CAREFULLY PREPARED BY

MONTGOMERY

BEST of the BEST

THE ONLY PRESCRIPTION FOR HEALTHY FINANCES

ISSUE 28: FEBRUARY 2020

HAVE LOW INTEREST RATES MADE RISK ASSETS TOO EXPENSIVE?

By Roger Montgomery

WHY INFIGEN SHOULD PROFIT FROM OUR DECARBONISING ECONOMY

By Gary Rollo

THE MARKET'S EXPENSIVE, RIGHT?

By Andrew Macken

WHAT SHOULD WE EXPECT FROM THE BIG FOUR BANKS IN 2020?

By Stuart Jackson

THE
MONTGOMERY FUND

MONTGOMERY
INVESTMENT MANAGEMENT PTY LTD

MINIMUM INVESTMENT $25,000

The Montgomery Fund has outperformed its benchmark overall since inception

HOW?

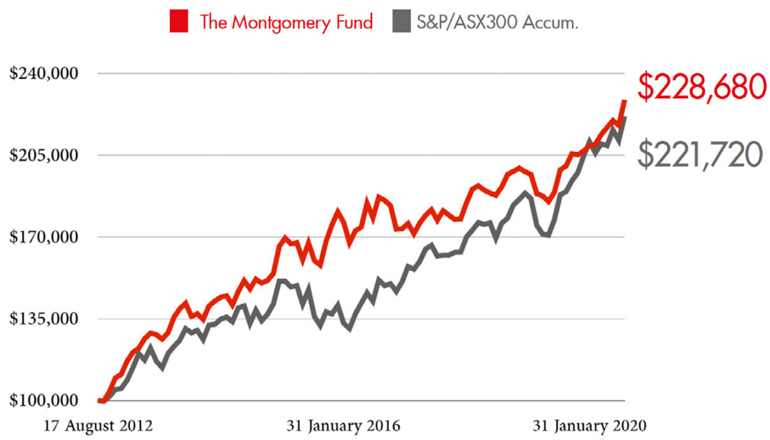
We don't change course or switch boats half-way across the stream, and The Montgomery Fund has the ability to retain cash when the market appears expensive.

No time to invest yourself?

The Montgomery Fund focuses on owning high quality businesses – purchased at attractive valuations – to generate superior returns over the long term.

We don't believe in taking excessive risks and are strongly focused on preserving your capital, as much as we can in equity markets.

Performance to 31 January 2020



The Montgomery Fund aims to outperform the S&P/ASX 300 Accumulation Index (the Fund's benchmark) over a rolling 5-year period. Returns are since inception, August 2012, and assumes the distributions are reinvested. Past performance is not an indication of future performance.

To learn more about how Montgomery helps you invest in the right stocks at the right time, and our talented team, please visit www.montinvest.com. Investors can also call Toby Roberts directly on 02 8046 5000.

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. This advert was prepared by Montgomery Investment Management Pty Ltd, (ACN 139 161 701) (AFSL: 354 564) (Montgomery) the investment manager of The Montgomery Fund. 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 account your particular objectives, financial circumstances or needs. You should obtain and consider a copy of the Product Disclosure Statement (PDS) relating to the Fund before making a decision to invest. 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 document. Past performance is not indicative of future performance.

FROM THE EDITOR

Welcome to the first edition of ***Best of the Best*** for 2020.

We don't normally insert charts into the Editor's Letter, but the charts included in this letter are so compelling we couldn't deny you the right to appreciate just how difficult markets have been for value investors.

Montgomery funds have the ability to hold variable amounts of cash helping us to offer investors the prospect of preserving hard-won wealth in tough market conditions. Take The Montgomery [Private] Fund for example, which has beaten the broader market (as measured by the S&P ASX/300 Index) since its inception. The Montgomery [Private] Fund has achieved this result while holding an average balance of cash of over 35 per cent since its inception.

That cash has been the result of an absence of a sufficient number of clear and obvious opportunities that ticked all of our quality, value and prospects boxes. And while we have complained about an absence of value for a long time, I am not sure our investors have appreciated just how challenging it has been.

