



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

\$623.7M

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

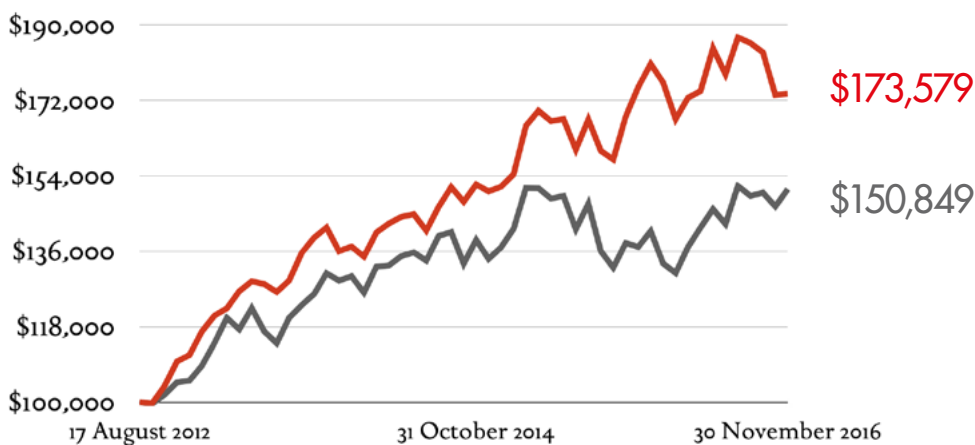
15.38% of the total return of The Fund that is in excess of the Index. No performance fee is payable until any previous periods of underperformance has been made up.

APPLICATION & REDEMPTION PRICES

montinvest.com/tmf

PERFORMANCE GRAPH

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



CONTACT DETAILS

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PORTFOLIO PERFORMANCE

(to 30 November 2016, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	0.14%	0.14%	2.80%	-2.67%
3 months	0.00%	-6.52%	-6.52%	1.09%	-7.61%
6 months	5.03%	-10.94%	-5.91%	3.26%	-9.17%
12 months	5.30%	-6.22%	-0.92%	10.07%	-10.98%
2 years (p.a.)	7.30%	0.16%	7.46%	6.02%	1.44%
3 years (p.a.)	6.08%	2.38%	8.46%	5.35%	3.11%
4 years (p.a.)	6.55%	5.22%	11.77%	9.44%	2.33%
Since inception#	32.21%	41.37%	73.58%	50.85%	22.73%
Compound annual return (since inception)# # 17 August 2012	6.64%	6.93%	13.57%	9.95%	3.62%



FUND COMMENTARY

The second half of 2016 shapes up as the most difficult period for relative performance since the inception of The Montgomery Fund (The Fund) in 2012. In November, while the Fund delivered a positive return of 0.14 per cent, this was well behind the S&P/ASX300 Accumulation Index, which experienced its strongest November in 11 years, returning 2.80 per cent.

Three separate factors are behind the weak relative performance of The Fund in recent months. Firstly, investment errors on our part: Some of our stock selections will inevitably reveal themselves in hindsight to be disappointments, but the most recent period has seen more of these than we typically experience. The most significant has been our investment in TPG Telecom, whose profitability has been set back by the transition to the National Broadband Network.

By our analysis however, unforced errors like this account for only a minority of the recent underperformance. Most of the gap is due to large resources companies and the major banks driving gains for the market which are effectively unavailable to The Fund.

Being driven by business quality dictates that The Fund will never hold a significant part of its portfolio in commodity businesses, and its benchmark-unaware structure dictates that The Fund will be substantially underweight the major banks. When these sectors, which make up a large proportion of the market, run as hard as they have, The Fund will struggle to keep pace.

On a more positive note, these factors seem unlikely to be permanent. The rate of share price gains, particularly in the resources sector, has significantly outpaced the plausible rate of intrinsic value growth, and this is a dynamic that cannot continue indefinitely. At some stage, we anticipate that the pendulum should start to move in the opposite direction.

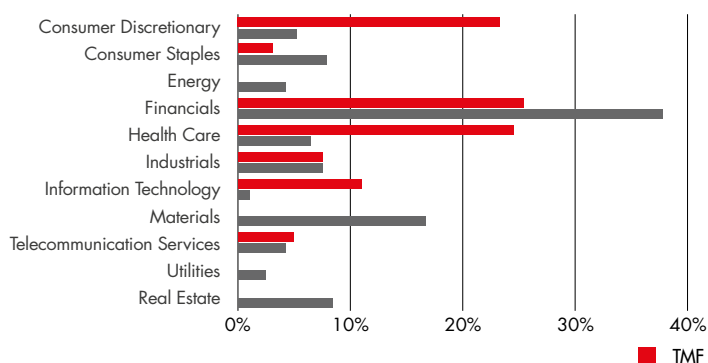
TOP COMPLETED HOLDINGS* (TCH)

(at 30 November 2016, out of 25 holdings)

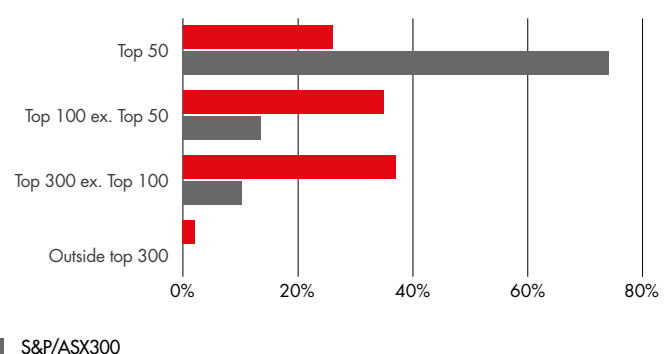
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Challenger Ltd	11.7	N/A	15.2	5.36
Resmed	22.0	26.2	21.3	5.30
Commonwealth Bank of Australia	16.3	N/A	14.0	5.08
Westpac Banking Corp	13.5	N/A	13.1	4.97
REA Group Ltd	35.3	51.6	26.5	4.74
Seek Limited	13.7	12.5	24.8	4.69
Healthscope Ltd	8.3	57.4	20.1	4.53
Carsales.com	44.7	76.1	20.3	4.35
Chorus Limited	11.3	180.7	12.5	4.33
Ramsay Health Care Ltd	26.8	152.3	25.9	3.90
TCH AVERAGE	20.4	79.5	20.1	
MARKET AVERAGE	13.9	78.1	17.9	
Total equity weighting				76.7
Total cash weighting				23.3

*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.

