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
$504.3M

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

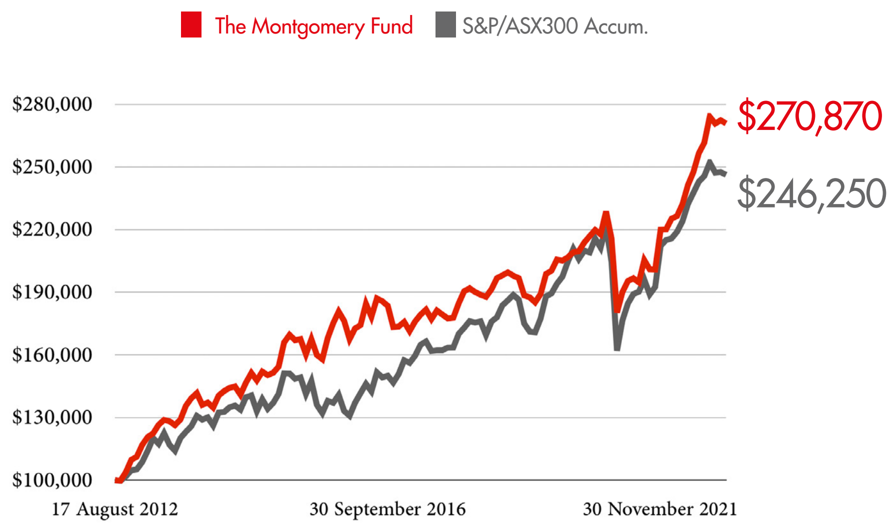
FINANCIAL YEAR RETURNS

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**	11.3%	10.2%

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

**Compound annual returns

PERFORMANCE GRAPH



PORTFOLIO PERFORMANCE

(to 30 November 2021, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-0.55%	**-0.55%**	-0.53%	-0.02%
3 months	0.00%	-1.18%	**-1.18%**	-2.31%	1.13%
6 months	3.09%	6.32%	**9.41%**	3.63%	5.78%
12 months	3.78%	19.33%	**23.11%**	16.02%	7.09%
3 years (p.a.)	3.79%	9.24%	**13.03%**	12.89%	0.14%
5 years (p.a.)	4.13%	5.18%	**9.31%**	10.30%	-0.99%
7 years (p.a.)	4.66%	4.12%	**8.78%**	9.06%	-0.28%
Since inception#	62.83%	108.04%	**170.87%**	146.25%	24.62%
Compound annual return (since inception)# # *17 August 2012*	5.39%	5.94%	**11.33%**	10.19%	1.14%

FUND COMMENTARY

Volatility featured heavily in the month of November, punctuated late in the month by the significant sell-off and immediate recovery following the emergence of the Omicron variant.

The S&P/ASX 300 Accumulation Index declined by 0.53 per cent, as the world and financial markets grappled with the potential implications of Omicron and its unknown impacts on re-opening and economic recovery.

At time of writing, financial markets appear to have taken the optimistic view which is Omicron poses minimal threat to medium-term plans to re-open, as it latched onto reports from South Africa that the variant results in only mild symptoms – especially for the vaccinated – and existing vaccines are well equipped to handle any outbreak with some minor adjustments.

While we remain optimistic, the Omicron experience highlights some prudence is warranted as we re-assess the risk of mutations and the possible impacts of renewed lockdown in a world already struggling with overstretched supply chain, goods-driven inflation and labour-force unrest. It is also a reminder of how far society's knowledge of COVID-19 has advanced in a short-time.

The Montgomery Fund declined by 0.55 per cent for the month as we saw a significant divergence between the performance of the major banks and resources – especially the two banks held by the fund (the Commonwealth Bank of Australia and Westpac) which delivered a return of -11 per cent and -17 per cent, respectively – in contrast to the materials sector which climbed over 6 per cent.

Bank reporting season delivered a significant contrast in the fortunes of major bank share price performance, with Australia and New Zealand Bank and National Australia Bank (-2 per cent) delivering largely to expectations while the Commonwealth Bank of Australia and Westpac disappointed investors. The results highlighted the different positioning and prospects of each bank with respect to mortgage competition and business lines, which we articulate in some detail below.

Continued on the next page…

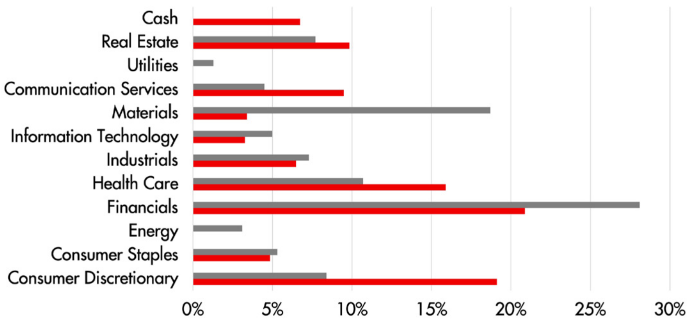
TOP COMPLETED HOLDINGS* (TCH)

(at 30 November 2021, out of 31 holdings)

