



THE MONTGOMERY FUND

February 2022

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

\$450.9M

MANAGEMENT FEES AND COSTS

1.37% per annum*, which includes a management fee of 1.18% per annum. Both figures are GST inclusive and net of RITC. *Includes the Responsible Entities fees, Montgomery's fees, custody fees, ordinary and abnormal expenses and any indirect costs.

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

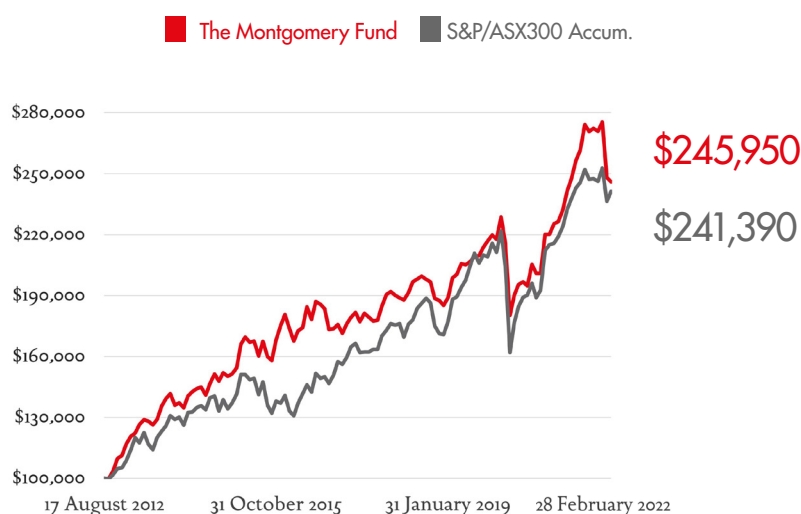
FINANCIAL YEAR RETURNS

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%
2021	30.5%	28.5%
Since Inception**	9.9%	9.7%

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

**Compound annual returns

PERFORMANCE GRAPH



PORTFOLIO PERFORMANCE

(to 28 February 2022, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-0.89%	-0.89%	2.09%	-2.98%
3 months	0.58%	-9.78%	-9.20%	-1.97%	-7.23%
6 months	0.57%	-10.84%	-10.27%	-4.24%	-6.03%
12 months	4.05%	4.54%	8.59%	10.25%	-1.66%
3 years (p.a.)	3.35%	4.01%	7.36%	8.68%	-1.32%
5 years (p.a.)	4.09%	2.83%	6.92%	8.63%	-1.71%
7 years (p.a.)	4.28%	1.50%	5.78%	6.92%	-1.14%
9 years (p.a.)	4.78%	3.29%	8.07%	8.06%	0.01%
Since inception#	63.84%	82.11%	145.95%	141.39%	4.56%
Compound annual return (since inception)#	5.32%	4.58%	9.90%	9.7%	0.22%

17 August 2012



FUND COMMENTARY

The month of February saw unprecedented geopolitical developments colliding with stock specific news-flow, leading to elevated volatility and in many cases, a sharp sell-off.

We entered February with expectations of a challenging results season as companies reported on the difficulties encountered due to supply chain, COVID disruptions and rising costs in the backdrop of sharply higher inflation and rising interest rate expectations. However, these challenges would ultimately pale in comparison to the uncertainty and risk-aversion created by Russia's invasion of Ukraine, which has become the dominant short - and potentially medium-term - consideration of financial markets.

The ASX 300 Accumulation Index rose by 2.09 per cent during the month of February, compared to a fall of 0.89 per cent for The Montgomery Fund.

Despite our overall cautious stance on the broader market, the outbreak of war in Ukraine and Russia has added tail risk to an already increasingly complex macro environment. The immediate financial market response has been to bid up commodities given the all-too-visible supply disruptions of Russia and Ukraine on global commodity trade (ranging between around

2 per cent in iron ore to around 5 per cent in the energy complex of oil / gas / coal) as the only "certain" short-term outcome from the conflict.

As commodity prices go up, it is alluring to invest in the commodity producers given the certainty of the immediate spike in earnings associated with such a move. While we expect energy security will be a key fallout from this geopolitical turmoil, investing in the continued price momentum of the broader commodity complex is intertwined with predicting the nature of any resolution of the current conflict. Longer-term influences include the demand-destruction considerations of a soaring commodity price in an environment of weakening consumer sentiment, and the potential trigger of a supply response.