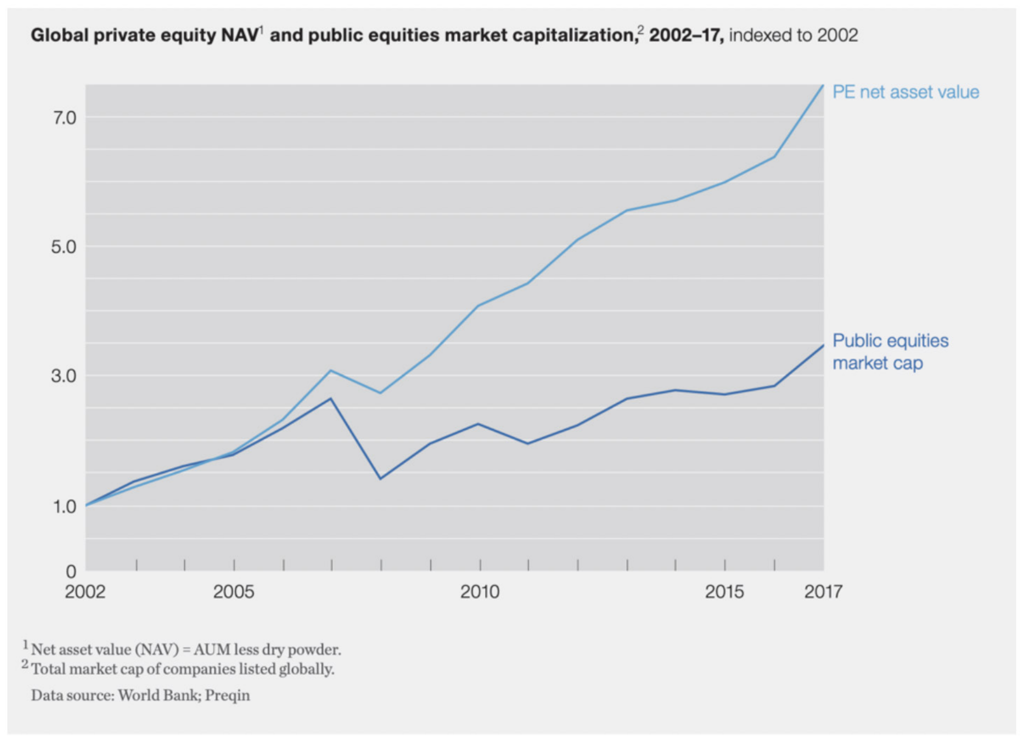
The following chart reveals the magnitude of the challenge for value investors. It displays the MSCI World Value Index P/E Ratio against the MSCI World Growth Index P/E Ratio. Finding value started getting particularly challenging in 2016 and it became increasingly difficult until today. At this moment the last time value was so challenging was 20 years ago, when the tech boom pushed companies with neither earnings nor revenue to stratospheric levels. Sound familiar?

Value stocks trading at the largest discount to growth stocks since Tech Bubble 1999

With public markets so expensive, it might be difficult to believe that there's an asset class that could be in an even bigger bubble. But there is and that class is private equity.

The following chart displays the market value of US public equity markets. The light blue line shows the net asset value of companies held by Private Equity investors. Yikes!

Major Tom, there's something wrong



Private Equity looks like a very 'crowded' trade, even The Future Fund has invested 16 per cent. Here's a question for you: If all the world's wealthiest investors have already purchased shares in a company during its start-up phase, who is left to buy it from them when it comes to an IPO? And following the WeWork disaster and the poor performance of Lyft since floating, it's perhaps no surprise the IPO window has closed.

When the wealthy and ultra-wealthy, the endowment funds and sovereign funds find themselves locked into illiquid private equity investments and want to exit, they'll find themselves unable.

During the GFC, investors, who were locked into funds that closed to redemptions, found themselves selling anything else they had that still offered liquidity. I wonder whether we will see stocks sell off because the ultra-wealthy cannot exit Private Equity.

As we have warned over many years, and thanks to black swan events like COVID-19, the chase for yield will now reveal itself to be the silliest of endeavours. Investors may have extracted a slightly better yield by venturing away from term deposits, but term deposits offer virtually no risk of loss. What's the point of an extra four per cent income when the risk is you could lose 50 per cent of your asset value?

There's a lot going on and we look forward to helping you navigate it all.

