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 18 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
$315.2M

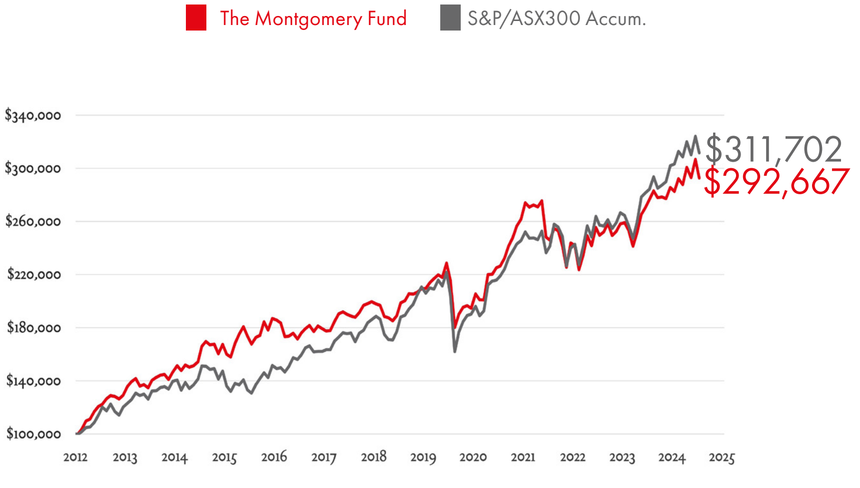
MANAGEMENT FEES AND COSTS
1.36% per annum[1]

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 2024	1.3217	0.88
June 2024	11.4223	7.87
December 2023	2.1568	1.51
June 2023	4.4834	3.25
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

PORTFOLIO PERFORMANCE

(to 28 February 2025, 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	-4.61%	-2.65%	3.53%	5.83%	5.97%	6.29%	6.46%	5.84%	192.67%	8.95%
S&P/ASX 300 ACCUM. INDEX	-3.79%	-2.59%	2.76%	9.65%	8.89%	8.79%	8.50%	7.51%	211.70%	9.49%
OUT/UNDER PERFORMANCE	-0.82%	-0.06%	0.77%	-3.82%	-2.92%	-2.50%	-2.04%	-1.67%	-19.03%	-0.54%

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.

	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	Compound annual return (since inception)
AUSTRALIAN EAGLE COMPOSITE[3]	-4.61%	-2.65%	3.53%	5.83%	8.93%	10.47%	10.14%	10.75%	569.56%	9.94%
S&P/ASX 300 ACCUM. INDEX	-3.79%	-2.59%	2.76%	9.65%	8.89%	8.79%	8.50%	7.51%	348.33%	7.77%
OUT/UNDER PERFORMANCE	-0.82%	-0.06%	0.77%	-3.82%	0.04%	1.68%	1.64%	3.24%	221.22%	2.17%

[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. Past performance is not indicative of future performance.

TOP COMPLETED HOLDINGS* (TCH)

(a 28 February 2025)

COMPANY NAME	ASX CODE	SECTOR	WEIGHT (%)
Commonwealth Bank of Australia	CBA	Financials	8.36
QBE Insurance Group	COH	Financials	6.03
Cochlear Ltd	QBE	Health Care	5.98
Rio Tinto Ltd	RIO	Materials	5.66
Macquarie Group	MQG	Financials	5.12
Xero Ltd	XRO	Information Technology	4.96
ASX Ltd	ASX	Financials	4.79
ResMed	RMD	Health Care	4.27
Wesfarmers Ltd	WES	Consumer Discretionary	4.01
CSL Ltd	CSL	Health Care	3.79
Total equity weighting			97.23
Total cash weighting			2.77

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

TOP 3 CONTRIBUTORS AND DETRACTORS

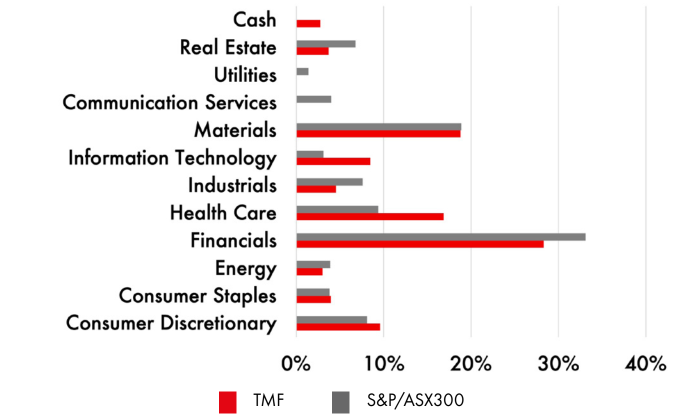
CONTRIBUTORS

ASX	The share price rose after reporting growth in derivatives trading.
QBE Insurance	The share price outperformed after increasing the full year dividend.
Evolution Mining	The share price rose after reporting a strong result stemming from a record high gold price.

