

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

\$456.7M

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

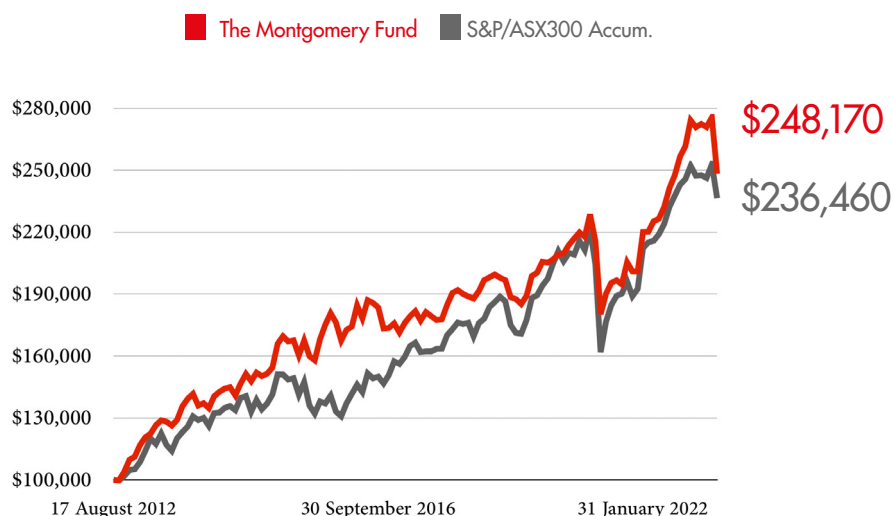
FINANCIAL YEAR RETURNS

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**	10.1%	9.5%

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

**Compound annual returns

PERFORMANCE GRAPH



PORTFOLIO PERFORMANCE

(to 31 January 2022, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-9.92%	-9.92%	-6.45%	-3.47%
3 months	0.58%	-9.47%	-8.89%	-4.49%	-4.40%
6 months	0.60%	-5.73%	-5.13%	-3.75%	-1.38%
12 months	4.07%	6.12%	10.19%	9.59%	0.60%
3 years (p.a.)	3.52%	5.96%	9.48%	10.05%	-0.57%
5 years (p.a.)	4.20%	3.48%	7.68%	8.65%	-0.97%
7 years (p.a.)	4.56%	2.46%	7.02%	7.63%	-0.61%
9 years (p.a.)	4.83%	3.51%	8.34%	8.43%	-0.09%
Since inception#	63.84%	84.33%	148.17%	136.46%	11.71%
Compound annual return (since inception)#	5.36%	4.73%	10.09%	9.53%	0.56%

17 August 2012



January was a tumultuous start to 2022 with global markets registering their largest falls since the COVID-induced sell off in March 2020. Markets registered falls of between 3 to 10 per cent, led by the technology and growth heavy Nasdaq index, which declined 9 per cent for the month.

Closer to home, the local S&P/ASX 300 Accumulation Index was down 6.45 per cent, with the only positive sectors being resources and the defensive utilities sector – two sectors which The Montgomery Fund (The Fund) has minimal exposure to. Disappointingly, The Fund fell 9.92 per cent, underperforming the index by 3.47 per cent.

Given the significant move experienced in January, we have provided more colour on recent moves and our positioning.

We entered November – December relatively cautious on certain sectors of the market due to a few factors:

- Emergence of Omicron in mid-November – despite milder symptoms, Omicron’s elevated transmissibility meant a greater impact to already disrupted supply chains and economies;

- Earnings expectations yet to fully reflect the disruption;
- Share prices (domestically) continuing to be driven by narratives and multiple expansion without the required earnings support – despite the sell-off observed in large sections of the Nasdaq; and
- Last (and definitely not least) – a change in Fed signalling on US monetary policy.

While disappointing that The Fund has not fared better in the recent sell-off, we believe several of our investments have been hit harder than the “market” for a couple of reasons:

- Multi-year growth stocks that posted significant outperformance in 2021 have been sold to fund “cyclical” exposures – including IDP Education, Macquarie Group, Goodman Group and Reliance Worldwide. In a number of these examples, multiple expansion had exceeded the earnings growth in share price performance.