To put simply, The Fund was not positioned as a war-time beneficiary and the short-term environment has not suited The Fund's core philosophy in investing in quality businesses over the medium to long term.

Continued on the next page...

TOP COMPLETED HOLDINGS* (TCH)

(at 28 February 2022, out of 30 holdings)

COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Commonwealth Bank	13.3	N/A	18.4	7.92
National Australia Bank	10.6	N/A	14.3	7.38
Macquarie Group	10.3	N/A	16.4	5.31
Goodman Group	22.9	9.4	27.4	5.26
Aristocrat Leisure	24.8	28.2	22.3	4.77
Resmed	25.6	17.3	38.3	4.56
Wesfarmers	25.4	73.1	25.1	4.47
Woolworths Group	12.3	N/A	29.8	4.38
Telstra Corp	12.6	106.8	25.5	4.22
CSL	21.0	47.7	37.1	3.97
TCH AVERAGE	17.9	47.1	25.5	
MARKET AVERAGE	15.0	58.9	16.4	

Total equity weighting

93.46

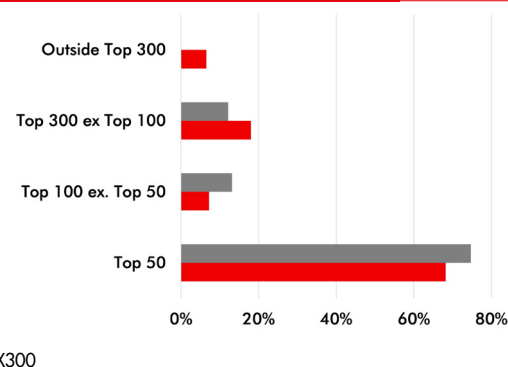
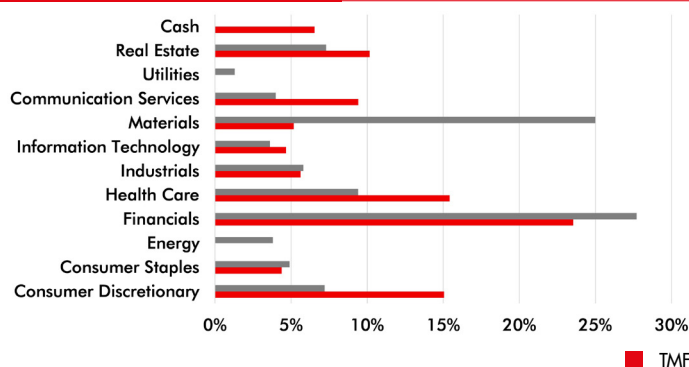
Total cash weighting

6.54

*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 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 ⇌

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') and Target Market Determination ('TMD') 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.



The resource-heavy composition of the ASX benchmark (compounded by BHP's increased weighting from 7.5 per cent to 12 per cent of the benchmark) has further skewed The Fund's relative performance, with meaningful participation requiring a significant shift in the portfolio to company earnings it considers questionably sustainable over the longer-term.

For The Fund itself, we remain positive on the portfolio of companies that we are invested in given their business quality relative to their share price and valuation, especially as the focus inevitably shifts from war disruptions to more sustainable earnings over the medium term. Most of these businesses exhibited these quality characteristics during a tumultuous earnings season, including:

- Goodman Group increasing its 2022 EPS forecasts from at least 15 per cent to 20 per cent as it continues to benefit from a multi-year tailwind of increasing requirements for high quality logistics;
- Resmed continuing to post sales and revenue growth exceeding 10 per cent despite supply chain challenges incurred during the December 2021 Quarter;
- Reliance Worldwide reporting financials in-line with consensus expectations, despite not fully benefiting from price increases put in place to offset commodity inflation;
- Telstra demonstrating the earnings benefit from market leadership in mobile and leveraging its superior coverage in a deal with Vodafone;
- Macquarie Group upgrading its earnings after posting a record quarter for December;
- REA Group demonstrating a combination of both pricing power and volume leverage, while showing positive progress on its overseas investments (especially in India); and
- Centuria Capital increasing its EPS growth by 10 per cent and showing acceleration in Assets Under Management

We expect markets to remain unpredictable and volatile in the immediate future as the course of markets are determined by geopolitical events. Our positioning remains broadly defensive as we assess the implications of rising escalations on our investment companies, but with one eye on the medium-term outlook.

Subsequent to month end, we have reduced some exposures where we deem the risk is to the downside due to the escalating conflict. This sees the cash balance of The Fund approaching 10 per cent.