Roger Montgomery

Chief Investment Officer

TABLE OF CONTENTS

Have low interest rates made risk assets too expensive?	p6
What should we expect from the big four banks in 2020?	p8
The market's expensive, right?	p10
Why Infigen should profit from our decarbonising economy	p11

Have low interest rates made risk assets too expensive?

Roger Montgomery, Chief Investment Officer

Roger discusses how interest rates affect asset prices and why it's vital to separate price and value.

Around the world, plunging interest rates have led to a stampede by investors into risk assets, like shares and property. With the prices of these assets now looking quite inflated, investors need to do more research than ever to find under-valued assets.

While I take it for granted that falling interest rates exert a positive influence on asset prices, it is perhaps not as obvious to others who might allow their investments to jump at the shadows of trade deals, Trump tweets and Brexit concerns.

As the year begins, it is worth keeping in mind the power exerted on asset prices by interest rates. As we witnessed in 2019, that power exceeds all the fears that might have inhered in short-lived geopolitical and financial machinations.

It is vital first to separate price and value. Price is what you pay for an investment. It's the figure that is advertised broadly and it's the figure from which your future return is derived. Value however is something else entirely. Value is what something is truly worth. If price is what you pay, then value is what you get. Your job as an investor is to pay a lower price than the value you receive.

Interest rates impact both values and prices.

The way interest rates exert their force on valuations is through the present value calculation. By way of example, the present value calculation seeks to answer the question: "what is ten dollars in ten years' time, worth today?" We don't need to answer that question here but we do need to appreciate that at high interest rates we can invest a low amount of money today and obtain ten dollars in ten years' time. At low interest rates we have to invest a higher amount of money today to obtain ten dollars in ten years' time.

WHEN INTEREST RATES ARE LOW, THE PRESENT VALUE OF A FUTURE TEN DOLLARS IS HIGH. WHEN INTEREST RATES ARE HIGH, THE PRESENT VALUE OF A FUTURE TEN DOLLARS IS LOW.

Through the present value methodology, we see that rising interest rates act like an increasing gravitational force on asset values. As interest rates go up, the gravitational force gets strong and the value of an asset comes down. But if interest rates fall, so does the gravitational force. Asset values are then free to float up.

But of course price and value are two different things, so how do interest rates affect asset prices? One transmission mechanism and arguably the most important is the migration of money by investors from one asset class to another based on relative yield.

As interest rates on cash and term deposits fall, the relatively attractiveness of other asset classes improves, and investors migrate their portfolios to those more attractive options. In the last few years, as interest rates have fallen to punitive levels, cash and term deposits have become virtual liabilities and the migration to property and shares has accelerated – pushing the prices of those assets, and many others, to record highs.

Through the transmission mechanisms described above, low interest rates help to elevate values and prices – but they do not defy other investment laws. The primary law that will remain immutable is this: the higher the price you pay, the lower your return.

DON'T FORGET THAT ASSET PRICES ARE NOT IMMUNE TO FALLS EVEN IN A LOW RATE ENVIRONMENT.

We can, for example, review Robert Shiller's CAPE ratio of the S&P500 (an inflation-adjusted Price to Earnings ratio that compares the S&P500 price to its ten year average earnings) going back to 1870, and calculate for each point in time the subsequent ten year compounded average annual growth rate. What we discover is that whenever the CAPE ratio is higher, the subsequent ten years' average return is lower. For example, at the peak of the 1897 boom and at the depths of the GFC, the CAPE ratio sat between 15 and 18 times earnings. The subsequent ten-year return was above 16 per cent per annum. At the peak of the 1929 boom and at the peak of the go-go years in 1965 the CAPE ratio sat between 25 and 30 times. The subsequent ten-year return was between -1.45 per cent and 4 per cent per annum. By repeating this process for every point in time we can conclude that average returns are higher when lower prices are paid, and average returns are lower when higher prices are paid.

History demonstrates that low interest rates are supportive for asset prices. Unless you see evidence that short-term or long-term rates are rising in 2020 there is no reason to expect the supportive picture for equities to change. The reality however is that prices are already elevated and imply low future returns. Capital however is at risk in the stock market so even though low rates are supportive for equities, the risk-adjusted return available in the market today is becoming less and less attractive as the market rises.

