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
$454.0M

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.

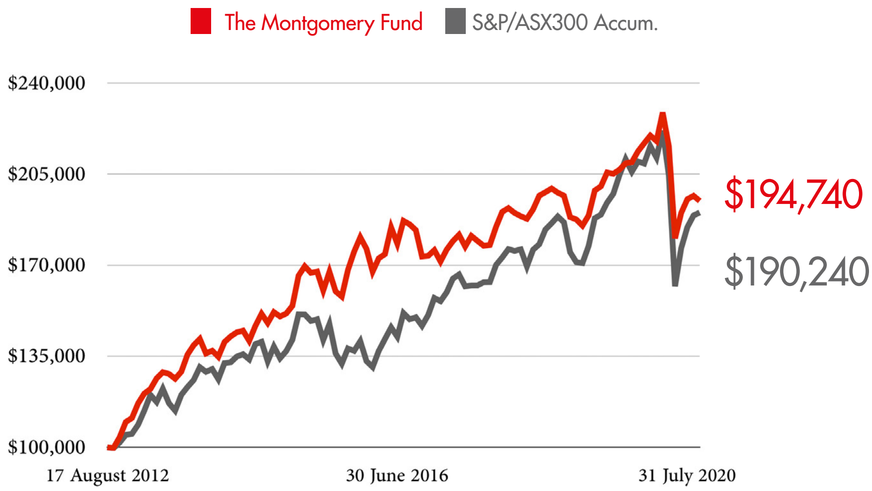
APPLICATION & REDEMPTION PRICES
montinvest.com/tmf

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**	8.7%	8.4%

* 2013 is the period 17 August 2012 to 30 June 2013
**Compound annual returns

PERFORMANCE GRAPH



PORTFOLIO PERFORMANCE

(to 31 July 2020, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-0.99%	**-0.99%**	0.60%	-1.59%
3 months	0.07%	2.39%	**2.46%**	7.77%	-5.31%
6 months	0.06%	-14.90%	**-14.84%**	-14.20%	-0.64%
12 months	1.20%	-8.11%	**-6.91%**	-9.74%	2.83%
3 years (p.a.)	5.25%	-2.46%	**2.79%**	5.45%	-2.66%
5 years (p.a.)	4.34%	-1.28%	**3.06%**	5.24%	-2.18%
7 years (p.a.)	5.05%	1.01%	**6.06%**	6.79%	-0.73%
Since inception#	57.34%	37.40%	**94.74%**	90.24%	4.50%
Compound annual return (since inception)# *# 17 August 2012*	5.86%	2.88%	**8.74%**	8.42%	0.32%

FUND COMMENTARY

For the month of July, the ASX300 posted a return of 0.6 per cent. Resources once again led the charge as a buoyant iron ore and gold price saw the index generate a 4.5 per cent total return, implying a negative return for the rest of the market. For the month, The Montgomery Fund (The Fund) declined by 0.99 per cent.

The ASX limped to its positive month, after a Victorian lockdown-inspired a 1.9 per cent sell-off on the final day of trading which saw most of the months' gains erased.

Aside from the strength in resources, the sell-off in Avita Therapeutics was by far the largest contributor to The Fund's relative underperformance, accounting for -1.53 per cent of the move.

Avita's bright long-term prospects remain unchanged and we believe the current share price weakness reflects selling by one or two fund managers in response to the company's re-domiciliation to the US and the harsh April lockdown measures impacting the sales trajectory in the US. It is also not uncommon to see the shares of companies sold off on the back of a manager losing a mandate and the sell-off in Avita, we believe, has been exacerbated as a result of this dynamic.

As long-term investors of The Montgomery Fund would be aware, Avita contributed meaningfully to The Fund's performance last year, with the price increasing by over 100 per cent. The recent sell-off has brought the shares back to levels near our initial investment price.

Avita provides its customers a product that offers faster healing from burns (with ancillary benefits for hospital bed turnover), a superior outcome cosmetically and materially reduced scarring. We believe significant upside remains, especially after the sell-off and we outline the Avita thesis in more detail shortly.

The Fund reduced its bank exposure during the month as the threat of Melbourne resuming lockdowns became obvious as well as the impact on the domestic economic recovery. The Fund also established a position in online arts and accessories marketplace Redbubble.

