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

$463.7M

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

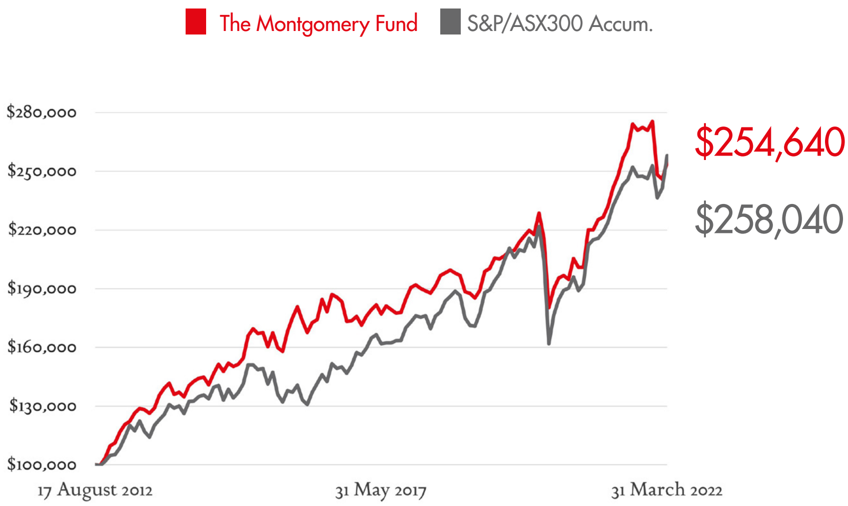
FINANCIAL YEAR RETURNS

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**	10.2%	10.4%

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

**Compound annual returns

PERFORMANCE GRAPH



PORTFOLIO PERFORMANCE

(to 31 March 2022, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	3.53%	3.53%	6.90%	-3.37%
3 months	0.00%	-7.57%	-7.57%	2.08%	-9.65%
6 months	0.58%	-6.55%	-5.97%	4.34%	-10.31%
12 months	3.95%	5.71%	9.66%	15.21%	-5.55%
3 years (p.a.)	3.33%	4.99%	8.32%	10.85%	-2.53%
5 years (p.a.)	4.03%	3.25%	7.28%	9.38%	-2.10%
7 years (p.a.)	4.19%	1.79%	5.98%	7.95%	-1.97%
9 years (p.a.)	4.64%	3.44%	8.08%	9.14%	-1.06%
Since inception#	63.84%	90.80%	154.64%	158.04%	-3.40%
Compound annual return (since inception)#	5.27%	4.94%	10.21%	10.4%	-0.15%

17 August 2012

FUND COMMENTARY

The month of March continued the recent theme of elevated volatility - punctuated by an 11 per cent intra-month rally in the S&P 500 Index in the US - which saw global markets trade broadly higher. The extraordinary volatility was attributable to concerns around rising inflation and interest rates and implications of the Ukraine / Russia situation on global commodity prices giving way to fears of stagflation.

Closer to home, the S&P/ASX 300 Accumulation Index, which rose 6.9 per cent, recorded significant outperformance versus global markets, and this was largely due to its sizeable exposure to two cyclical sectors in resources (+9.9 per cent) and banks (+10.0 per cent), which together comprise around 50 per cent of the S&P/ASX 300 benchmark.

In the case of resources, the sector benefited from being a perceived beneficiary of the war in Ukraine (especially in energy). The major miners were also assisted by rallying iron ore prices, with the Chinese futures market being well bid on expectations of significant government stimulus to arrest the continued decline in the property sector.

Meanwhile, the banks sector added to its relative outperformance in CY22 given their earnings leverage to a rising interest rate environment.

During the month, The Montgomery Fund (The Fund) rose 3.53 per cent, underperforming the S&P/ASX 300 Accumulation Index by 3.37 per cent. While The Fund benefited from its sizeable exposure to banks, the remainder of the portfolio failed to keep up.

Overall, the March 2022 quarter has been a challenging environment for The Fund's core philosophy of investing in quality businesses diversified across the growth spectrum. We have observed significant divergence in relative share price performance across The Fund's holdings, despite both earnings and valuation considerations across all of our investments.

As previously noted in February, the resource and bank heavy composition of the Index has further skewed The Fund's relative performance given its benchmark-unaware quality style - albeit The Fund's weighting in the major banks remains at a record relative level of 17 per cent.

Continued on the next page…

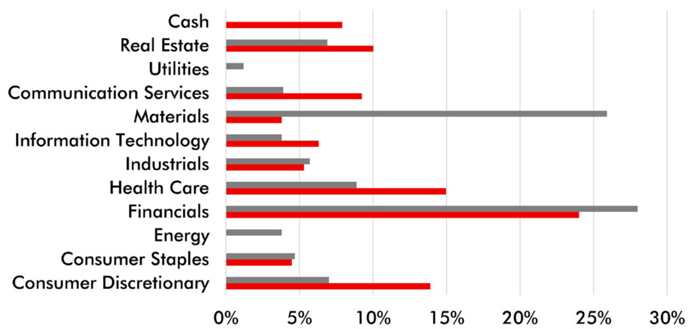
TOP COMPLETED HOLDINGS* (TCH)

(at 31 March 2022, out of 30 holdings)