And don't forget that asset prices are not immune to falls even in a low rate environment. For example, even though interest rates have been declining, property prices in Australia have experienced a bout of weakness.

When thinking about generally elevated equity markets, investors should reconsider the trend towards investing blindly in index funds and the merit of investing with a discerning active manager. Even in an elevated market there can be individual examples of value to take advantage of. Last year we did well buying Telstra below $2.80 and 2020 will no doubt present similar opportunities even though low rates have generally rendered the market broadly expensive.

This article was written on 24 January 2020. All share and other prices and movements in prices are on this date.

What should we expect from the big four banks in 2020?

Stuart Jackson, Portfolio Manager

Stuart discusses what is in store for the major banks in 2020. If loan book growth starts to accelerate, it will put further pressure on capital ratios, increasing the risk to dividend payments.

Our big four banks have endured a turbulent few of years as a result of increasing regulatory constraints, slowing credit growth, and the fallout from the royal commission. 2019 was no different.

The banks generated a total return of 9.5 per cent for the calendar year, less than half that of the broader market return of 23.8 per cent.

Of the major banks, the Commonwealth Bank of Australia (ASX:CBA) was the standout performer, delivering a total return of 16.9 per cent. But this was still well below the return of the broader market. The worst performer was Westpac (ASX:WBC), with its share price hit hard toward the end of the year as a result of its weak full year result, a large capital raising, and the release of a statement of claims against it by AUSTRAC.

Looking to 2020

The rebound in the home lending market is set to pick up speed in 2020 following the slowest rate of mortgage lending growth in the past decade.

That's according to global consultancy firm Deloitte, which has published its annual Australian Mortgage Report, giving insights into what the industry expects for the year ahead.

Mortgage demand has increased over the last six months, with application volumes recovering on the back of the Coalition win in the May election and followed by three rate cuts by the Reserve Bank.

Given the lag between application and settlement of mortgages, this has not shown up in mortgage book growth just yet.

THE REBOUND IN THE HOME LENDING MARKET IS SET TO PICK UP SPEED IN 2020 FOLLOWING THE SLOWEST RATE OF MORTGAGE LENDING GROWTH IN THE PAST DECADE.

While loan book growth should improve in the coming year, the major banks are likely to see reduced growth as they face increasing competitive pressure from second tier and non-bank lenders.

This is a direct result of the Reserve Bank's official rate nearing a zero. This reduces the funding cost advantage enjoyed by the major banks from their disproportionate share of low-cost transaction deposit accounts. Falling official rates are not able to be passed onto transaction deposit accounts as they already receive zero or negligible interest.

Smaller lenders that rely on wholesale funding are benefitting from falling benchmark interest rates, narrowing the gap in their funding cost relative to the major banks. This allows these smaller lenders to price mortgages and other loan products more competitively.

If you look across all the four big banks from February 2018 to September 2019, the big four have dropped about 4 per cent market share in total.

And what about margins

While loan book growth might accelerate slightly in 2020, downward pressure on net interest margins will continue. This will potentially mitigate the impact on net interest revenue growth.

The increase in loan application activity should improve, but fee growth is likely to remain constrained given political and social pressures on fee pricing.

Are more people defaulting?

Credit quality has continued to slowly deteriorate with delinquencies and bad debts rising in 2019 from their cyclical lows.

While lower borrowing rates should ease the pressures on borrowers to some degree, economic conditions remain soft and labour demand is weakening. Therefore, bad debt charges are likely to be flat at best in 2020, or more likely to present another headwind to earnings growth.

This puts pressure on operating cost reductions to deliver overall earnings growth for the banks. With compliance and regulatory spend likely to remain elevated in the medium term, this is likely to prove challenging.

In summary

This all adds up to negligible or negative underlying earnings growth for the banks in 2020.

Consequently, investor returns are likely to be at the same level of dividend yield unless the market is willing to pay more for the same level of earnings for some reason.

The yield itself will also remain under pressure with the flat to negative underlying earnings growth, combined with the need for the National Australia Bank (ASX:NAB) and Westpac to continue to accumulate more core equity capital to meet APRA's new minimum capital hurdles.

If loan book growth starts to accelerate, it will put further pressure on capital ratios, increasing the risk to dividend payments.

