



THE MONTGOMERY FUND

INVESTMENT REPORT & FACT SHEET

FUND OVERVIEW

The Montgomery Fund employs a bottom-up, value style to invest and manage the equity portfolio. The Fund has the ability to retain a cash weighting, with a 'soft' 30 per cent limit, while seeking to identify companies that satisfy three main points of criteria. For inclusion in The Montgomery Fund, a business must be of premium quality, display bright prospects for earnings and growth in intrinsic value, and be available to purchase at a reasonable price.

Pursuant to this objective, The Fund aims to deliver superior positive returns where suitable investment opportunities are abundant, and to preserve capital through cash allocations where suitable investment opportunities are scarce.

FUND FACTS

INVESTMENT MANAGER

Montgomery Investment Management Pty Ltd

OBJECTIVE

The Montgomery Fund aims to outperform the index over a rolling 5-year period.

BENCHMARK

The S&P/ASX 300 Accumulation Index

FUND CONSTRUCTION

The Fund's All Cap portfolio will typically comprise 20-40 high-conviction stocks listed on the ASX and/or NZSX. Cash typically ranges from 0%-30%, but up to 50% in extreme situations.

APIR

FHT0030AU

RECOMMENDED INVESTMENT TIMEFRAME

5 years

MINIMUM INITIAL INVESTMENT

\$25,000

INCEPTION DATE

17 AUGUST 2012

FUND SIZE

\$466.8M

MANAGEMENT FEE

1.36% per annum, which includes a management fee of 1.18% per annum. Both figures are GST inclusive and net of RITC.

PERFORMANCE FEES

15.38% of the total return of The Fund that is in excess of the Index. No performance fee is payable until any previous periods of underperformance has been made up.

APPLICATION & REDEMPTION PRICES

montinvest.com/tmf

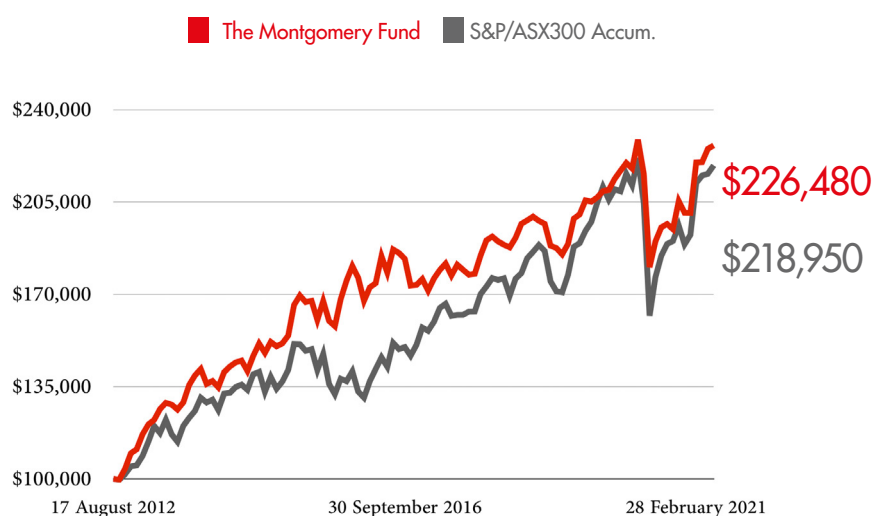
FINANCIAL YEAR RETURNS

FINANCIAL YEAR	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX
2013*	26.3%	14.1%
2014	11.6%	17.3%
2015	13.7%	5.6%
2016	11.2%	0.9%
2017	1.7%	13.8%
2018	9.3%	13.2%
2019	4.4%	11.4%
2020	-4.9%	-7.6%
Since Inception**	10.1%	9.6%

* 2013 is the period 17 August 2012 to 30 June 2013

**Compound annual returns

PERFORMANCE GRAPH



PORTFOLIO PERFORMANCE

(to 28 February 2021, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	0.56%	0.56%	1.48%	-0.92%
3 months	0.32%	2.61%	2.93%	3.16%	-0.23%
6 months	0.34%	9.94%	10.28%	11.69%	-1.41%
12 months	0.38%	4.59%	4.97%	7.06%	-2.09%
3 years (p.a.)	4.81%	1.43%	6.24%	7.53%	-1.29%
5 years (p.a.)	4.39%	1.82%	6.21%	10.85%	-4.64%
7 years (p.a.)	4.68%	2.38%	7.06%	7.45%	-0.39%
Since inception#	57.80%	68.68%	126.48%	118.95%	7.53%
Compound annual return (since inception)#	5.49%	4.56%	10.1%	9.6%	0.43%

17 August 2012



Despite the usual flurry of company news during the February reporting season, relative performance and headlines were generally dominated by macro developments for the Australian market.

The Montgomery Fund delivered a total return of 0.56 per cent in the month of February, whilst the broader Australian market returned 1.48 per cent. This was largely due to strong performance from resources and bank stocks, the perceived beneficiaries of a change in inflation expectations as signalled by moves in the ten-year Government bond yields globally.

Excluding these sectors, the remaining sectors generated returns ranging from flat to -8 per cent. This was despite earnings results for the period to December 2020 generally meeting forecasts. There was no better evidence of the gap between published results and what was truly expected by investors than the retail sector, where the sector was sold off 7 per cent despite upgrades to consensus forecasts for Fiscal 2021. This is driven by a growing discernment of the “share of wallet” theme that benefited retailers during COVID lockdowns being likely to shift as economies seek to re-open with the protection of vaccines.