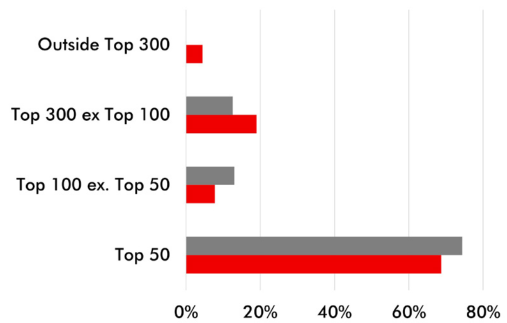
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Commonwealth Bank Of Australia	13.3	N/A	19.8	8.72
National Australia Bank	10.6	N/A	15.7	8.02
Goodman Group	22.9	9.4	28.4	5.26
Wesfarmers	25.4	73.1	25.7	4.55
Woolworths Group	12.3	N/A	30.8	4.47
Resmed	25.6	17.3	37.7	4.43
Macquarie Group	10.3	N/A	18.4	4.38
Telstra Corp	12.6	106.8	26.2	4.11
CSL	21.0	47.7	39.2	3.98
Reliance Worldwide	13.9	10.9	15.6	3.42
TCH AVERAGE	16.8	44.2	25.8	
MARKET AVERAGE	16.2	62.3	16.4	
Total equity weighting				92.1
Total cash weighting				7.9

*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 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

Investment Manager Montgomery Investment Management Pty Ltd | ABN 73 139 161 701 | AFSL 354 564 | www.montinvest.com | E: office@montinvest.com
Responsible Entity Fundhost Limited | ABN 69 092 517 087 | AFSL 233 045 | T: 02 8223 5400 | www.fundhost.com.au | E: admin@fundhost.com.au

We remain cautious on recent market moves as volatility remains elevated across all financial markets. We remain broadly defensive in our positioning, as we assess extremely fluid markets in the broader context of inflation, rising rates and longer-term fallout from the military conflict in Ukraine.

Portfolio changes

There have been a number of portfolio moves during the quarter, including one notable exit and entrant.

The notable exit was The Fund's selling of Westpac in February, consolidating The Fund's banks exposure from 3 to 2. The proceeds were used to fund an increased position in both National Australia Bank and Commonwealth Bank to maintain The Fund's overall exposure to the sector.

While Westpac's quarterly update revealed some stabilisation in net interest margins and early signs of progress on cost reductions following an extremely disappointing full-year result, we believe the company remains fundamentally behind peers in cultural capability and operational execution and see better risk-reward opportunities in our two preferred exposures.

We have also meaningfully reduced our exposure to Aristrocrat Leisure (ASX:ALL) during the quarter. Despite being a relatively new re-entrant into the portfolio, we note our prior concerns on single-title risk around ALL's digital portfolio appear to be building despite continued dominance in the land-based segment of the market. While ALL remains well positioned in the markets it serves, the collapse of the agreed takeover of Playtech early in 2022 removes what would have been a key pillar of investment and earnings growth.

There was one notable addition to the portfolio during March - Computershare - which is the subject of the March quarter's stock in focus. Much like the banks, the position represents a tactical beneficiary of a rising rate environment, albeit with significant company-specific catalysts related to a timely acquisition of Wells Fargo Corporate Trust announced in March 2021.

Stock in focus – Computershare (ASX:CPU)

Computershare is a global leader in the provision of shareholder registry services, employee equity plans, proxy solicitation, stakeholder communications and other diversified financial services including loan and mortgage servicing. The business has been listed since 1994 and has grown both organically and through acquisitions to expand its reach in both product and geography and build scale.

The company's main products include:

- **Issuer services** – managing shareholder registry activities for listed companies. This division comprises traditional register maintenance as well as Corporate Actions (including capital raising and dividend payment management) and Stakeholder Relationship Management.
- **Employee share plans** – managing equity plans and administration, with over 28 billion in shares / options / units under administration.
- **Mortgage services** – whereby CPU earns a fee for managing loan repayments of mortgage portfolios to be paid to the ultimate owner of the mortgage. The servicer is not exposed to default risk.
- **Business services** – including corporate trust, bankruptcy and class action services.

The business is exposed to growth in trends such as shareholder numbers, increasing equity participation, capital markets activity (albeit bankruptcy is negatively correlated) as well as rising rates.

The company also manages a significant Fiduciary balance which generates income, much like a float in an insurance company. The source of fiduciary balances is diversified across its various business units, with the primary source related to its Issuer services division.

We have initiated a position in CPU as we see the business as a significant beneficiary of rate increases on to its sizeable fiduciary balance, with expectations of an accelerated rate rise environment becoming the consensus view by markets. Based on its average balance over the June 2022 half-year, CPU estimates a 100 basis point increase which equates to an annualised EPS boost of 26 cents per share – which is almost 50 per cent of analyst earnings per share estimates for Fiscal 2022.

Computershare's projected earnings are augmented from its acquisition of Wells Fargo Corporate Trust (CCT) at the bottom of the rates cycle in March 2021, which has added around 70 per cent to the Fiduciary balance exposed to the rising rates cycle. We believe the acquisition will provide significant synergy and revenue opportunities, including optimizing CCT margin income on its fund balances, new non-interest revenue streams and traditional back-office cost synergies.

Overall, we believe market estimates underappreciate the potential earnings leverage from a rising rates cycle, with potential upside in terms of cost synergies and interest income attributable to the acquisition of Wells Fargo's CCT business.

Computershare financial metrics	**FY22**	**FY23**
P/E	32.7	24.2
EV/EBITDA	18.0	14.3
Return on Equity	15.6%	21.6%

Source: Bloomberg consensus earnings