This article was written on 13 January 2020. All share and other prices and movements in prices are on this date.

The market's expensive, right?

Andrew Macken, Portfolio Manager

Andrew questions whether the US is really in a bull market. Did you know the S&P500 has gone nowhere for two full years?

Finance theory teaches that when you invest in a firm, your expected percentage annual return is some spread over and above the risk-free interest rate (typically viewed as the annual yield on a government bond). The size of this "spread" is proportional to the risk that you bear.

If you are a secured lender, the spread is low. If you are an unsecured lender, perhaps it is a bit higher. And if you are a shareholder, the spread is higher still, compensating you for taking the most risk.

It turns out that, today, spreads for lending to companies are very low; while spreads for equity investments in companies are quite high. Said another way, Mr Equity Market is paying you relatively handsomely for taking equity risk; while Mr Bond Market is not paying you much at all for taking lending risk.

And yet, on a near daily basis, headlines are published suggesting that equities are expensive and the longest bull market in history must soon be coming to an end. And maybe it will. But maybe it won't.

If financially-literate aliens visited planet earth and found the world's largest economy experiencing a 50 year low unemployment rate of 3.5 per cent, with a Federal Reserve that was in the process of cutting rates and re-expanding its balance sheet of asset purchases, they would view the environment as highly-favourable for equities. And yet, fear of a downturn remains the dominant emotion.

Did you know the S&P500 has gone nowhere for two full years? This would not feel right to most readers. But in a sense, this is true. Recall that President Trump signed into law a reduction in the US corporate tax rate from 35 per cent to 21 per cent two years ago. This resulted in a one-time rebasing upwards of US corporate earnings by around 20 per cent. Upon stripping out this effect, we result in an adjusted S&P500 equity return of roughly zero for the last two years. Hardly the stuff of a bull market that we read about each day.

Today we find ourselves in a world in which leading indicators for global economic growth are stabilising. More than 20 global central banks are expected to cut interest rates over the next six months. And the "spread" Mr Market is willing to pay you for taking equity risk has rarely exceeded the spread being offered by Mr Bond Market by so much.

Indeed, the last time these two spreads were this far apart was in 1979. In the two subsequent decades, the spread paid for taking equity risk converged towards that of the spread paid for taking bond risk. And this coincided with an average 18 percent per annum equity return in the Dow Jones Industrial Average for 20 years.

The truth is, the future is not predictable by anyone. But we humans tend to gravitate towards headlines predicting demise and hardship over those predicting prosperity. It seems to us that, at a time when investors are rushing to add more fixed income to their portfolios, this asset class is offering relatively meagre expected returns for the risk borne by investors. And on the end of the risk spectrum, many equities are offering highly attractive returns for the risk being borne.

The global economy will likely improve in 2020, monetary policies remain highly favourable and equity prices have delivered little, if anything, for the last two years. And from a political perspective, the chances of a certain US President peeling back his tariffs in the lead up to next year's general election are surely higher, rather than lower. Equities may not be such a bad place to be after all.

This article was written on 17 December 2019. All share and other prices and movements in prices are on this date.

Why Infigen should profit from our decarbonising economy

Gary Rollo, Portfolio Manager

Gary identifies why Infigen Energy is positioned to be a multi-year volume growth story.

