

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

\$466.9M

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

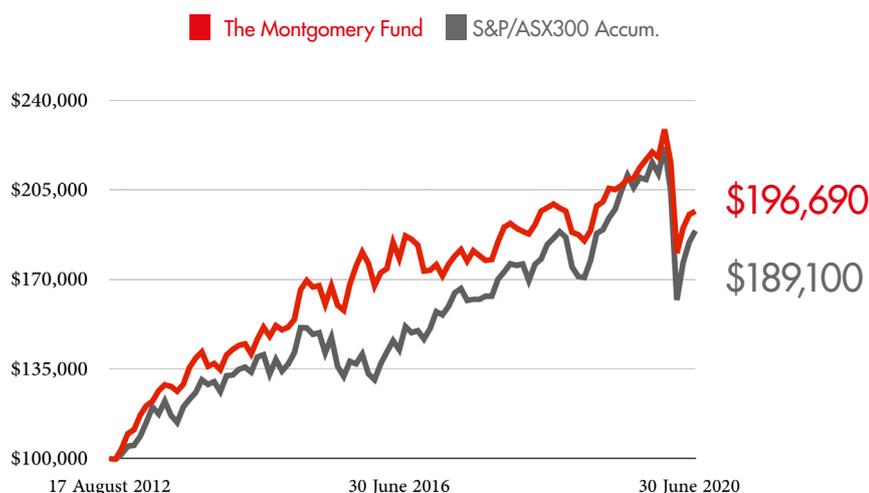
FINANCIAL YEAR RETURNS

| 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** | 9.0% | 8.4% |

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

**Compound annual returns

PERFORMANCE GRAPH



PORTFOLIO PERFORMANCE

(to 30 June 2020, after all fees)

| | INCOME | CAPITAL GROWTH | THE MONTGOMERY FUND | S&P/ASX 300 ACCUM. INDEX | OUT/UNDER PERFORMANCE |
|---|--------|----------------|---------------------|--------------------------|-----------------------|
| 1 month | 0.07% | 0.59% | 0.66% | 2.43% | -1.77% |
| 3 months | 0.07% | 9.02% | 9.09% | 16.79% | -7.70% |
| 6 months | 0.06% | -9.73% | -9.67% | -10.55% | 0.88% |
| 12 months | 1.17% | -6.04% | -4.87% | -7.61% | 2.74% |
| 3 years (p.a.) | 5.17% | -2.41% | 2.76% | 5.24% | -2.48% |
| 5 years (p.a.) | 4.18% | 0.00% | 4.18% | 6.00% | -1.82% |
| 7 years (p.a.) | 4.88% | 1.65% | 6.53% | 7.48% | -0.95% |
| Since inception# | 57.34% | 39.35% | 96.69% | 89.10% | 7.59% |
| Compound annual return (since inception)# | 5.93% | 3.05% | 8.98% | 8.43% | 0.55% |

17 August 2012



The month of June saw a continuation of the uptrend in stock markets, although the positive performance concealed the intra-month volatility as investors began to weigh the risks of the pace of recovery and a resurgence in coronavirus cases against the euphoria of re-opening economies.

The early days of June was no less historic in terms of some of the observed moves especially in the US, including the aggressive rally of bankrupt companies such as Hertz, Chesapeake Energy and American Airlines – companies where even bondholders now expect to receive an impaired return. We remain cautious on such exuberant market behaviour resulting from excess liquidity by central banks and short-term trading.

The ASX300 Accumulation Index recorded a 2.43 per cent increase for the month of June, which included a 7 per cent reversion off intra-month peaks recorded on 10 June. In this backdrop, The Montgomery Fund posted a return of 0.66 per cent.

In terms of fund positioning, we remain cautious, although ever mindful of being able to buy quality companies at attractive prices. While the cash balance has steadily declined, the portfolio remains skewed towards quality, with some exposure to domestic cyclicals acquired at attractive prices given the relative trajectory of the Australian virus situation versus global peers. We express this quality bias with significant exposures in Woolworths, Wesfarmers, Commonwealth Bank and CSL, as well as with infrastructure stocks with a more dependable demand profile that continue to trade at a discount such as Atlas Arteria.

There is also selective exposure to very high-quality financials which are more market dependent but recognising the impact of central banks in suppressing financial market volatility with liquidity, which reduces potential financial stress.

