

MONTGOMERY ALPHA PLUS FUND

ARSN 613 229 904

GENERAL PURPOSE FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Montgomery Alpha Plus Fund
ARSN 613 229 904

Directors' Report

The directors of Fundhost Limited, the Responsible Entity of Montgomery Alpha Plus Fund ("the Fund"), present their report together with the interim financial report of the Fund for the half-year ended 31 December 2017.

Directors

The names of the directors who held office during or since the end of the half-year and up to the date of this report are:

Valerie Anne Monge
Paul Ernest Dortkamp
Robert H Nagel
Drew Wilson (appointed 9th November 2017)

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Review of Results and Operations

The Fund was registered on 8 July 2016 and commenced operations on 1 August 2016. There have been no significant changes to the operations of the Fund since the previous financial period. The Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's constitution. The results for the period are as follows:

	31/12/2017	1/8/2016 - 31/12/2016
	\$'000	\$'000
Operating loss before finance costs	(566)	(1,698)
Distribution paid and payable	-	-
Distribution (cents per unit)	-	-


Rounding off of amounts

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report and financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of Corporations Act 2001 is set out on page 2.

This report is signed in accordance with a resolution of the Board of Directors:

Director 

Drew Wilson

Dated this 21st day of February 2018.



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Auditor's Independence Declaration to the Directors of Fundhost Limited

As lead auditor for the review of Montgomery Alpha Plus Fund for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

Rita Da Silva
Partner
Sydney
21 February 2018

Montgomery Alpha Plus Fund
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Statement of Comprehensive Income
For the Half-Year Ended
31 December 2017

	Note	31/12/2017 \$'000	1/8/2016 to 31/12/2016 \$'000
Investment income			
Dividend income		554	274
Interest income		123	3
Change in fair value of financial instruments		(480)	(1,754)
Other income		-	76
Total investment income/(loss)		197	(1,401)
Expenses			
Management fees		173	98
Dividend expenses		430	131
Interest expenses		112	8
Other expenses		48	60
Total expenses		763	297
Net operating loss before finance costs		(566)	(1,698)
Finance costs attributable to unitholders			
Distribution expense to unitholders	4	-	-
Net operating loss after finance costs		(566)	(1,698)
Other comprehensive income		-	-
Change in net assets attributable to unitholders	2	(566)	(1,698)

The accompanying notes form part of these financial statements.

Montgomery Alpha Plus Fund
ARSN 613 229 904

Statement of Financial Position
As at 31 December 2017

	Note	31/12/2017 \$'000	30/6/2017 \$'000
Assets			
Cash and cash equivalents		20,565	22,992
Financial assets held at fair value through profit or loss	5	26,693	29,017
Receivables		32	189
Total Assets		47,290	52,198
Liabilities			
Financial liabilities held at fair value through profit or loss	5	25,726	27,270
Payables		55	93
Distribution payable	4	-	619
Interest payable		11	-
Total liabilities (excluding net assets attributable to unitholders)		25,792	27,982
Net assets attributable to unitholders		21,498	24,216

The accompanying notes form part of these financial statements.

Montgomery Alpha Plus Fund

ARSN 613 229 904

**Statement of Changes in Equity
For the Half-Year Ended 31 December 2017**

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the half-year.

The accompanying notes form part of these financial statements.

Montgomery Alpha Plus Fund
ARSN 613 229 904

Statement of Cash Flows
For the Half-Year Ended 31 December 2017

	31/12/2017	1/8/2016 -
	\$'000	31/12/2016
		\$'000
Cash flows from operating activities		
Dividends received	708	273
Interest received	125	3
Other income received	-	49
Management fees paid	(179)	-
Dividends paid	(455)	(124)
Interest paid	(109)	(5)
Other expenses paid	(47)	(33)
Net cash provided by operating activities	43	163
Cash flows from investing activities		
Proceeds from sale of financial assets held at fair value through profit or loss	24,205	39,262
Payment for financial assets held at fair value through profit or loss	(23,905)	(40,461)
Net cash provided by/(used in) investing activities	300	(1,199)
Cash flows from financing activities		
Proceeds from issue of units	852	29,093
Payments for redemption of units	(3,380)	-
Distributions paid	(242)	-
Net cash (used in)/provided by financing activities	(2,770)	29,093
Net (decrease)/increase in cash held	(2,427)	28,057
Cash at beginning of the half-year	22,992	-
Cash at end of the half-year	20,565	28,057

The accompanying notes form part of these financial statements.