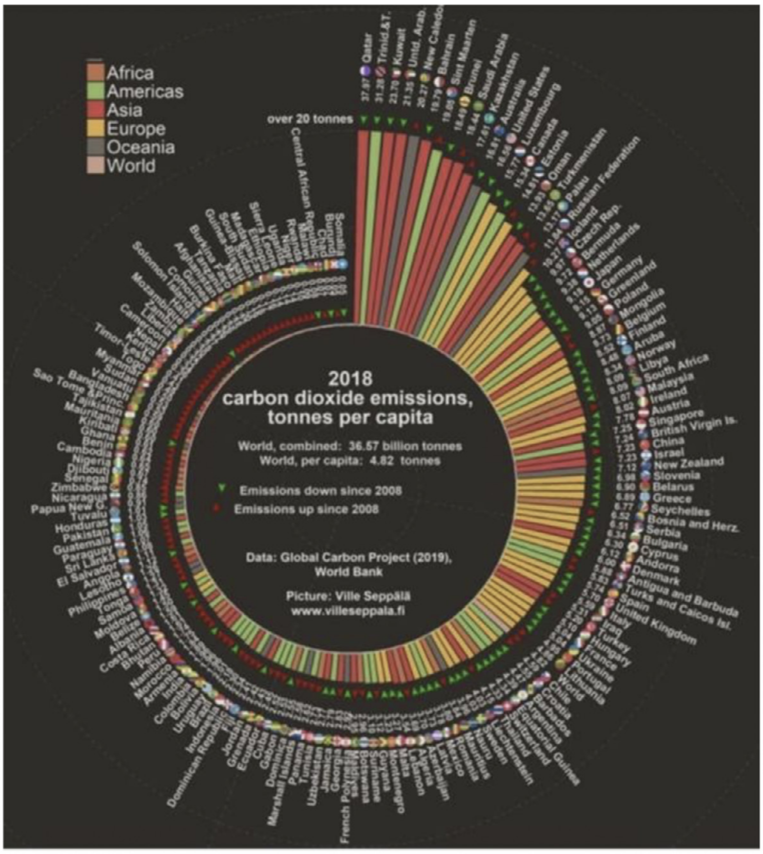
As Australia continues its slow, but steady, journey to decarbonise its economy, there will no doubt be winners and losers. One of those winners could be Infigen Energy (ASX: IFN), which develops, owns and operates renewable energy generation assets.

Big picture – the Paris Accord – United Nations climate change agreement

The Paris Accord is an agreement outlined in 2016 by 196 nations, 188 of which have now signed up and become a party to that agreement, with the only significant emitters failing to do so being Iran and Turkey. The Accord lays out cuts to carbon emissions, 26-28 per cent of a baseline by 2030, that are required to achieve a limit on global average temperature increases to 2 degrees, and pursue "efforts" to achieve a lower 1.5 degree increase. The Accord doesn't force parties to set specific national emissions targets, but ask's parties to determine and report on emissions and initiatives that seek to mitigate global warming.

Different nations are at different start points in their "de-carbonisation" journey, with the developed world economies clearly much more carbon intensive than emerging markets. See Chart 1 using World Bank Data from its Global Carbon Project resource.

C02 Emissions per capita (click to enlarge)



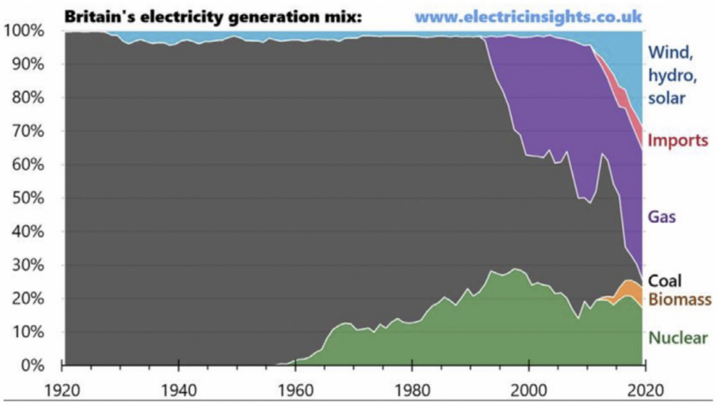
Source: World Bank

According to the data, Australia is a top 10 per capita emitter, so we have work to do. Unfortunately, the politics of climate change here has been sufficiently toxic as to deny leadership clarity on this issue; today it doesn't look like Australia is positioning to meet its Paris Accord commitments.

Australia is not alone, for example the US, under the Trump Presidency, has indicated it plans to withdraw from the Paris Accord.

However, there are other nations taking active steps to meet their Accord obligations. The tipping point of climate change concern amongst many European societies appears to have been reached and despite the economic pressures many nations are actively taking the steps to alter the carbon intensity of their economies. Measures like legislating for the ban of sale of internal combustion engine cars at some future point (Norway 2025, UK 2035/40 and others), altering the mix of their electricity generation networks, targeting high carbon emission generation (coal largely) and replacing it with renewables (wind and solar) supported by flexible generation (usually gas) to cope with the fluctuations that renewables bring when the wind doesn't blow or the sun doesn't shine.