Continued on the next page…

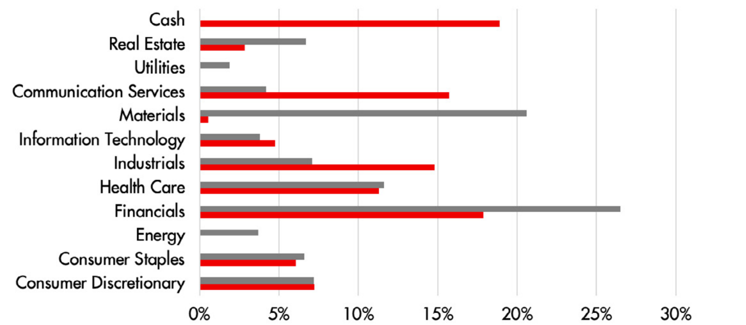
TOP COMPLETED HOLDINGS* (TCH)

(at 31 July 2020, out of 26 holdings)

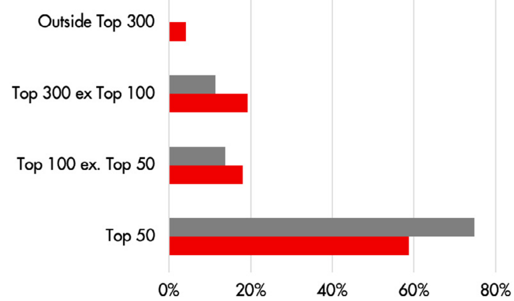
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Woolworths Group	15.9	19.3	30.1	6.05
Commonwealth Bank	12.0	N/A	18.4	5.91
Atlas Arteria	5.3	21.9	53.3	5.81
CSL	36.7	76.3	40.0	4.89
Telstra	20.3	114.6	13.9	4.59
Spark New Zealand	28.6	114.3	21.6	4.37
Sydney Airport	N/A	N/A	N/A	4.04
Wesfarmers	18.5	22.4	26.0	3.82
Avita Therapeutics	N/A	N/A	N/A	3.76
Reliance Worldwide	8.3	30.3	22.5	3.67
TCH AVERAGE	18.2	57.0	28.2	
MARKET AVERAGE	8.3	46.8	21.2	
Total equity weighting				81.11
Total cash weighting				18.89

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

INDUSTRY EXPOSURE



MARKET CAPITALISATION EXPOSURE



TMF S&P/ASX300

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

Redbubble's online platform has a unique opportunity to establish a global brand providing independent artists with a means to monetise their work. The COVID-19 lockdowns have generally seen demand for custom apparel and low volume household items surge. Redbubble has an opportunity to consolidate its leading position and benefit from the network or 'flywheel' effect. With more customer visiting the site during Lockdown, more talented artists are attracted to the platform to commercialise their designs, leading to greater customer retention and reduction in customer acquisition costs. Pleasingly, since The Fund's position was established, the shares have been significantly re-rated; however successful execution offers significant further upside.

Despite remaining cautious on the broader economic outlook, The Fund continues to seek opportunities in companies that can add value to their businesses during a period of unprecedented disruption. We remain focused on the dual goals of protecting capital against the effects of market dislocations and to generate attractive long-term returns.

Stock in focus – Avita Therapeutics

Despite Avita having been a stock in focus in the past, we have revisited our investment thesis to determine whether the sell-off represented an opportunity to add to The Fund's position.

The June quarter 2020 result revealed a perceived slowdown in the company's quarterly ramp-up disappointing some expectations. The slowdown coincided with a re-domiciliation of its primary listing to the US, forcing some domestic fund managers to sell the stock at almost any price.

Investment thesis

The Avita investment thesis is predicated on the following drivers:

- A unique medical device with regulatory approval underpinned by clinical evidence in reducing donor skin in wound care;
- Clinical evidence of reduced duration of treatment of burns patients leading to cost savings for hospitals;
- Eventual adoption of RECELL as the industry "Standard of Care" for burns;
- Expanding RECELL use to cover paediatrics and outpatients;
- Label extension of RECELL to other areas involving skin regeneration and aesthetics including hypopigmentation (vitiligo), wound care and trauma; and
- Qualified management team to execute on the growth strategy

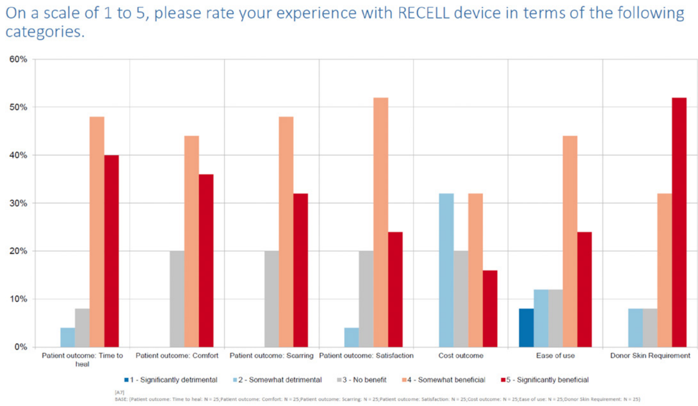
Unique medical device and value proposition