DETRACTORS

Cochlear	The share price fell after management downgraded earnings guidance.
Silex Systems	The share price fell after reporting a large net loss and falling cash balance.
Pilbara Minerals	The share price fell after increased production failed to offset a lower realised spodumene price.

INDUSTRY EXPOSURE



MARKET CAPITALISATION

	TMF (%)	S&P/ ASX300 (%)	ACTIVE (%)	# STOCKS
ASX 1 -20	48.6	60.4	-11.8	14
ASX 21-50	24.3	17.0	7.3	6
ASX 51 -100	12.2	12.0	0.2	4
ASX 101 -200	7.7	8.0	-0.3	4
ASX 201 -300	4.5	2.7	1.8	3
Ex S&P/ ASX 300	0.0		0.0	0
Cash	2.8			
Total	100.0			31

CONTACT DETAILS

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PLATFORMS WE ARE ON: Asgard BT Panorama Colonial First Wrap Clearview Wealthsolutions Investment Exchange (IX) Clearstream DASH HUB24 Xplore Wealth Macquarie Wrap Mason Stevens MLC/Navigator Netwealth North OneVue Praemium Powerwrap

Equity markets endured a tumultuous February, with Trump's tariffs, China's sabre rattling and doubts about the path of U.S. growth adding to pronounced volatility stemming from reporting season.

The Australian market, as measured by the benchmark S&P/ASX 300 Accumulation index, declined by 3.79 per cent. The Montgomery Fund (The Fund) was not immune to these currents, recording a decline of 4.61 per cent for the month and trailing the benchmark by 0.82 per cent after fees.

The Montgomery Fund's largest position is the Commonwealth Bank of Australia (8.25 per cent of the portfolio at the time of writing). The Commonwealth Bank was the only bank during reporting season to demonstrate excellent relative business economics.

The Commonwealth Bank results, however, contrasted with disappointment from other key domestic financial institutions, including Bendigo Bank, National Australia Bank, and Westpac, whose half-yearly and quarterly disclosures underscored mounting pressures on their net interest margins amid a challenging economic landscape for their clientele.

The Reserve Bank of Australia (RBA) enacted a 25-basis-point interest rate cut to 4.10 per cent, a decision underpinned by easing underlying inflation. However, the RBA board adopted a circumspect stance on further rate easings.

The Australian equity market oscillated sharply throughout reporting season, meting out harsh price reactions to any company falling short of expectations. Meanwhile, the share prices of companies that met expectations or even exceeded them, experienced selling from profit taking.

Amid moderating inflation, firms struggled with cost pressures, notably wages and energy costs. Yet, those endowed with robust competitive moats and resilient cash flows distinguished themselves, with dividend growth or inaugural payouts finding favour.

The global picture was one of divergence. Western markets recoiled under the twin pressures of President Trump's disruptive trade war-inspiring tariffs, and the Mega Cap-bubble-bursting news of a low-cost Chinese artificial intelligence (AI) powered Large Language Model (LLM) release called DeepSeek.

China's DeepSeek LLM is ranked by blind community-driven testing as the 11th best LLM in the world.

In contrast, equity markets in China and Hong Kong surged, buoyed by revitalised investor interest in technology firms following a prolonged period of underperformance. The reverberations of Trump's tariff policies were keenly felt, driving a flight to safety in U.S. Treasuries, and a consequent 30-basis-point decline in 10-year Treasury bond yields to 4.49 per cent. The U.S. Federal Reserve, acknowledging the pervasive uncertainty, signaled a pause in rate adjustments until the economic ramifications of Trump's policies are better understood.

The Chinese 'government' also bolstered its fiscal and monetary frameworks to fortify its economy against the looming U.S. tariffs. Despite these efforts, the persistent sluggishness of China's economic recovery has cast a shadow over Australian commodity producers and select consumer goods companies, perpetuating their underperformance.