The top contributor to performance was Westpac, with the banks benefiting on the back of positive surprises in their quarterly and half yearly earnings releases as well as sector rotation given the upward move in ten-year Government bond yields. The primary positives from the result were better than expected outcomes from loans placed on hardship provisions and improved revenue growth dynamics with increased credit demand and better net interest margins.

The portfolio also benefited from several winners during reporting season including Codan, which showed impressive market share gains in the leisure segment of the metal detection market as well as an accretive acquisition; and Tabcorp, which delivered strong results from Lotteries and Keno helping to consolidate gains driven by corporate interest in Wagering and Media.

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TOP COMPLETED HOLDINGS* (TCH)

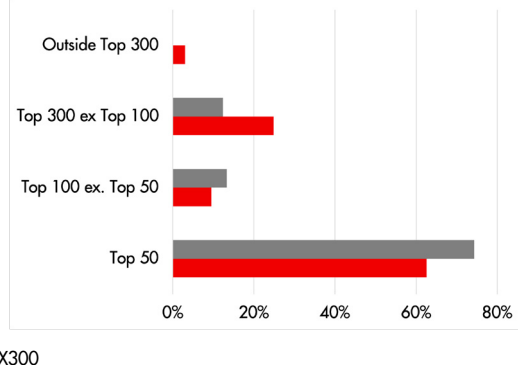
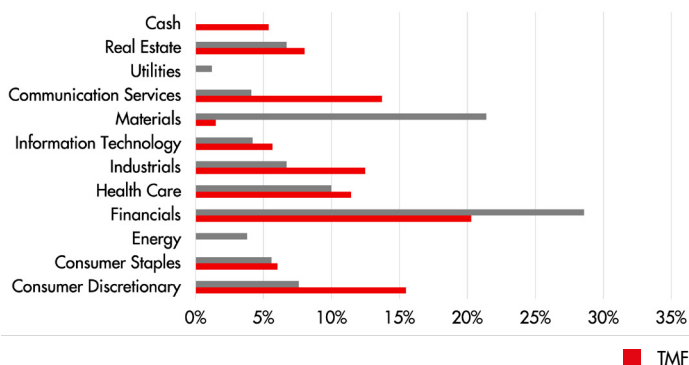
(at 28 February 2021, out of 29 holdings)

COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Westpac Banking Corp	2.8	N/A	14.4	7.43
Commonwealth Bank	9.4	N/A	19.3	6.08
Woolworths Group	19.2	183.7	25.9	6.02
Wesfarmers	26.3	74.8	24.5	5.43
Macquarie Group	3.8	N/A	15.9	4.51
CSL	37.4	73.5	46.0	4.33
Sydney Airport	N/A	N/A	N/A	4.29
Telstra Corp	13.9	123.0	21.8	3.97
REA Group	27.6	12.1	57.4	3.91
Codan	30.0	-25.2	28.8	3.88
TCH AVERAGE	18.9	73.6	28.2	
MARKET AVERAGE	11.4	65.8	19.8	
Total equity weighting				94.62
Total cash weighting				5.38

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

INDUSTRY EXPOSURE

MARKET CAPITALISATION EXPOSURE



PLATFORMS WE ARE ON: Ausmaq ⇄ AMP PortfolioCare ⇄ AMP Summit ⇄ AMP Wealthview ⇄ AMP North ⇄ Asgard ⇄ BT Wrap ⇄ BT Panorama ⇄ Colonial First Wrap ⇄ Clearview Wealthsolutions ⇄ Investment Exchange (IX) ⇄ Federation Accounts ⇄ HUB24 ⇄ Linear Managed Accounts ⇄ Macquarie Wrap ⇄ MLC Wrap ⇄ Navigator ⇄ Netwealth IPDS ⇄ Netwealth Super ⇄ OneVue ⇄ Powerwrap ⇄ UBS ⇄

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. This report was prepared by Montgomery Investment Management Pty Ltd, AFSL No: 354564 ('Montgomery') the investment manager of The Montgomery Fund ('TMF'), ARSN 159 364 155. The Responsible Entity of The Fund is Fundhost Limited (ABN 69 092 517 087) (AFSL No: 233 045) ('Fundhost'). This document has been prepared for the purpose of providing general information, without taking into account your particular objectives, financial circumstances or needs. You should obtain and consider a copy of the Product Disclosure Document ('PDS') relating to the Fund before making a decision to invest. Available here: <http://fundhost.com.au/investor/tmf>. While the information in this document has been prepared with all reasonable care, neither Fundhost nor Montgomery makes any representation or warranty as to the accuracy or completeness of any statement in this document including any forecasts. Neither Fundhost nor Montgomery guarantees the performance of the Fund or the repayment of any investor's capital. To the extent permitted by law, neither Fundhost nor Montgomery, including their employees, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this report. Past performance is not indicative of future performance.

Key detractors during the month included Wesfarmers, which despite delivering results ahead of upgraded expectations was not immune from the sell-off in the discretionary retail sector. We used the sell-off late in the month to top up our holdings in the group.

Redbubble was another detractor during reporting season. The Company delivered very strong top line growth during the December 2020 half-year, however the market was disappointed in the 500 basis-point drop in gross margins due to lower masks sales and a fall in shipping revenue. The stock also suffered from a rotation out of the technology sector towards the end of the month. The Fund has been taking profits on the name for some time given the momentum driven price appreciation, and we continue to have a small holding given its longer-term potential.

While macro developments on bond yields, inflation / reflation and the re-emergence of the re-opening thematic dominated relative returns, our efforts remain focused on owning quality businesses with a balanced approach to risk.