Despite RECELL's regulatory approval in 2018 (based on strict testing parameters) and clinical peer-reviewed studies by Key Opinion Leaders (KOLs) on the cost-benefits of the RECELL device, we commissioned our own independent survey of burns and trauma surgeons approximately one year after the commercial launch to review their experience. We have also conferred with surgeons directly, and attended virtual forums hosted by the American Burns Association.

Figure 1. reveals some of the results of the survey. Surgeons have noticed a clear benefit in a patients' time to heal, while improving patient outcomes in terms of comfort, scarring and satisfaction.

The question on cost outcomes does indicate some negative responses – however this is inconsistent with the responses on time to healing – the biggest driver of hospital costs.

Figure 1. Survey Finding

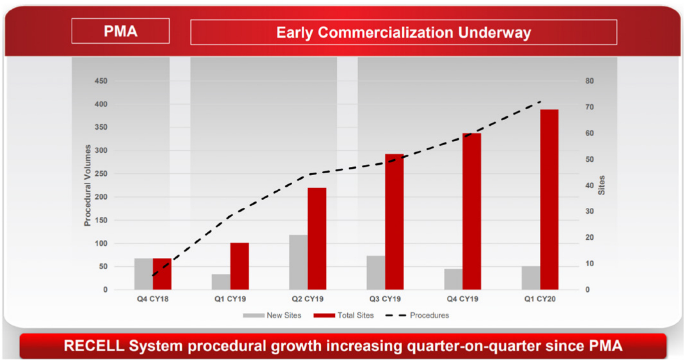


Source: Montgomery commissioned survey

Adoption of RECELL as the industry Standard of Care

This is the driver for base revenues of the business, allowing Avita to pursue wider burns applications and label extensions for other indications/conditions.

Until the June quarter 2020, RECELL had demonstrated consistent growth in both procedural volumes and total sites. To date RECELL has penetrated over half of the US burns centres with significant headroom to increase depth of use at each.



Avita estimates a potential addressable market of US$150 million based on inpatient volumes with total burn surface area (TBSA) more than 10 per cent.

We had previously anticipated an accelerated uptake over the next 12-18 months, given prior experience of medical devices. However, COVID-19 has been unhelpful, pushing back the penetration story by at least six months. COVID-19 prevented Avita's sales force from meeting with burns centres face to face, severely restricting the company's ability to train practitioners.

Meanwhile, the restriction on population movement and reduction in workplace activity also reduced the number of serious burn incidents during the period.

Procedure volumes for the June quarter however were better than our revised expectations. Widespread lockdowns in April saw peers report volume and sales reductions of up to 50 per cent, leading to a healthy June monthly run-rate. While disappointing in the immediate term, we believe the penetration story remains intact.

Expanding RECELL use in burns for paediatrics and outpatients

RECELL has the opportunity to expand beyond its initial addressable market, into paediatrics and outpatients. These programs remain intact, but trials have been delayed by COVID for at least three months.

Funding for outpatients is still subject to approval from the Centres for Medicare and Medicaid Services (CMS, i.e. US Medicare) – however our due diligence indicates RECELL addresses key criteria sought by CMS on its outpatient reimbursement program. A positive outcome, while uncertain, would be a clear catalyst for a rerating in our view.

Label extension beyond burns

Label extension expands the addressable market significantly for Avita. While yet to be clinically proven, real-world outcomes utilising RECELL suggest a positive risk-reward skew especially given the size of the prize on offer.

For the condition known as vitiligo Avita has received FDA Investigational Device Exemption approval, allowing fast-tracking for label extension once efficacy is assessed. With over 1,000 real world examples of RECELL use in vitiligo patients and eight studies demonstrating significant improvement in the majority of cases, this represents a lower-risk, high reward longer-term opportunity.

Value Proposition

Assessing Avita on current earnings and revenue multiples can prove misleading, as it understates the long-term potential and headroom for growth. The company will likely generate losses in the next 12-18 months as it funds studies and continues to ramp-up the RECELL device in burns centres. However, given the range of potential applications, the size of the market, which the company currently dominates, the encouraging real-world outcomes, positive surgeon feedback and adoption from Key Opinion Leaders on its use, we believe the investment represents a compelling opportunity.