



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

\$670.7M

MANAGEMENT FEE

1.35% per annum, which includes a management fee of 1.18% per annum. Both figures are GST inclusive and net of RITC.

PERFORMANCE FEES

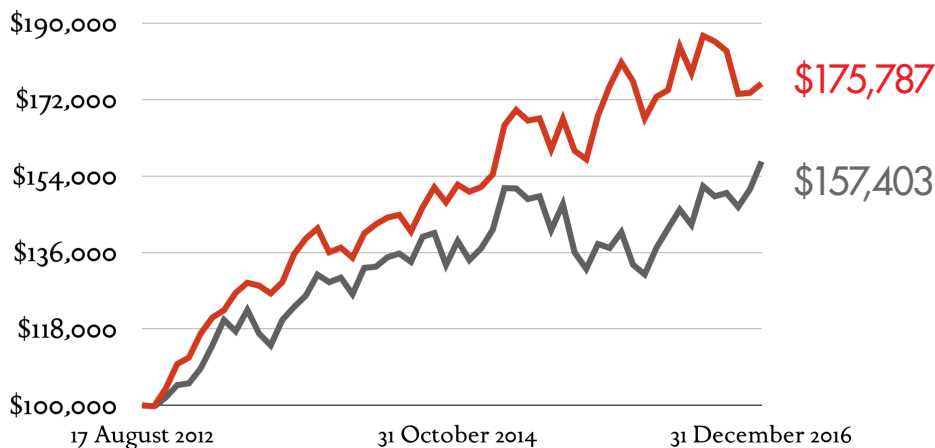
15.38% of the total return of The Fund that is in excess of the Index. No performance fee is payable until any previous periods of underperformance has been made up.

APPLICATION & REDEMPTION PRICES

montinvest.com/tmf

PERFORMANCE GRAPH

■ The Montgomery Fund ■ S&P/ASX300 Accum.



CONTACT DETAILS

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PORTFOLIO PERFORMANCE

(to 31 December 2016, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	1.27%	1.27%	4.34%	-3.07%
3 months	0.00%	-4.19%	-4.19%	4.94%	-9.13%
6 months	0.00%	-1.38%	-1.38%	10.44%	-11.82%
12 months	5.14%	-7.86%	-2.73%	11.80%	-14.52%
2 years (p.a.)	6.78%	0.97%	7.75%	7.21%	0.54%
3 years (p.a.)	5.82%	2.81%	8.63%	6.57%	2.06%
4 years (p.a.)	6.26%	4.48%	10.74%	9.70%	1.04%
Since inception#	32.21%	43.57%	75.79%	57.40%	18.38%
Compound annual return (since inception)# # 17 August 2012	6.51%	7.11%	13.62%	10.82%	2.81%



FUND COMMENTARY

2016 proved to be a most difficult year for quality-oriented investors. A confluence of factors resulted in an inversion of the expected relationship between quality and investment performance, with the result that many lower-quality businesses performed extremely well throughout the year, while many higher-quality businesses suffered sharp price declines. December saw more of this theme, and while The Montgomery Fund advanced during the month, returning 1.27 per cent, it did not keep pace with the S&P/ASX300 Accumulation Index, which returned 4.34 per cent.

A detailed explanation of the underlying dynamics of 2016 is beyond the scope of a monthly report, and so as the year unfolded we have sought to provide some relevant detail and perspective in several longer blog posts, videos and media articles. (www.rogermontgomery.com)

The key points to make here are: 1) over sufficiently long time horizons we firmly believe that higher quality companies should offer a superior investment experience, and 2) over shorter time horizons, the opposite can happen, as high quality businesses can become cheaper, and low quality businesses can become expensive.

While we cannot predict when the current market phase will end, we think the rational response to the experience of 2016 is easy to see. With quality now offering relatively attractive value, we are certainly not about to dilute the quality focus currently built into the portfolio.

At the conclusion of the half-year The Fund distributed 1.1489 cents per unit, so after ending 2016 with a unit price of \$1.3853 we begin 2017 with a unit price of \$1.3738

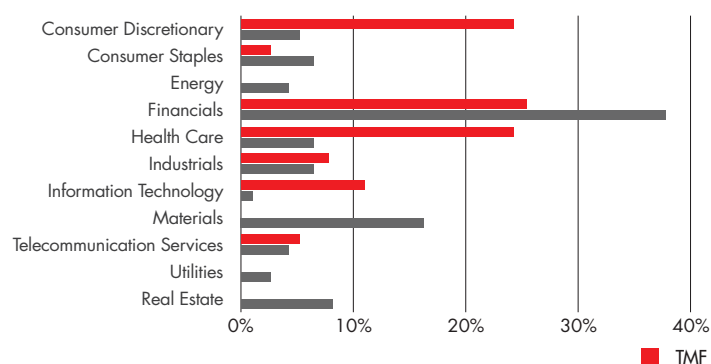
TOP COMPLETED HOLDINGS* (TCH)

(at 31 December 2016, out of 26 holdings)

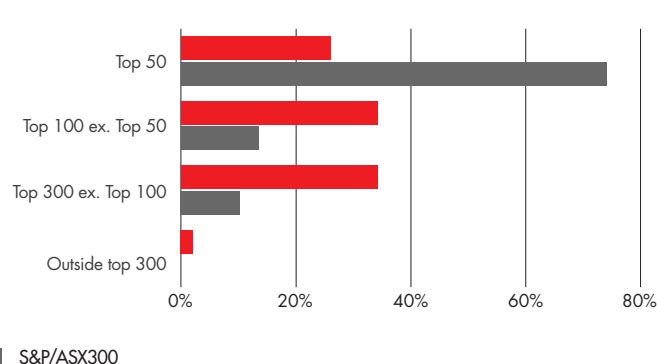
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Challenger Ltd	11.7	N/A	16.4	5.45%
Resmed	22.0	26.2	22.2	5.07%
REA Group Ltd	35.3	51.6	28.9	5.04%
Commonwealth Bank of Australia	16.3	N/A	14.9	5.02%
Westpac Banking Corp	13.5	N/A	13.9	5.02%
Healthscope Ltd	8.3	57.4	21.1	4.63%
Seek Limited	13.7	12.5	25.9	4.61%
Carsales.com	44.7	76.1	22.6	4.31%
Ramsay Health Care Ltd	26.8	152.3	26.4	4.02%
Chorus Limited	11.3	180.7	13.2	3.98%
TCH AVERAGE	20.4	79.5	20.5	
MARKET AVERAGE	13.4	77.0	20.6	
Total equity weighting				76.5
Total cash weighting				23.5

*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: Macquarie ⇄ Asgard ⇄ Netwealth ⇄ Powerwrap ⇄ North ⇄ Australian Executor Trustees ⇄ MLC Wrap

BT Panorama ⇄ Linear ⇄ Avanteos ⇄ OneVue ⇄ Hub24 ⇄ BT ⇄ Navigator Wrap ⇄ Colonial FirstWrap ⇄ Federation Accounts ⇄

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 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. 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.

