



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

\$682.3M

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

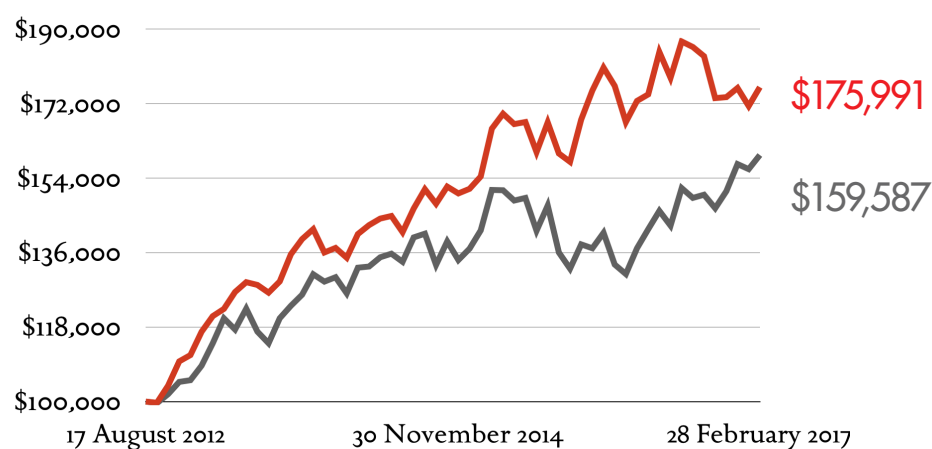
15.38% of the total return of The Fund that is in excess of the Index. No performance fee is payable until any previous periods of underperformance has been made up.

APPLICATION & REDEMPTION PRICES

montinvest.com/tmf

PERFORMANCE GRAPH

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



CONTACT DETAILS

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PORTFOLIO PERFORMANCE

(to 28 February 2017, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	2.66%	2.66%	2.18%	0.48%
3 months	0.84%	0.55%	1.39%	5.79%	-4.40%
6 months	0.79%	-6.01%	-5.23%	6.94%	-12.17%
12 months	6.37%	-1.33%	5.04%	21.99%	-16.95%
2 years (p.a.)	6.62%	-3.65%	2.97%	2.75%	0.22%
3 years (p.a.)	5.99%	1.81%	7.80%	6.43%	1.37%
4 years (p.a.)	6.20%	3.33%	9.53%	7.36%	2.17%
Since inception#	33.37%	42.62%	75.99%	59.59%	16.40%
Compound annual return (since inception)# # 17 August 2012	6.47%	6.66%	13.13%	10.74%	2.39%



FUND COMMENTARY

The February reporting season was a mixed, but generally positive bag for the Montgomery Fund (The Fund). Overall, The Fund returned a healthy 2.66 per cent for the month, outperforming the S&P/ASX200 Accumulation Index, which returned 2.18 per cent. In a rising market, The Fund's cash balance tends to act as a handbrake, and so outperforming in a strong market was pleasing.

The outperformance was driven by both thematic and stock-specific factors. On a thematic front, the "flight to low quality" that has characterised much of the past 12 months lost some momentum in February, with the resources sector in particular delivering more subdued returns. The Fund's reluctance to invest in resources names was a major drag on relative returns through 2016, but was a slight positive (in relative terms) in February.

More importantly, however, The Fund's portfolio holdings generally delivered pleasing half-year results and positive price performance. The larger contributors to the positive result included positions in Navitas Limited, Seek Limited and REA Group. Over a 12-month period, share price performance for all these companies has lagged that of the broader market, but their half-year results in February indicated that the underlying businesses remain in good health.

Unfortunately, the February reporting season included one significant disappointment – Isentia Group – which fell short of market expectations on several fronts. While it was a small position in The Fund going into reporting season (1.5 per cent), a sharp decline in its share price detracted meaningfully from an otherwise excellent reporting season.

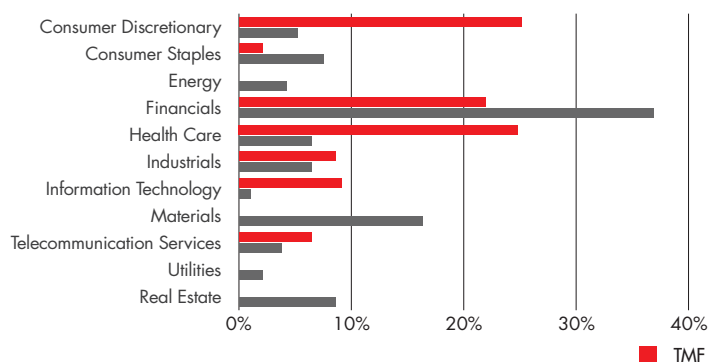
TOP COMPLETED HOLDINGS* (TCH)

(at 28 February 2017, out of 26 holdings)

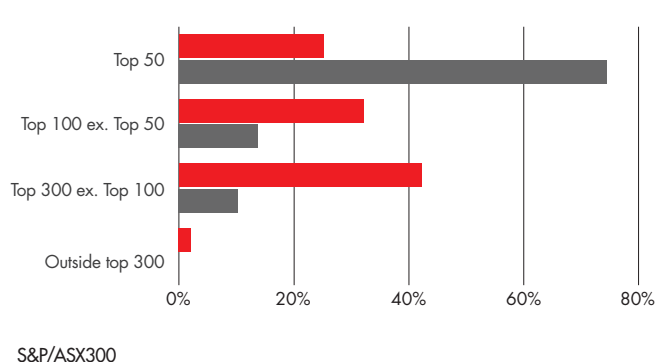
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
REA Group Ltd	29.2	51.6	26.7	5.39%
Seek Ltd	12.9	12.5	26.2	5.25%
Ramsay Health Care Ltd	28.1	152.3	26.3	5.07%
Challenger Ltd	10.8	N/A	15.7	5.02%
Resmed	22.1	26.2	25.9	4.64%
Westpac Banking Corp	13.5	N/A	14.3	4.61%
Healthscope	7.8	57.4	20.6	4.48%
Medibank Private	26.6	-27.8	19.1	4.24%
Navitas Ltd	44.8	26.8	21.2	4.21%
Carsales.com Ltd	45.2	76.1	20.6	4.05%
TCH AVERAGE	24.1	46.9	21.7	
MARKET AVERAGE	14.5	74.1	18.3	
Total equity weighting				77.9
Total cash weighting				22.1

*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.

