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
$349.6M

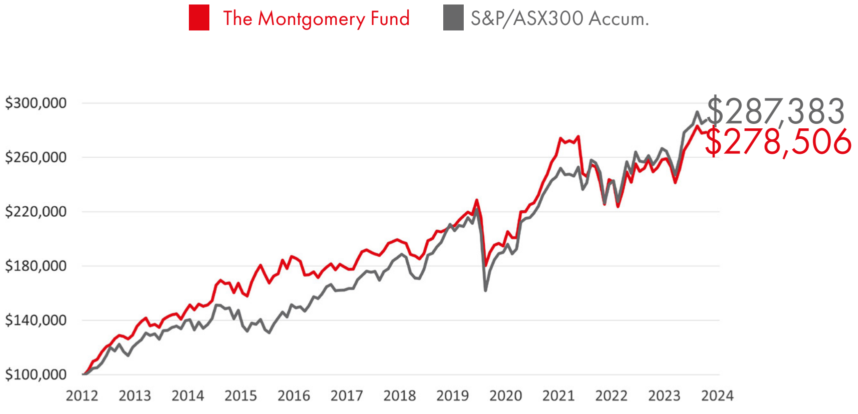
MANAGEMENT FEES AND COSTS
1.36% per annum[1]

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 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
June 2019	6.2488	4.75

PORTFOLIO PERFORMANCE

(to 31 May 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	0.20%	0.71%	10.73%	11.69%	4.00%	6.30%	6.67%	6.75%	178.51%	9.08%
S&P/ASX 300 ACCUM. INDEX	0.85%	1.10%	10.66%	12.83%	6.54%	7.79%	8.55%	7.79%	187.38%	9.37%
OUT/UNDER PERFORMANCE	-0.65%	-0.39%	0.07%	-1.14%	-2.54%	-1.49%	-1.88%	-1.04%	-8.87%	-0.29%

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]	0.20%	0.71%	10.73%	11.69%	8.34%	10.61%	11.93%	11.27%	537.16%	10.06%
S&P/ASX 300 ACCUM. INDEX	0.85%	1.10%	10.66%	12.83%	6.54%	7.79%	8.55%	7.79%	313.36%	7.63%
OUT/UNDER PERFORMANCE	-0.65%	-0.39%	0.07%	-1.14%	1.80%	2.82%	3.38%	3.48%	223.80%	2.43%

[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 May 2024)

COMPANY NAME	ASX CODE	SECTOR	WEIGHT (%)
Commonwealth Bank of Australia	CBA	Financials	7.23
Cochlear Ltd	COH	Health Care	6.04
Rio Tinto Ltd	RIO	Materials	5.97
Macquarie Group	MQG	Financials	5.74
QBE Insurance Group	QBE	Financials	5.26
Transurban Group	TCL	Industrials	5.01
Xero Ltd	XRO	Information Technology	4.71
CSL Ltd	CSL	Health Care	4.46
BHP Group Ltd	BHP	Materials	4.20
Wesfarmers Ltd	WES	Consumer Discretionary	4.00
Total equity weighting			96.20
Total cash weighting			3.80

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

TOP 3 CONTRIBUTORS AND DETRACTORS

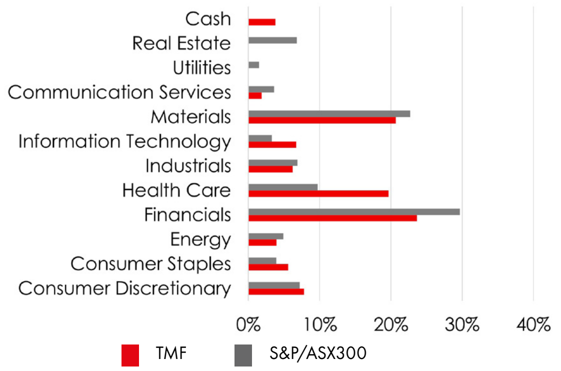
CONTRIBUTORS

Telix Pharmaceuticals	The share price rose after reporting progress with its cancer therapeutics trials.
Xero	The share price rose after reporting strong growth and profitability.
Silex	The share price rose after US law passed prohibiting the importation of Russian uranium.

DETRACTORS

Treasury Wine Estates	The share price fell after a lowering of expectations of a rebound in China sales.
Ramsay Healthcare	The share price fell after a large competitor reported struggling with high costs and inadequate insurance reimbursement.
ResMed	The share price consolidated after a period of outperformance.

INDUSTRY EXPOSURE



MARKET CAPITALISATION

	TMF (%)	S&P/ ASX300 (%)	ACTIVE (%)	# STOCKS
ASX 1 -20	52.9	60.4	-7.5	13
ASX 21 -50	26.9	16.3	10.6	7
ASX 51 -100	5.9	12.3	-6.5	4
ASX 101 -200	8.3	8.4	-0.1	5
ASX 201 -300	1.2	2.5	-1.3%	1
Ex S&P/ ASX 300	1.0		1.0	1
Cash	3.8			
Total	100.0			31

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

Despite persistent market volatility, The Montgomery Fund (The Fund) has beaten the market marginally over the past six months, returning 10.73 per cent versus the benchmark S&P/ASX 300 Accumulation Index's 10.66 per cent return. In May, the market partially recovered from April's decline, with the S&P/ASX 300 Accumulation Index rising by 0.85 per cent. The Montgomery Fund produced a positive return but underperformed the benchmark by 0.65 per cent.