The changing profile of the UK's generation mix



Source: Electric Insights

What's changed – Global Corporates are starting to act

A recent series of poor climate events have elevated the climate change debate as a top media topic, here and overseas, and it's spurring some large companies and institutions to act. Some are seeking to de-couple their brands from carbon-intensive activities that are seen to be part of the problem (for example some large investment funds are committing to sell fossil fuel investments), others are going further to be seen to be part of the solution and taking action to become carbon neutral, or negative. Microsoft's recent "2030 carbon negative" pledge is an illustration of the type of informed decision making, taken independently of legislation driven by politicians. There are many more (Google, HSBC, Amazon, IKEA, and others, even fossil fuel energy companies BP & Shell).

So, decarbonisation is coming, its being driven by corporates, responding to trends they see in society. A consistent feature in the response is a move to power operations using renewables, from the lights in the office to the fuel source for vehicles. The renewable electron is at the heart of the solution. Corporates are assuming that carbon has a cost, and it's not zero.

Where to find the renewable electron in Australia? – Infigen Energy (ASX:IFN)

IFN is a renewable electricity generator. It's had a chequered past, caught up in the financial engineering bubble that preceded the GFC which means that many fund managers aren't looking, and don't appear to have noticed what now looks like a good volume growth story with conditions firming around the medium term outlook for a price on carbon – two significant drivers we think for IFN's earnings and valuation that we explain here. IFN's portfolio and capital structure are now in a "sustainable" state (pun intended), dividends re-started at the end of F19, and 100 per cent of its production are those sought after renewable electrons.

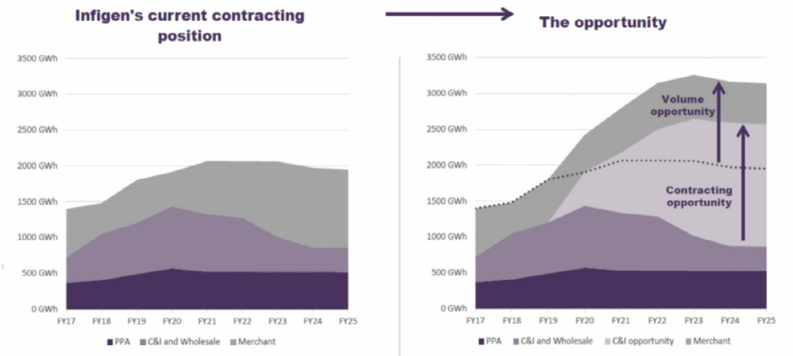
IFN is positioned to be a multi-year volume growth story

IFN has a portfolio of wind assets capable of generating renewable electricity to the tune of approximately 1.8 GWh of power per annum, it also has a newly commissioned battery storage facility (52MWh) and has recently acquired two gas peakers – 123MW in NSW and 120MW in SA – adding these assets to the portfolio changes the game for IFN.

Renewable generation comes with the problem of what to do when the sun doesn't shine or the wind doesn't blow (in IFN's case) in the right place, renewable generation at an asset level can be intermittent. Diversification – having assets at many different locations in your portfolio – helps but doesn't reduce this risk sufficiently; consequently IFN doesn't seek to contract its full supply position for fear of not being able to deliver.

This positioning is illustrated in chart 3 from IFN below, "merchant" representing the uncontracted exposure.

IFN production volumes & the expected impact of firming assets



Source: Infigen Energy

The solution is to "firm" the renewables with assets that offer reliable supply when called upon – this is where the battery and the two gas peakers come in and change the game. These three assets should allow IFN to contract more of its renewable supply than before. In fact, a lot more. IFN has suggested that the recently acquired firming assets can support over 3GWh of renewable generation, (we think this could turn out to be more like 4 GWh) which is greater than IFN's existing capacity.

Consequently, IFN is seeking to contract intermittent renewable generation supply from other renewable sources, and sell that supply on a contracted "firmed" basis to customers looking for green energy. The contracted price of "firmed" renewable green energy is higher than for "unfirmed", allowing IFN to collect a margin on the way through. Contracting for supply, rather than building and owning the assets, allows IFN to grow its production without incurring the capital cost, the growth here is capital light. The chart above from IFN shows the volume growth plan to get to roughly 3200GWh, which is about 65 per cent higher than production in 2019.

