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 17 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

$376.0M

MANAGEMENT FEES AND COSTS

1.36% per annum[1]

PERFORMANCE FEES

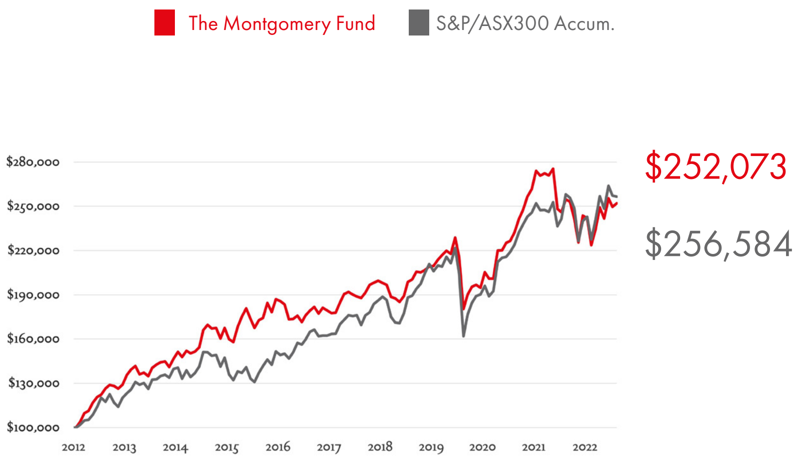
15.38% of the total return of The Fund that is in excess of the Index.[1]

[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 (%)
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
June 2019	6.2488	4.75
December 2018	2.3155	1.52
June 2018	11.2554	7.55

PORTFOLIO PERFORMANCE

(to 31 March 2023, 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	0.96%	4.25%	12.70%	-1.01%	11.82%	6.06%	5.55%	7.14%	152.07%	9.10%
S&P/ASX 300 ACCUM. INDEX	-0.24%	3.33%	12.76%	-0.57%	16.59%	8.64%	9.37%	8.13%	156.58%	9.28%
OUT/UNDER PERFORMANCE	1.20%	0.92%	-0.06%	-0.44%	-4.77%	-2.58%	-3.82%	-0.99%	-4.51%	-0.18%

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]	0.96%	4.25%	12.70%	2.71%	20.12%	11.83%	14.19%	11.41%	476.68%	10.14%
S&P/ASX 300 ACCUM. INDEX	-0.24%	3.33%	12.76%	-0.57%	16.59%	8.64%	9.37%	8.13%	269.06%	7.46%
OUT/UNDER PERFORMANCE	1.20%	0.92%	-0.06%	3.28%	3.53%	3.19%	4.82%	3.28%	207.63%	2.68%

[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 31 March 2023)

COMPANY NAME	ASX CODE	SECTOR	WEIGHT (%)
Commonwealth Bank of Australia	CBA	Financials	7.04
Rio Tinto	RIO	Materials	6.05
CSL	CSL	Health Care	5.97
QBE Insurance Group	QBE	Financials	5.93
Cochlear	COH	Health Care	5.55
Macquarie Group	MQG	Financials	5.54
Newcrest Mining	NCM	Materials	5.47
Woodside Energy Group	WDS	Energy	5.34
Transurban Group	TCL	Industrials	5.01
Altium	ALU	Information Technology	4.50
Total equity weighting			97.58
Total cash weighting			2.42

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

TOP 3 CONTRIBUTORS AND DETRACTORS

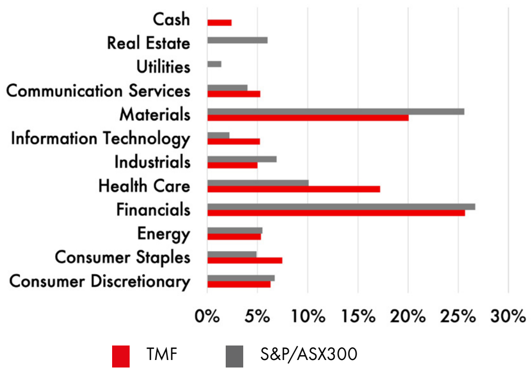
CONTRIBUTORS

Newcrest Mining	The share price rose with the gold price
Cochlear	The share price outperformed as the market continued to digest the good progress announced in February
Rio Tinto	The share price rose after a period of underperformance

DETRACTORS

Incitec Pivot	The share price fell with the fertiliser price
Macquarie Group	The share price fell on news of multiple bank failures in overseas markets
Treasury Wine Estates	The share price fell after the company's Premium Americas portfolio reported declining volumes

INDUSTRY EXPOSURE



MARKET CAPITALISATION

	TMF (%)	S&P/ ASX300 (%)	ACTIVE (%)	# STOCKS
S&P/ASX 1-20	57.2%	60.8%	-3.6%	13
S&P/ASX 21-50	20.0%	16.9%	3.1%	6
S&P/ASX 51-100	10.8%	11.8%	-1.1%	4
S&P/ASX 101-200	8.9%	8.1%	0.9%	5
S&P/ASX 201-300	0.0%	2.4%	-2.4%	0
Ex S&P/ASX 300	0.7%		0.7%	1
Cash	2.4%			
Total	100.0%			

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The Montgomery Fund (The Fund) outperformed the broad market as measured by its benchmark, S&P/ASX 300 Accumulation Index. The Fund gained 0.96 per cent, outperforming the benchmark by 1.20 per cent, which fell 0.24 per cent. The end of March also marked the end of the quarter, and on a quarterly basis, The Fund also outperformed its benchmark by 0.92 per cent.

