Travel Management (ASX:CTD).

The Australian Eagle investment team has multiple ways to determine the quality of a business. In the case of Corporate Travel Management which operates in an established industry, assessing how the company managed their way through a crisis, forms a significant part of our determination of the stock's qualitative rating. As such, the past 3 years have been a well-documented crisis for the multi trillion-dollar global travel industry. During this uncertain period, management was able to operate the business without additional finance, remaining debt-free since 2020. Compared with its listed peers, the company stood out as the only travel business to issue equity to finance an expansion and not raise capital purely for survival. The earnings accretive acquisition of a similar sized competitor during a difficult time significantly grew the size and capabilities of the existing group.

During a period of industry-wide hardship, Corporate Travel Management acquired Travel & Transport and other smaller companies, thereby extending their geographic reach, and expanding EBITDA under normal trading conditions by about 65 per cent beyond pre COVID-19 levels. It is during a challenging period such as this, that quality companies seek to utilise their competitive advantage to enter the subsequent recovery phase with a larger market position.

PLATFORMS WE ARE ON: Ausmaq AMP PortfolioCare AMP Summit AMP Wealthview AMP North Asgard BT Panorama Colonial First Wrap Clearview Wealthsolutions HUB24 IDPS HUB24 Super Investment Exchange (IX) Macquarie Wrap MLC/Navigator S&P MLC/Navigator IDPS Netwealth OneVue Praemium Powerwrap Wealth02/uXchange

This, along with indications of the accelerating speed of return of business travellers firstly in New Zealand and subsequently in other geographies, provided the trigger that confirmed Corporate Travel Management's potential for much larger earnings growth in the coming years.

With the addition of its recent acquisitions, the company has forecast that upon full resumption of travel, EBITDA should be about $265 million versus $165 million pre-pandemic. Despite the expanded customer base and market share, the share price remains 30 per cent below pre-COVID-19 levels while competitor enterprise values are at or above pre COVID-19 levels. The most recent trading update in October 2022 highlighted strong client retention, record level new client wins and continued EBITDA positive group operations. Recent concerns over tough trading conditions should pale in comparison to ones experienced during COVID-19 and are only likely to delay, not extinguish, a resumption to full earnings potential.