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
$327.8M

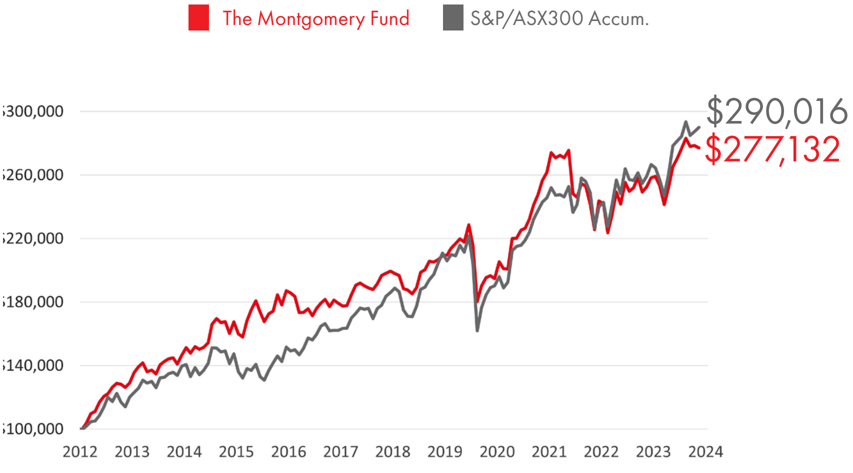
MANAGEMENT FEES AND COSTS
1.36% per annum[1]

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 (%)
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%
December 2019	1.5974	1.11%

PORTFOLIO PERFORMANCE

(to 30 June 2024, 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	-0.49%	-2.10%	4.48%	9.78%	2.60%	6.03%	6.25%	7.00%	177.13%	8.97%
S&P/ASX 300 ACCUM. INDEX	0.92%	-1.20%	4.16%	11.92%	6.08%	7.22%	8.65%	8.04%	190.02%	9.39%
OUT/UNDER PERFORMANCE	-1.41%	-0.90%	0.32%	-2.14%	-3.48%	-1.19%	-2.40%	-1.04%	-12.89%	-0.42%

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[2]	Compound annual return (since inception)[2]
AUSTRALIAN EAGLE COMPOSITE[3]	-0.49%	-2.10%	4.48%	9.78%	6.87%	9.67%	11.68%	11.44%	534.02%	9.99%
S&P/ASX 300 ACCUM. INDEX	0.92%	-1.20%	4.16%	11.92%	6.08%	7.22%	8.65%	8.04%	317.14%	7.64%
OUT/UNDER PERFORMANCE	-1.41%	-0.90%	0.32%	-2.14%	0.79%	2.45%	3.03%	3.40%	216.87%	2.35%

[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) (at 30 June 2024)

COMPANY NAME	ASX CODE	SECTOR	WEIGHT (%)
Commonwealth Bank of Australia	CBA	Financials	7.79
Cochlear Ltd	COH	Health Care	6.09
Rio Tinto Ltd	RIO	Materials	5.87
Macquarie Group	MQG	Financials	5.75
QBE Insurance Group	QBE	Financials	5.28
Xero Ltd	XRO	Information Technology	5.07
Transurban Group	TCL	Industrials	4.76
CSL Ltd	CSL	Health Care	4.48
Woodside Energy	WDS	Energy	4.48
Resmed Inc	RMD	Health Care	4.03
Total equity weighting			97.62
Total cash weighting			2.38

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

TOP 3 CONTRIBUTORS AND DETRACTORS

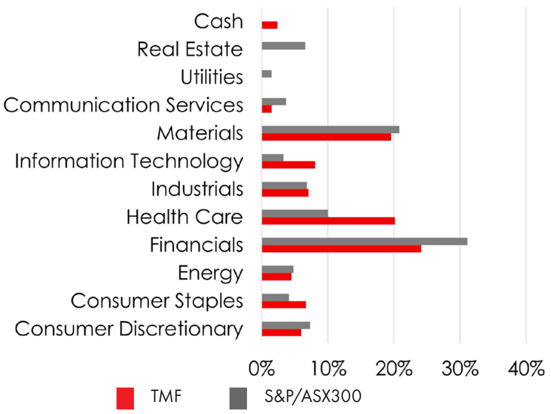
CONTRIBUTORS

Macquarie Group	The share price rose after a period of consolidation.
Treasury Wine Estates	The share price rose after management reaffirmed FY24 guidance.
Cochlear Ltd	The share price rose after bond yields fell during the month.