Portfolio adjustments

In navigating these conditions, The Fund added to holdings in ASX Ltd (ASX:ASX), Dexus (ASX:DXS), Telix Pharmaceuticals (ASX:TLX), and Web Travel Group (ASX:WEB), while establishing new positions in Aristocrat Leisure Ltd (ASX:ALL), Judo Bank Ltd (ASX:JDO), and Santos Ltd (ASX:STO).

Aristocrat Leisure Ltd (ASX:ALL): Our entry into Aristocrat reflects a calculated move to secure exposure to a premium, cash-generative enterprise with formidable market positioning and structural tailwinds in online real-money gaming.

Management's strategic retreat from casual gaming – via the divestiture of Plarium – and its pivot toward regulated gaming through the NeoGames acquisition, aligns with its core strengths. Regulatory expansion in the U.S. for online gaming, coupled with a burgeoning land-based division commanding over 40 per cent market share in North America, augurs well for its competitive position and for sustained growth. A $750 million share buyback program, following a $1.85 billion repurchase, should also serve to support shareholder value, while margin expansion and double-digit earnings per share (EPS) growth underscore its current competitive edge.

Judo Bank Ltd (ASX:JDO): This position offers a nuanced alternative to Australia's dominant quartet of retail banks.

As a high-growth lender specialising in small and medium enterprises (SMEs), Judo is carving out market share amid the majors' pivot to larger corporate clients. With loan growth outpacing the sector and a stable net interest margin, Judo is poised to leverage operational efficiencies into enhanced margins in the latter half of financial year 2025, driving superior returns on equity. In a softening interest rate environment, we believe its business model offers limited downside risk relative to traditional banks, while offering both fundamental growth and valuation upside over the medium term.

Santos Ltd (ASX:STO): Santos appears to be on the cusp of a multi-year expansion phase with Barossa LNG slated for first gas in the third quarter 2025 and Pikka Phase 1 targeting first oil by mid-2026. These milestones promise to materially lower production costs while elevating profitability and cash flows. The Moomba Carbon Capture Storage (CCS) project further enhances its growth profile as a high-margin, low-risk revenue stream. Management's recalibrated capital policy – raising the dividend payout ratio from 40 per cent to 60 per cent of free cash flow, with a potential 100 per cent payout if gearing falls below target – reflects confidence in these ventures. Our investment team views Santos' disciplined capital allocation as a judicious balance of shareholder returns and reinvestment in high-value projects.

Concurrently, The Fund reduced exposure to CSL Ltd (ASX:CSL), National Australia Bank (ASX:NAB), Pilbara Minerals Ltd (ASX:PLS), SILEX Systems (ASX:SLX), Treasury Wine Estates Ltd (ASX:TWE), and Woodside Energy (ASX:WDS), while fully exiting Capstone Copper (ASX:CSC). The divestment of Capstone, held for less than a year, stemmed from delays in production ramp-ups at Mantoverde and Mantos Blancos, which inflated labour and energy costs and strained margins.

Major contributors

ASX Ltd (ASX:ASX): A robust half year 2025 report propelled its share price, fueled by optimism surrounding heightened corporate listing activity – exemplified by the Chemist Warehouse-Sigma Healthcare merger and sustained growth in derivatives trading and interest margins.

QBE Insurance Group (ASX:QBE): A stellar financial year 2024 result, marked by a reduced combined operating ratio and an increased dividend, bolstered its share price. Portfolio de-risking has enhanced quality and capital efficiency.

Evolution Mining (ASX:EVN): Record half-year performance, driven by elevated gold prices and operational excellence at Cowal, Red Lake, and Northparkes, lifted its shares. Plans to extend Cowal's mine life to 2042 and exploration success at Red Lake position it for organic growth.

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Detractors

Cochlear Ltd (ASX:COH): Subdued Services revenue, tied to weak demand for sound processor upgrades, weighed on its share price. Management's reaffirmed 10 per cent unit volume growth guidance, however, signals resilience, with new product launches poised to shape its trajectory.

SILEX Systems Ltd (ASX:SLX): Delays in technology certification and elevated cash burn amid a softening uranium market dented its performance. Nonetheless, its strategic alignment with U.S. nuclear energy demand sustains its long-term potential.

Pilbara Minerals Ltd (ASX:PLS): Persistent lithium price weakness and ongoing capital expenditure eroded free cash flow, pressuring its share price. Cost-cutting and the P1000 ramp-up position the company for any recovery in market conditions.

Our investment team remains vigilant, and attuned to both microeconomic currents and company-specific developments.