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
$570.5M

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

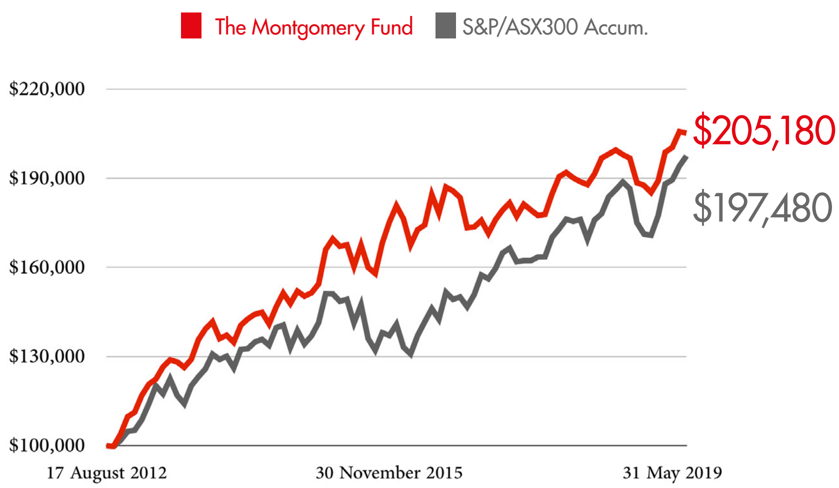
FINANCIAL YEAR RETURNS

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%
Since Inception**	11.2%	10.6%

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

**Compound annual returns

PERFORMANCE GRAPH



PORTFOLIO PERFORMANCE

(to 31 May 2019, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-0.24%	**-0.24%**	1.75%	-1.99%
3 months	0.00%	3.23%	**3.23%**	5.01%	-1.78%
6 months	1.74%	7.65%	**9.39%**	15.37%	-5.98%
12 months	8.98%	-4.70%	**4.28%**	10.93%	-6.65%
3 years (p.a.)	5.16%	-1.55%	**3.61%**	10.57%	-6.96%
5 years (p.a.)	5.45%	1.76%	**7.21%**	7.79%	-0.58%
Since inception#	49.41%	55.77%	**105.18%**	97.48%	7.70%
Compound annual return (since inception)#	6.10%	5.08%	**11.18%**	10.55%	0.63%

17 August 2012

FUND COMMENTARY

The Montgomery Fund (The Fund) delivered a somewhat disappointing flat result during May, with significant negative news in relation to three of the Fund's holdings offsetting generally pleasing results elsewhere in the portfolio, resulting in a decline for the month of 0.24 per cent.

The significant negative contributors were Reliance Worldwide (ASX:RWC), Link Administration Holdings (ASX:LNK) and Pendal Group (ASX:PDL). We consider each of these in turn.

In the case of Reliance, which produces push-to-connect plumbing fittings, several factors combined to contribute to a decline in earnings expectations which was communicated to the market on 13 May. These included: inventory de-stocking by retailer customers, a slower-than-expected Australian residential market, and the lack of a "freeze" event in the US winter (freeze events cause damage to plumbing systems, necessitating repairs).

While we had anticipated that there may be some reduction in earnings expectations for RWC, we were surprised by the extent of the downgrade, and by the extent of the market reaction. Our assessment is that much of the downgrade is owed to temporary factors rather than a permanent decline in earnings power, that the company continues to be a high-quality business with an appealing growth outlook, and we have acquired more shares in the company on price weakness following the announcement.

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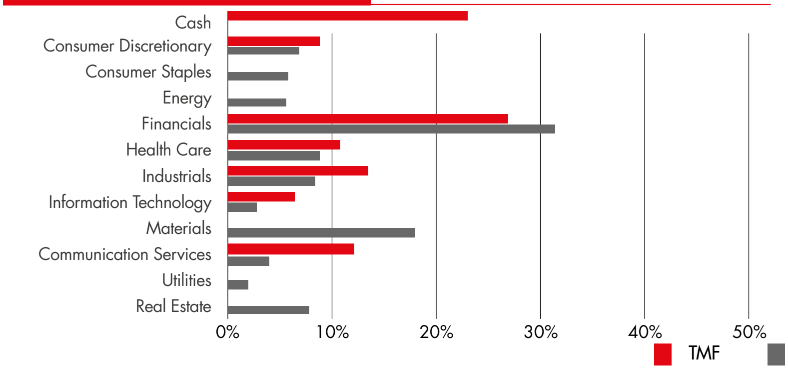
TOP COMPLETED HOLDINGS* (TCH)

(at 31 May 2019, out of 26 holdings)

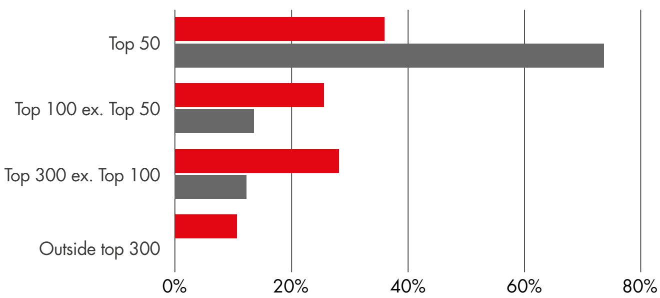
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Spark New Zealand	26.3	104.3	17.2	5.60
Medibank Private	22.6	-25.7	21.0	5.25
Reliance Worldwide	11.3	29.3	17.8	4.72
Ramsay Health Care	22.4	130.0	23.3	4.63
Telstra	20.4	112.1	17.9	4.62
Aristocrat Leisure	38.6	141.5	20.7	4.57
Seek	14.2	57.7	36.9	3.98
Healius	3.7	42.7	18.6	3.92
Challenger	3.9	N/A	12.5	3.68
Westpac Banking Corp	11.4	N/A	12.0	3.53
TCH AVERAGE	17.5	74.0	19.8	
MARKET AVERAGE	17.2	75.4	23.2	
Total equity weighting				76.98
Total cash weighting				23.02

**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

Link Administration Holdings provides fund administration services and other services related to financial markets. Late in the month, Link downgraded guidance for FY2019 due to several factors including: uncertainty in respect of Brexit impacting the group's European operations, and regulatory changes to the superannuation sector impacting its Australian operations. In the case of Link, we believe that a significant part of the downgrade relates to temporary, rather than permanent effects, however, due to limited disclosure by the company it is difficult to get a good read on the underlying dynamics. We believe that the market may have treated the downgrade as a permanent change, and that the share price decline may be an over-reaction. However, we have not yet been able to get sufficient comfort on the underlying detail to warrant adding to the position. We hope to have greater clarity on this shortly.

The third significant detractor in May was funds management group, Pendal, which announced a weak 1H operating result early in the month. Pendal has suffered from a combination of headwinds, including: disruption to the Australian financial planning industry flowing from the Hayne Royal Commission (financial planners direct client money into Pendal funds), disruption in the UK as a result of uncertainty in respect of Brexit, and a run of poor investment performance from several of its larger and more important funds.

Our thesis in holding Pendal has been that the country-specific headwinds would ease over time and the run of weak fund performance would reverse. However, our recent investigations indicate that these factors present continuing challenges, and the prospects for a change of fortune in the near term are not strong. We had previously reduced our exposure to Pendal, but have again reduced our exposure to the company until we can see improving conditions on some or all of these fronts.

As it has been for some time, the Fund remains cautiously positioned with a significant cash weighting. While valuations and risk levels are at generally elevated levels (as we believe they are), we continue to await better opportunities to deploy this surplus.