Broadly speaking, we remain optimistic about the prospects for equities over the next 12 to 18 months. Despite a flurry of data suggesting interest rates in Australia may not be cut for some time, and even though economic growth remains anaemic, conditions appear generally supportive for equities thanks to disinflationary forces overall, as well as a change in expectations from sharply rising interest rates to the acceptance that rates have likely peaked, and in recent days both the Canadian and European Central Bank have both cut their official cash rate by 0.25 per cent. These changes will take time to pervade general sentiment and overcome inertia before becoming the dominant narrative. In that time, stocks and even riskier asset classes should rise.

Macroeconomic news painted a clouded picture of Australian conditions, with inflation persisting despite unemployment rising from 3.9 per cent to 4.1 per cent and weakening consumer data headlined by falling consumer confidence. In the U.S., despite elevated interest rates since July 2023, inflation remains well above the two per cent target due to rising energy and transportation costs, challenging the Federal Open Market Committee to tame inflation without triggering a recession.

Rising geopolitical tensions saw Western allies and Russia/China increase their efforts to disrupt each other. The U.S. passed a law banning Russian uranium imports and simultaneously imposed heavy tariffs on Chinese goods, especially electric vehicles (EVs).

Bond markets and geopolitical tensions also affected the Australian market amid the off-cycle reporting season for banks, agriculture, and certain technology stocks. The big banks reported stable credit quality but struggled with profitability due to competitive pressures. Meanwhile, big mining stocks fluctuated as investors await additional Chinese fiscal stimulus.

It is easy to list a bunch of reasons for concern, but we generally remain agnostic with respect to the influence these factors will have on a portfolio of carefully selected higher-quality businesses.

Portfolio changes

The Fund has increased positions in TechnologyOne (ASX:TNE), Xero (ASX:XRO) and Pilbara Minerals (ASX:PLS) while decreasing positions in IGO (ASX:IGO) and Treasury Wine Estates (ASX:TWE).

A new position was initiated in Capstone Copper Corporation (ASX:CSC). As a dual-listed copper producer, Capstone is a geographically diverse miner with assets in the U.S., Mexico and Chile. The company's world-class growth project, the Mantoverde Development Project (MVDP) in Chile, is advanced in its production ramp-up and is projected to reach nameplate capacity in 3Q 2024. Its long-life mine and low-cost operations improve the quality of the company and provide downside protection if the copper price falls from its current levels.

Additionally, the company has a promising expansion project in Santo Domingo, 35km north-east of MVDP, undergoing feasibility. Provided all relevant criteria are met, this project is anticipated to be sanctioned in 2025. This mine is also projected to be a low-cost copper mine with by-products of iron, gold, and cobalt.

Copper is projected to face medium term supply shortages due to a combination of insufficient investment in greenfield copper sites and the increased electrification of vehicles and energy storage. Capstone Copper's growing production profile and strong balance sheet represent a high-quality exposure to this highly sought-after future-facing mineral. The investment team will closely monitor the progress of its ramp-up and other fundamental factors that influence the trajectory of the company's quality.

The Fund exited its position in Altium (ASX:ALU). As readers may remember, Altium accepted a $68.50 per share or $9.1 billion takeover offer from Renesas in February 2024. Since the initial jump in price from the announcement, Altium shares have traded steadily, rising slightly to around $67 per share at the end of May. Given the limited upside from this price and the extended timeline until the completion of the takeover, the investment team decided to exit the position by reallocating this capital to TechnologyOne and Xero – technology companies offering more growth in.

Major contributors

Telix Pharmaceuticals (ASX:TLX) – Telix Pharmaceuticals' share price surged to all-time highs, boosted by a positive update on the company's highly anticipated therapeutics trial for prostate cancer, indicating participants experienced 8.8 months without disease progression after treatment.

Xero (ASX:XRO) – Xero's share price rose after a pleasing FY24 result. The company's CEO fulfilled her promise of balanced growth while controlling costs. Sukhinder Singh Cassidy also gave clearer indications of her strategy to invest heavily in product development and partnerships, which will give her the right tools to drive subscriber growth in the U.S. and U.K. small business markets.

Silex (ASX:SLX) — Silex shares outperformed as the company benefited from a new law passed by the U.S. government prohibiting the importation of Russian uranium. The company's investor presentation mentioned Letters of Intent had been signed with four U.S. utility companies.

Detractors

Treasury Wine Estates (ASX:TWE) – Despite the removal of Chinese tariffs on the importation of Australian-made wine, management announced there would be no immediate rebound in sales due to the rebuilding of supply chain relationships with distributors and retail sites. Meanwhile, successfully integrating its recent DAOU and Frank Family Vineyards acquisitions remains key to earnings growth.

Ramsay Healthcare (ASX:RHC) – The company's share price fell after reports emerged that its Australian competitor, Healthscope, is struggling with elevated input costs and insufficient private health insurance rebates. Despite this, Ramsay Healthcare mentioned it is successfully managing cost inflation.

ResMed (ASX:RMD) – ResMed's share price suffered a period of profit-taking after outperforming in April. The last quarterly update revealed an uplift in gross margins as freight cost pressures subsided while a major competitor continued to suffer from regulatory woes.