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TOP COMPLETED HOLDINGS* (TCH)

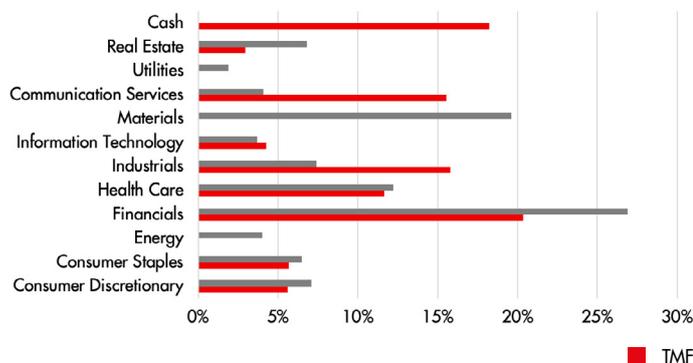
(at 30 June 2020, out of 25 holdings)

| COMPANY NAME | RETURN ON EQUITY (%) | NET DEBT/EQUITY (%) | PRICE/EARNINGS (X) | WEIGHT (%) |
|--------------------------------|----------------------|---------------------|--------------------|------------|
| Atlas Arteria | 5.3 | 21.9 | 51.4 | 6.33 |
| Commonwealth Bank of Australia | 12.0 | N/A | 18.5 | 6.06 |
| Woolworths Group | 15.9 | 19.3 | 29.0 | 5.67 |
| CSL | 36.7 | 76.3 | 40.3 | 5.05 |
| Telstra | 20.3 | 114.6 | 13.8 | 4.99 |
| Avita Therapeutics | N/A | N/A | N/A | 4.54 |
| Westpac Banking Corp | 7.3 | N/A | 12.1 | 4.49 |
| Sydney Airport | N/A | N/A | N/A | 4.25 |
| Spark New Zealand | 28.6 | 114.3 | 20.2 | 3.96 |
| Macquarie Group | 6.2 | N/A | 19.1 | 3.92 |
| TCH AVERAGE | 16.5 | 69.3 | 25.5 | |
| MARKET AVERAGE | 8.7 | 46.7 | 21.1 | |

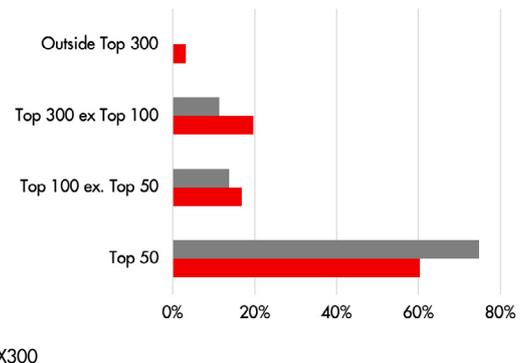
Total equity weighting 81.78
 Total cash weighting 18.22

*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.

The biggest contributors to performance were Commonwealth Bank and Wesfarmers. Both are two high-quality, well known Australian businesses that we have accumulated at more attractive prices with the recent market downturn.

In terms of fund stock holdings, the biggest detractors to performance were Avita Medical and newly introduced Megaport.

The Avita share price has continued to struggle as a result of the uncertainty caused by both the re-domiciliation of its primary listing to the US, and a sharp reduction in US activity caused by lockdowns which will impact both the number of burns patients and penetration opportunities in the short-term. Coronavirus has also impacted the pace of various studies, including its label extension studies for paediatric burns, vitiligo and wound care.

While the recent share price performance is disappointing, especially relative to its peers like Polynovo, we believe the longer-term potential for Avita remains unchanged. Avita's RECELL product has a unique opportunity to revolutionise areas of healthcare related to skin wounds beyond burns which is based on clinically proven, real-world outcomes and positive anecdotal feedback from US-based doctors. While commercialisation will take longer than previously anticipated, we remain positive on its future prospects.

The other detractor from performance in the month was Megaport, which was added to the portfolio during June. Megaport provides a key communications link between data centres that will enable users to access cloud-based computer capacity seamlessly. The tailwinds experienced by cloud services providers is one of the few long-term trends we can confidently predict are insensitive to economic conditions. As the company's share price fell in the second half of June, we added to the position.

Even though The Fund outperformed the broader market by 2.74 per cent, after expenses, for Fiscal 2020, the last four months of the financial year have been what can only be described as challenging. We remain somewhat surprised by the extent of the market's willingness to ignore the obvious risks and materially weaker economic prospects resulting from ongoing constraints on economic capacity. As we have previously noted, the recovery is likely to be slow and halting rather than easy and quick. Fiscal and monetary stimulus has meant that the market is now paying more for lower earnings. And with the ability for Governments to stimulate likely to diminish in coming months, we expect this disregard for risk and return to be challenged once more. The Montgomery Fund remains confidently positioned to take advantage of the opportunities that are presented.

At the end of the financial year The Fund paid a distribution of 0.0857 cents per unit (taking the distribution to 1.6831 cents per unit for the year and to 57.34 cents per unit since inception). Accordingly, after ending the 2020 financial year with a unit price of \$1.2997, we commence the 2021 financial year with a unit price of \$1.2989

Later this month, investors in The Fund will receive The Fund's annual letter, which will contain detailed commentary on the performance of The Fund, our thoughts on current equity market conditions and the way we are positioning The Fund.