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TOP COMPLETED HOLDINGS* (TCH)

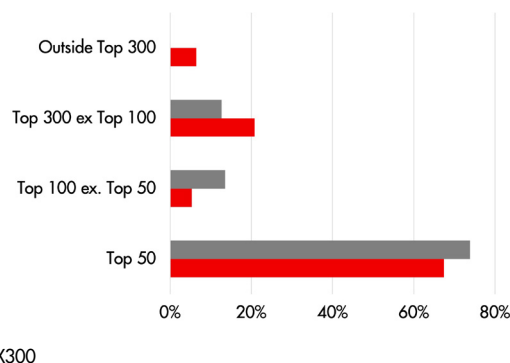
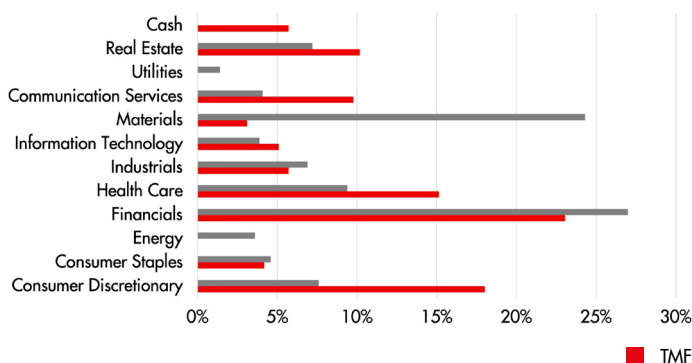
(at 31 January 2022, out of 30 holdings)

COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Commonwealth Bank	11.9	N/A	18.3	6.76
Goodman Group	18.2	9.4	30.2	5.41
Macquarie Group	10.3	N/A	18.9	5.32
National Australia Bank	10.6	N/A	14.1	5.21
Aristocrat Leisure	24.8	28.2	23.6	5.10
Wesfarmers	25.5	73.1	27.3	4.50
Resmed	25.6	17.3	36.4	4.30
Woolworths Group	25.4	N/A	30.2	4.20
Telstra	15.9	106.8	25.7	4.13
CSL	31.9	47.7	37.7	3.93
TCH AVERAGE	20.0	47.1	26.2	
MARKET AVERAGE	10.5	67.4	16.6	
Total equity weighting				94.30
Total cash weighting				5.70

*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.

- Significant index moves with the re-domiciliation of the UK BHP listing – which has seen passive and benchmark aware funds selling down positions to cater for a higher weight of BHP in the index.

The Fund has maintained its focus on i) Quality businesses; overlaid with ii) a valuation framework. The recent pullback is a useful reminder of the importance of the latter, as future compound earnings growth delivered by these investments is required to justify a reasonable valuation framework on our investment horizon. The former is a consideration of every investment. We note Business Quality extends beyond Porter's 5 Forces narrative but also encompasses quantitative financial measures such as balance sheet strength, cash-backed earnings, return on equity and management quality.

During the month, we have selectively increased our positioning during weakness in some key portfolio companies such as Codan, Wesfarmers and Woolworths, which has been funded via a combination of cash and relative winners (Capricorn).

We have also exited our small position in Endeavour Drinks Group – where we had been seeking a more attractive entry price to build a full position post demerger with Woolworths. We are concerned with the trajectory of earnings as economies emerge from lockdown and stay-at-home alcohol spending faces greater share-of-wallet competition.

In terms of the near-term outlook – recent falls have rebased the valuation profile of many stocks – especially growth companies. Complicating the picture is the upcoming earnings reporting season where we believe business disruption has yet to be fully reflected in near-term earnings expectations. We anticipate opportunities to arise in this volatile environment, while also being mindful of portfolio holdings and their relative strength in what has been a challenging operating environment.

We remain constructive longer-term as we seek to invest in higher quality businesses that will outperform through the cycle.