Markets arguably performed reasonably well despite the collapse of several regional U.S. banks, and concerns their demise could lead to weaker credit growth and speed the arrival of a recession, particularly in the U.S.

In response, however, U.S. regulators adopted extreme measures making customer deposits whole, while the Federal Reserve expanded its balance sheet – resuming Quantitative Easing (QE).

The banking crisis also ameliorated expectations of another 50-basis point rate hike by the U.S. Federal Reserve in its war against persistent inflation. After stating it had considered raising rates by 50 basis points, the Federal Open Market Committee (FOMC) increased the official cash rate by 25 basis points to a new target between 4.75 and 5.00 per cent. Evidently, the tightening of credit conditions by surviving banks amid the crisis had done some of the Fed's heavy lifting.

Domestically, the Reserve Bank of Australia (RBA) raised interest rates for the 10th consecutive time from 3.35 per cent to 3.60 per cent. Back in March, RBA Governor Philip Lowe noted the board might consider the case for a pause in rate hikes at its April meeting if evidence of an economic slowing emerged. We now know the RBA did indeed pause rates at its April meeting.

Despite the uncertain market conditions, The Fund's outperformance was attributable to strong contributions from our high-conviction positions.

As you may have read in previous reports, we have steadily added to The Fund's position in Newcrest Mining (ASX:NCM). Most pleasingly, this was the portfolio's top contributor to performance in March. The market continued to positively reappraise the company's progress to strengthen its production profile through acquisitions (in Tier 1 sites) and extend the mine life of its existing high-quality assets.

Of particular interest to us is NCM's copper production capability, which surpasses OZ Minerals. For context, Oz Minerals was purchased by BHP for A$9.6 billion. Continued copper demand from the transition away from fossil fuels will likely bring this aspect of NCM's asset portfolio into sharp focus. Large quantities of copper are required to facilitate the decarbonisation of energy delivery and transition. A copper supply deficit is projected to increase along with demand for renewable energy and storage infrastructure.

Meanwhile, the rising gold price to over US$2,000/oz. has also helped sentiment towards NCM as it's the highest-quality listed gold-copper miner in Australia.

The company is also successfully navigating rising operating costs, delivering increasing returns to shareholders while acquiring assets that add to its portfolio of world-class gold and copper mines. Consequently, we see further upside and have added to the position.

Continuing its solid performance from February, Cochlear (ASX:COH) was another top contributor to March performance. In times of volatility and increased uncertainty, there is often a "flight to quality". This habit was evident in March. Despite their high price-to-earnings ratios, the market sought the reliability of the earnings that companies like Cochlear produce, shying away from lower quality companies with highly geared balance sheets, poor cashflows and an absence of competitive advantages. We continue to hold a high conviction position in COH and have added to our holding to reflect our belief and trust in management. We feature Cochlear in this month's 'Stock in Focus' below.

Rio Tinto (ASX:RIO) was another major contributor to performance as the iron ore price stabilised after a period of volatility. Management announced progress in its undeveloped copper deposit joint venture in Peru. This strengthens our thesis that copper is playing an increasingly critical role in RIO's future and also the world economy. And we see the opportunity for RIO to significantly increase their copper production.

The detractors of performance were spread over a variety of sectors. Incitec Pivot (ASX:IPL) fell on lower urea and di-ammonium phosphate prices, despite the company finally announcing the sale of its Waggaman ammonia plant in the U.S. for US$1.675 billion. Without any further updates from management with regards to the demerger of the fertiliser business or the previously announced $400 million buyback, we have continued to trim our position in favour of better opportunities to generate outperformance for unitholders in The Fund.

Another detractor was Treasury Wine Estates (ASX:TWE). TWE's commercial partnership, in 2020, with Snoop Dogg, promoting the premium wine brand '19 Crimes', had been lauded as a masterstroke and was met with immediate success. After selling over five million cases per year to quickly become a growth engine for TWE, the company recently revealed a slowdown in sales for its premium wine brands in the Americas, especially 19 Crimes. After successfully navigating the COVID-19 period, which included significant import tariffs imposed by the Chinese government, we remain confident management can overcome this recent hurdle to grow the flagship Penfolds brand with its multi-country of origin strategy and reach profit margin and cost-out targets by FY25.

