



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 Funds 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

\$537.9M

MANAGEMENT FEE

The 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 30 June 2016, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	5.03%	-8.41%	-3.38%	-2.44%	-0.94%
3 months	5.38%	-2.14%	3.23%	3.98%	-0.74%
6 months	5.14%	-6.50%	-1.36%	1.23%	-2.59%
12 months	5.33%	5.88%	11.20%	0.87%	10.33%
2 years (p.a.)	7.60%	4.86%	12.46%	3.22%	9.25%
3 years (p.a.)	6.17%	6.00%	12.16%	7.70%	4.47%
Since inception#	32.21%	46.04%	78.25%	42.52%	35.73%
Compound annual return (since inception)#	7.21%	8.68%	15.90%	9.47%	6.43%

17 August 2012



FUND COMMENTARY

Equity markets ended FY2016 on a turbulent note, with the S&P/ASX 300 Accumulation Index declining by 2.44 per cent. In June, the unexpected vote by Britons to leave the European Union added fresh uncertainty to a global economic outlook that was already somewhat cloudy.

The Montgomery Fund underperformed in June, declining by 3.38 per cent, 0.94 per cent below the market. The main reason was positions we hold in Henderson and BT – fund managers with large European operations. Following the Brexit vote, share prices for these companies have been marked down to levels that imply a very pessimistic future scenario in terms of European equity markets and fund inflows.

While the future is always difficult to predict, our analysis of the available data leads us to valuations significantly higher than the current share prices, and a conclusion that the market may have overreacted.

At the close of the financial year the Fund goes ex-distribution in the amount of \$0.0772 per unit. The Fund's unit price declines by a corresponding amount, so having ended the financial year with a unit price of \$1.4819, we commence FY2017 with a unit price of \$1.4047.

While performance for the Fund over the last six months has been subdued, we are naturally pleased with the strong full year results, and the emerging longer term track record.

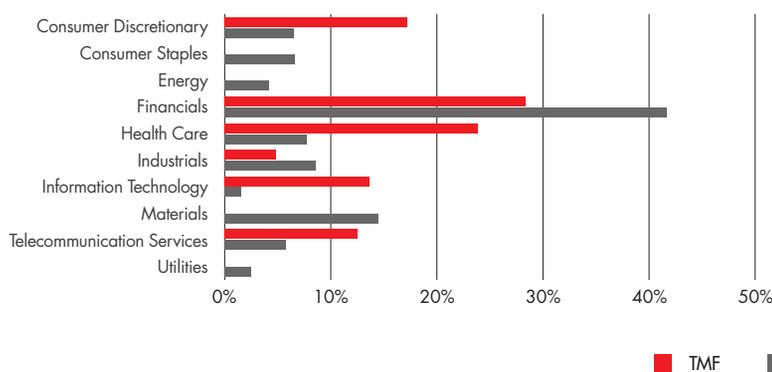
TOP COMPLETED HOLDINGS* (TCH)

(at 30 June 2016, out of 23 holdings)

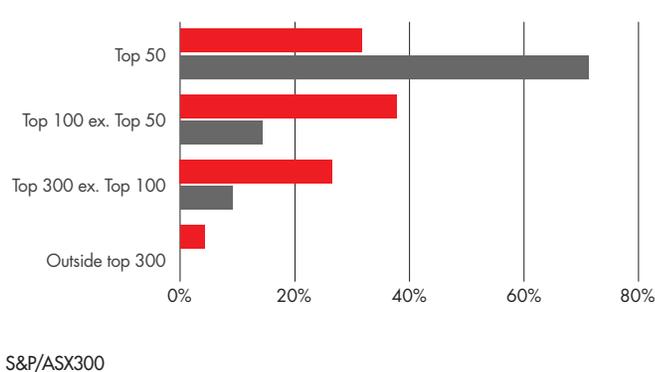
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
REA Group Ltd	35.2	-14.1	39.8	5.30
Healthscope Ltd	8.3	41.6	25.7	5.25
Challenger Ltd	15.7	N/A	13.5	5.14
Westpac Banking Corp	14.4	N/A	12.0	5.08
Resmed	22.5	-26.2	23.7	4.89
TPG Telecom Ltd	19.8	15.2	30.2	4.89
Commonwealth Bank of Australia	16.5	N/A	13.3	4.88
Chorus Ltd	7.7	209.2	17.4	3.90
CSL Ltd	41.8	62.8	30.8	3.82
Fisher & Paykel Healthcare	28.3	8.2	34.1	3.81
TCH AVERAGE	21.0	42.4	24.1	
MARKET AVERAGE	14.9	76.2	21.4	
Total equity weighting				74.44
Total cash weighting				25.56

*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 Colonial FirstWrap Australian Executor Trustees MLC Wrap BT Panorama Linear Avanteos OneVue Hub24 BT Navigator Wrap North 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.