DETRACTORS

Pilbara Minerals	The share price fell with the lithium price.
Rio Tinto Ltd	The share price fell with the iron ore price.
Deterra Royalties	The share price fell after announcing the acquisition of Trident Royalties.

INDUSTRY EXPOSURE



MARKET CAPITALISATION

	TMF (%)	S&P/ ASX300 (%)	ACTIVE (%)	# STOCKS
ASX 1 -20	54.1	61.3	-7.3	13
ASX 21 -50	26.9	16.4	10.5	7
ASX 51 -100	6.1	11.9	-5.8	4
ASX 101 -200	7.3	8.2	-0.9	3
ASX 201 -300	1.3	2.3	-1.0	1
Ex S&P/ ASX 300	2.1		2.1	2
Cash	2.4			
Total	100.0			30

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

The market ended the financial year on a positive note, rising 0.92 per cent in June. The Montgomery Fund (The Fund) underperformed the S&P/ASX 300 Accumulation Index (the benchmark), falling 0.49 per cent. The Fund saw improved performance for the 6 months to 30 June, increasing by 4.48 per cent, while the benchmark returned 4.16 per cent. For the 12 months, The Fund returned 9.78 per cent, underperforming the benchmark by 2.14 per cent for the past 12 months.

Disappointingly, most of the underperformance during the financial year can be attributed to the performance in the month of June. The investment team has reviewed the thesis for all the stocks in the portfolio and have confirmed our confidence in them and even took the opportunity of share price weakness to top up the underperformers. In addition to the stocks mentioned at the end of the report, another stock we would like to highlight is ResMed (ASX:RMD). We believe ResMed was unfairly punished during the month as a weight loss drug company, Eli Lilly, announced the results of a study showing that its drug can result in patients meeting the criteria for disease resolution of sleep apnea, ResMed's core market. We believe that such impacts on ResMed are not immediate but may manifest over the medium term. In the meantime, we believe ResMed's valuation is too cheap given its high single digit growth trajectory, especially with major competitor Philips out of the U.S. market.

Global markets were mixed with the U.S. market rising after weak jobs data reignited hopes of nearer-term interest rate cuts. The European Central Bank and Bank of Canada were the first major central banks to cut rates during the month.

Political instability caused volatility in European markets as the right-wing National Rally party won the first round of the French parliamentary election. Economic data from China continued to paint a mixed picture with manufacturing growth offset by weak inflation, imports and a sliding residential property market.

The Australian market rise was driven by outperformance of the big banks. The weak data from China affected commodity prices, with the iron ore price falling U.S.$8/t to $107 per tonne, whilst the lithium carbonate price fell 13 per cent to CNY91,500. This resulted in underperformance of the big miners and lithium stocks.

Inflation in Australia rose to its highest level in 2024 to 4 per cent p.a., indicating the reduced likelihood of an imminent interest cut. The Reserve Bank of Australia held rates steady at 4.35 per cent but announced that potential rate hikes were discussed at the last meeting as inflation remains stickier than anticipated.

Portfolio changes

The Fund has increased positions in TechnologyOne Ltd (ASX:TNE), Commonwealth Bank Ltd (ASX:CBA), Woolworths Ltd (ASX:WOW) and Woodside Energy Ltd (ASX:WDS) while decreasing positions in IDP Education Ltd (ASX:IEL), Pilbara Minerals Ltd (ASX:PLS) and Telstra Ltd (ASX:TLS).

A new position was initiated in Infratil Ltd (ASX:IFT). As a New Zealand based infrastructure asset manager, Infratil has a diversified portfolio spread over 4 main sectors – Digital, Renewable Energy, Transport and Healthcare.