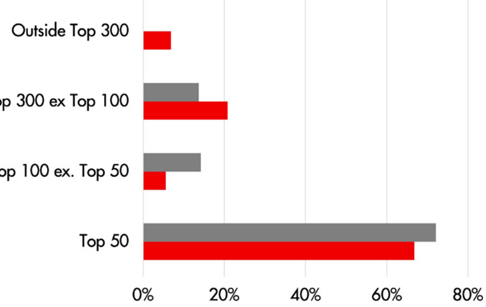
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Commonwealth Bank	11.9	N/A	17.5	6.08
Goodman Group	18.2	9.4	32.1	5.22
Macquarie Group	10.3	N/A	19.1	5.16
Aristocrat Leisure	24.8	28.2	25.0	5.05
National Australia Bank	10.6	N/A	14.1	4.75
Resmed	26.7	17.3	40.2	4.43
CSL	31.9	47.7	43.8	4.16
Reliance Worldwide	13.5	10.9	22.1	4.13
Wesfarmers	25.5	73.1	28.9	4.09
Woolworths Group	25.4	N/A	29.6	4.06
TCH AVERAGE	19.9	31.1	27.3	
MARKET AVERAGE	12.8	72.3	17.9	
Total equity weighting				93.26
Total cash weighting				6.74

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 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

For most of 2021, Westpac had been the largest holding in The Montgomery Fund. Our three-pronged thesis on Westpac included: i) cost out opportunity – with new CEO Peter King targeting an approximate 20 per cent reduction in the cost base over 3 years; ii) significant capital returns via off-market buy-back – given Westpac's surplus capital position post asset divestment; and iii) improved market share – as Westpac re-focused on higher-returning mortgages. Overlaid with favourable relative valuation versus major peers and a potential positive macro-tailwind (rising rates), we viewed the position size as appropriate – and were rewarded with share price appreciation above-market for most of 2021.

However, Westpac's FY21 result revealed under-delivery on all three aspects of this thesis as i) costs showed a significant step up in the September 2021 half-year vs the March 2021 half-year (+10 per cent) – largely on additional compliance costs; ii) Westpac's capital return was well below expectations (partly a function of lower profits); and iii) while market share improved during the period, the result revealed the financial cost of the gain in share – as Westpac's pricing initiatives to offset longer turnaround times resulted in a deterioration in margins. The Fund reacted quickly to this disappointment, divesting over half its position on the day of the result, and using the proceeds to invest in peer National Australia Bank.

The impact of mortgage competition in fixed interest loans was evident in the Commonwealth Bank of Australia's quarterly update, which also showed a step-down in net interest margin (NIM). While the update was not as disappointing as Westpac, the one-day price decline was significant (approximately 8 per cent) given the Commonwealth Bank of Australia's valuation premium vs peers. We trimmed our Commonwealth Bank of Australia position on the day of the result.

While the updates from Commonwealth Bank of Australia and Westpac portend increase pressure on net interest margins, we have only marginally reduced our total exposure to Australian Banks, electing to invest in National Australia Bank with our Westpac proceeds. There are three primary reasons for the shift – i) National Australia Bank's result showed it is better positioned to withstand net interest margin compression in mortgages given National Australia Bank's dominance in business (higher net interest margin); ii) medium-term benefits from the acquisition of Citigroup's Australian consumer division (earnings per share / return on equity accretive and cost synergy potential); and iii) our assessment that competitive pressure in net interest margins have peaked and will subside in the March 2022 half-year – this is already evident with banks increasing pricing on short-term fixed loans.

On a more positive front – the two big winners in the portfolio this month were Goodman Group and Capricorn Metals. Goodman Group delivered a positive AGM update, upgrading its earnings per share growth expectation from 10 per cent to "at least 15 per cent". Meanwhile, Capricorn was a beneficiary of increased interest as the Karlawinda mine enters steady state production. The share price also benefited from inclusion into various Exchange Traded Funds (ETFs), which we expect will spur price insensitive buying.

A special mention must be made of Avita Medical, which once again posted a disappointing share price outcome. While we have written extensively on Avita Medical in the past, there was one very positive and one negative development during the month.

In early October, Avita reported that the Centres for Medicare and Medicaid Services in the US (CMS) had granted Transitional Pass-Through Payment status for RECELL in an Outpatient Setting commencing 1 January 2022. Transitional Pass-Through (TMT) Payment is a significant validation for the RECELL device which enables healthcare workers to fully reimburse the cost of the RECELL device when used in an outpatient setting for burns and other future indications (such as trauma and soft tissue).

This is a monumental achievement for the Company, with less than 15 devices out of thousands approved since 2016 since CMS altered its criteria for its TPT program, and removes a major obstacle for more widespread use (i.e. the device cost of around $7.5k). The criteria for CMS approval is extremely stringent, and must include Breakthrough Designation from the Food and Drug Authority (FDA) as well as no overlap on prior TPT indications.

The disappointing update however was Avita's sales guidance for the December 2021 Quarter of US$7 million - sequentially flat vs the September Quarter 2021 – with the company citing nurse shortages impacting more widespread adoption and impacting sales by around 5 per cent.

Net-net, the share price has declined by over 10 per cent during the month, despite the significance of the former development versus the latter (i.e. one is a permanent de-risking over the long-term for wider use while the other is a shorter-term issue and impacts sales less than 10 per cent). We have used the sell-off to broadly maintain The Fund's overall exposure, and we remain positive on the potential trajectory of the business over the next 12 months and beyond.

Looking forward, we expect further volatility as narratives on coronavirus and inflation sway from positive to negative. In anticipation of more volatile conditions, our cash balance has crept up a few per cent (sitting at just under 7 per cent) but remain invested in quality businesses with attractive risk-reward characteristics.

We believe our focus on quality, bright prospects and relative value should hold us in good stead going forward.