A new portfolio holding added to the portfolio in March was Xero Ltd (ASX:XRO). As a cloud-based accounting software provider for small businesses, the company experienced significant subscriber growth prior to COVID-19, most notably in Australia, New Zealand and the United Kingdom. After experiencing a slowdown in growth, coupled with a few questionable acquisitions, the company has recently refreshed their management team and has demonstrated a turnaround in performance.

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

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. Both the PDS and the Target Market Determination are 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 new CEO has announced her intention to reduce headcount and cut costs to focus on cashflow and profitability. We remain on the lookout for further evidence of improvement in the quality of the company at the upcoming result announcement in May, and we will potentially add to our initial position if we see further improvements to prospects.

We also increased our weighting in Wesfarmers Ltd (ASX:WES) during the month. Most investors know Wesfarmers as a retail giant but fewer investors are familiar with its exposures to chemicals, fertiliser and now lithium. Mount Holland, the company's joint venture lithium project with SQM, a world-class Chilean lithium producer, is well-progressed and is on track for the first production of spodumene in 2024. This is not far away. The company is also close to its first production of lithium hydroxide in 2025. With comfort from Kmart and Target's strong operating turnaround in the previous half-year despite tough operating conditions, Mount Holland provides an increasingly valuable "call option".

As we outlined in last month's report, we have continued to reduce our position in AMP Ltd (ASX:AMP). As anticipated, the share price has been well supported since the disappointing result during reporting season. Management completed their $350 million share buyback and gained approval at the recent annual general meeting for another on-market share buyback of up $500 million. While AMP's delayed turnaround has not met expectations, the downside protection offered by capital management initiatives and asset sale proceeds gives us confidence we do not need to rush.

We finally completed the exit of our position in Nitro Software Ltd (ASX:NTO) with the NTO board recommending the latest takeover proposal by Potentia at a minimum of $2.17 cash per share. After an extensive bidding process that involved multiple competing offers over many months, Potentia has now acquired over 90 per cent of NTO shares, passing the compulsory acquisition threshold for any remaining minority shareholders. We tendered our shares into the unconditional offer during the month and are pleased with its profitable finalisation.

A recent outperformer has been one of our highest conviction positions. We discuss our investment thesis for Cochlear below.

Cochlear Ltd (ASX:COH)

Cochlear has been an overweight position in Australian Eagle's institutional portfolios since inception in February 2005. In that time, we have seen Cochlear's share price increase from $28 to over $236. Despite the share price increasing over eight times, we remain overweight and believe significant upside remains over the long term.

It is commonly acknowledged in investor circles that Cochlear is an extremely high-quality company. However, from our perspective, its quality is still improving.

Inherent in Cochlear are all aspects of a 'dream company'. By that, we mean it operates in a growing market, has strong competitive advantages, a strong and conservative balance sheet, and is run by responsible and capable management that cares for minority shareholders.

Cochlear is the market leader in the profound hearing loss market, with over 60 per cent market share. This has been achieved through its never-ending commitment to product innovation. The company owns thousands of patents, and new patents are filed and approved yearly to maintain their technological advantage over competitors.

Being the leader in the market is already a good start, but if the market size is significantly underpenetrated, then the runway for growth is immense. In the case of Cochlear, the global profound hearing loss market is still less than five per cent penetrated despite Cochlear and its competitors being in business for over 40 years.

Although the management of Cochlear has not been the same for the past 40 years, the behaviour and actions of each management team have been exemplary, showcasing a stable corporate culture that has attracted and developed the right personnel to be good stewards of capital.

Handling a crisis well remains one of the key criteria we use to judge the trustworthiness of management. An example was a product recall in 2011 due to a minor manufacturing fault. Management at the time acted ethically and offered full transparency, as well as keeping the market informed of all actions of the product recall on an almost weekly basis. Most recently, in 2021, management was one of the first to reimburse JobKeeper payments back to the Australian Federal Government after recovering from the COVID-19 downturn, saying it was the "right thing to do" even though there was no obligation to do so.

Despite being a fast-growing company with consistent double-digit revenue and earnings growth, Cochlear still manages to distribute over 70 per cent of underlying profit to shareholders as well as spending over $200 million each year on research and development to continuously improve their product and service offering to their life-long customers and stakeholders.

At the most recent results announcement in February 2023, Cochlear reported a return to strong growth in implant sales for both developed and developing markets after a COVID-19-induced downturn. The company has continued to maintain their circa 60 per cent majority market share, research and development is at record levels with a new Nucleus Sound Processor to be launched later in the year, and management has maintained a large payout of underlying earnings to shareholders.

Management has also reported their new manufacturing plant in China is currently awaiting approvals and should start production within the next 18 months. This move should fast-track emerging market implant unit growth with the flow-on effect of increased services revenue to follow in the ensuing years.

Cochlear's runway for growth is still vast despite making significant progress in the last 40 years. With the right people at the helm of a robust company, doing the right things at the right time, we believe that Cochlear can provide world-class products and services to their customers while achieving superior returns for shareholders and maintain its position, in our view, as one of the highest quality companies listed on the Australian Stock Exchange.