The main asset in the digital sector is the 48.2 per cent owned Canberra Data Centres (CDC). Already the Australia and New Zealand leader in the data centre space with 302MW in operation, a rapid increase in demand has seen CDC commit to more than doubling their operating capacity with over 400MW in the development pipeline over the medium term. The recent acquisition of Marsden Park has been hallmarked for an additional 720MW, and this could take CDC's the total planned capacity up six-fold to 1,870MW by 2033.

CDC has been Infratil's most successful asset so far, with its value rising 10 times their original investment to approximately NZ$4.4 billion. The growth trajectory of CDC is showing no signs of slowing down, such is the insatiable appetite people and organisations have for cloud-based secure storage and access to their growing amounts of data and Artificial Intelligence training and processing.

Infratil's other main contributing assets include investment stakes in Longroad Energy, One NZ and Wellington Airport. These companies all control privileged infrastructure assets in their respective industries and contribute solid earnings growth.

An initial position in Infratil was started in June, and the holding size will increase if the team sees more evidence of improving quality and business momentum.

The Fund exited two positions at the end of June – Corporate Travel Management Ltd (ASX:CTD) and Star Entertainment Group Ltd (ASX:SGR). The exit of Corporate Travel Management was due to the invalidation of the investment thesis centred around a turnaround in performance after a pandemic-induced downturn and a large complementary U.S. acquisition to accelerate the recovery. Despite retaining 97 per cent of clients in addition to winning new clients, the turnaround failed to materialise as expected as corporate customers cut back on expenditure due to general cost inflation and high airfares. With management pushing out the timeline for recovery further than anticipated, the investment team's timeframe did not match up, which increased the potential for earnings risk, and consequently, the position was exited.

We also exited Star Entertainment Group after management revealed a deterioration in operational performance. The company had endured a turbulent period with a second regulatory inquiry, management turnover, asset sales and the receipt of multiple inbound interest regarding potential transactions. From the investment team's perspective, the recent decline in operational profitability had resulted in the removal of the inherent downside protection. As such, we chose to reallocate this capital to higher-quality positions with more downside protection.

Major contributors

Macquarie Group (ASX:MQG) – The share price rose in anticipation of the upcoming sale of AirTrunk, in which it holds a significant stake as part of a consortium, as investors expect the transaction to unlock substantial value and enhance Macquarie's financial position.

Treasury Wine Estates (ASX:TWE) – The share price outperformed after management introduced the market to their path to growing long-term profitability, given the large amount of recent changes to the company and its operating environment. The review of the premium brands remains ongoing, with an update to be given in August.

Cochlear (ASX:COH) – The share price rose after bond yields fell. The company's growth prospects have not changed since their last information point, with continued growth in cochlear implant demand from adults and seniors in developed countries and the ramp up of sound processor production in their new facility in China.

Major detractors

Pilbara Minerals (ASX:PLS) – The share price fell with the lithium price. The company recently announced the results of a pre-feasibility study, revealing a potential tripling of current production to 2Mtpa from their Pilgangoora Mine. The company's balance sheet remains in a strong net cash position, while their existing low-cost operations will continue to generate positive cashflow despite the low lithium price.

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Rio Tinto (ASX:RIO) – The company's share price fell with the iron ore price. The company's ramp-up at Oyu Tolgoi remains on track, as well as progress at Simandou, its high-grade iron ore project in Guinea.

Deterra Royalties (ASX:DRR) – The share price fell after announcing the acquisition of Trident Royalties. As this acquisition is slated to be funded by its new debt facility, the dividend policy has been amended to a minimum 50 per cent payout, compared with its current 100 per cent payout. The company still owns royalty rights to Mining Area C, a tier-one asset that cannot be easily replaced. This will continue to provide a strong foundation to potentially repay debt or support other growth aspirations.

Distribution

At the conclusion of the 6 months to June 2024, The Montgomery Fund will pay a distribution of 11.4223 cents per unit. Bringing the total distribution for FY24 to 13.5791 cents per unit. Accordingly, after ending financial year 2024 with a unit price of $1.4936, we commence financial year 2025 with a unit price of $1.3794.