IFN and the carbon price

The price IFN receives for its renewable generation is made up of the "black" price for the electricity plus a "green" credit for its carbon-free nature. This "green" credit is known as an LGC and represents the "carbon price" of approximately 0.8 tonnes of CO_2 emissions. It's these credits that turns "black" electricity "green", and corporates can acquire these to offset their emissions profile. IFN's earnings and valuation are sensitive to the carbon price as it's a revenue stream with no input cost, it's 100 per cent profit. Simple maths suggests that every $10 of carbon price, at current production of 1.8GWh, that's $18 million to EBITDA; at the expected future production of 3200MWh, that same sensitivity rises to $32 million to EBITDA. But what is the outlook for the carbon price?

The price of carbon is difficult to call, historically it's been heavily influenced by political and regulatory changes, as well as the demand-supply balance for these LGCs. There are a significant amount of renewable projects that are being added to Australia's generation mix and these will add to the supply of LGCs. We see rising demand too. There is no liquid market for carbon to act as a reference. LGCs in Australia last traded at A$31, (having traded between A$30 and A$50 over the last 12 months) equating to A$39 per ton of CO_2, and the price of a European Emission Allowance (a permit to emit 1 ton of CO_2 or equivalent) is EUR23, or A$37 per ton of CO_2. We don't know what the price of carbon will be but based on what we can see today it's unlikely that the market will conclude that this price is going to be zero any time soon. And that volume growth we see should convert to growing profits.

Is IFN an interesting investment?

IFN is levered to a strengthening global theme – decarbonisation – and is executing a strategy to take advantage of the rising demand for renewable electricity through the recent acquisitions of its firming assets, volume growth is expected to be strong and also capital light. Whilst we can't accurately forecast the future price of carbon, we believe that we can see conditions emerging where corporates, driven by growing public opinion, take steps to decarbonise their activities. A core element of their response so far is to seek renewable power and the green credits that come with that, which we think is supportive for carbon price and good for IFN's growth, earnings and cashflows.

These conditions are supportive for IFN's business growing its earnings, but we note that consensus expectations are for earnings decline, not growth, as consensus forecasts have yet to pick up the volume growth opportunity or are not reflecting a better carbon price outlook.

IFN's current valuation at 6.2x F20 EBITDA is attractive. We value the stock at $1–1.10 depending on how quickly volume growth comes through.

This article was written on 17 February 2020. All share and other prices and movements in prices are on this date.

The Montgomery Small Companies Fund own shares in Infigen Energy.

IMPORTANT NOTICE

This document has been prepared by Montgomery Investment Management Pty Ltd (ABN 73 139 161 701) (AFSL 354 564) (Montgomery).

The information provided in this document does not take into account your investment objectives, financial situation or particular needs. You should consider your own investment objectives, financial situation and particular needs before acting upon any information provided and consider seeking advice from a financial advisor if necessary.

Future investment performance can vary from past performance. You should not base an investment decision simply on past performance. Past performance is not an indicator of future performance. Investment returns reviewed in this document are not guaranteed, and the value of an investment may rise or fall.

This document is based on information obtained from sources believed to be reliable as at the time of compilation. However, no warranty is made as to the accuracy, reliability or completeness of this information. Recipients should not regard this document as a substitute for the exercise of their own judgement or for seeking specific financial and investment advice. Any opinions expressed in this document are subject to change without notice and Montgomery is not under any obligation to update or keep current the information contained in this document.

To the maximum extent permitted by law, neither Montgomery, nor any of its related bodies corporate nor any of their respective directors, officers and agents accepts any liability or responsibility whatsoever for any direct or indirect loss or damage of any kind which may be suffered by any recipient through relying on anything contained in or omitted from this document or otherwise arising out of their use of all or any part of the information contained in this document.

Montgomery, its related bodies corporate, their directors and employees may have an interest in the securities/instruments mentioned in this document or may advise the issuers. This document is not an offer or a solicitation of an offer to any person to deal in any of the securities/instruments mentioned in this document.

For more information on investing with Montgomery, please contact Toby Roberts on 02 8046 5000, or email him at troberts@montinvest.com.

MONTGOMERY