Montgomery Alpha Plus Fund
ARSN 613 229 904

Notes To The Financial Statements
For the Half-Year Ended 31 December 2017

Note 1. Statement of Significant Accounting Policies

This financial report covers Montgomery Alpha Plus Fund as an individual entity.

The Montgomery Alpha Plus Fund (“the Fund”) was constituted as a registered scheme on 8 July 2016, and commenced operations on 1 August 2016. As a result, the comparative information covers the period from 1 August 2016 to 31 December 2016.

The responsible entity of Montgomery Alpha Plus Fund is Fundhost Limited (ABN 69 092 517 087). The responsible entity's registered office is Suite 1, Level 9, 70 Castlereagh Street, Sydney, NSW 2000.

Basis of preparation

This interim financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB134: Interim Financial Reporting.

The Fund is a for-profit unit trust for the purpose of preparing the financial report.

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made in respect of Montgomery Alpha Plus Fund during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The interim financial report was approved by the Board of Directors of the Responsible Entity on 21st February 2018.

The financial statements have been prepared on the basis of historical costs except for financial assets held at fair value through profit or loss that have been measured at fair value. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting periods, except where otherwise stated. The financial statements are presented in Australian Dollars and all values are rounded to the nearest thousand dollars except where otherwise indicated.

Use of estimates and judgements

In the application of accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Statement of compliance

The financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board.

Montgomery Alpha Plus Fund
ARSN 613 229 904

Notes To The Financial Statements
For the Half-Year Ended 31 December 2017

Note 1. Statement of Significant Accounting Policies (cont.)

Changes in accounting standards

Since 1 July 2017, the Fund has adopted all mandatory standards and amendments of Australian Accounting Standards. Adoption of these standards and amendments did not have a material impact on the Fund's financial results or reporting.

New Accounting Standards and Interpretations

Australian Accounting Standards issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Fund for the interim reporting period ended 31 December 2017. The impact of these statements and interpretations has been assessed, to the extent applicable to the Fund and are discussed below. Standards and Interpretations that are not applicable to the Fund have not been included.

AASB 9 – Financial Instruments

AASB 9 applies to annual reporting periods beginning on or after 1 January 2018 and will therefore apply to the Fund from 1 July 2018. The Fund does not intend to early adopt AASB 9 as permitted by the standard. The application of the standard is not expected to change the measurement basis of any of the Fund's current financial instruments. AASB 9 also introduces a new expected loss impairment model, which requires credit losses to be recognised when financial instruments are first recognised, and results in full lifetime expected credit losses recognised on a more timely basis. The Fund does not expect the application of the new impairment requirements to have a material impact on its financial assets not measured at fair value through profit and loss, which includes cash and cash equivalents, deposits with banks and other financial institutions and other receivables.

AASB 15 - Revenue from Contracts with Customers

AASB 15 applies to annual reporting periods beginning on or after 1 January 2018 and will therefore apply to the Fund from 1 July 2018. The Fund does not intend to early adopt AASB 15 as permitted by the standard. The application of the standard is not expected to have a material impact on the Fund.

Note 2. Net assets attributable to unitholders

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	No.'000	No.'000	\$'000	\$'000
Opening balance	26,870	-	24,216	-
Distribution reinvested	418	-	377	-
Units issued during the period	969	29,532	852	29,879
Units redeemed during the period	(3,817)	(56)	(3,381)	(53)
Change in net assets attributable to unitholders	-	-	(566)	(1,698)
Closing balance	<u>24,440</u>	<u>29,476</u>	<u>21,498</u>	<u>28,128</u>

Montgomery Alpha Plus Fund

ARSN 613 229 904

Notes To The Financial Statements For the Half-Year Ended 31 December 2017

Note 3. Fair Value Measurement

Financial instruments carried at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valued using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Fund's own data, reflecting the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available.

The following table shows an analysis of financial instruments held at the balance date, recorded at fair value by level of the fair value hierarchy:

31/12/2017

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Long positions in listed equity securities	26,693	-	-	26,693
Short positions in listed equity securities	(25,726)	-	-	(25,726)
Total	967	-	-	967

30/6/2017

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Long positions in listed equity securities	29,017	-	-	29,017
Short positions in listed equity securities	(27,270)	-	-	(27,270)
Total	1,747	-	-	1,747

There have been no transfers between levels during the period.

Montgomery Alpha Plus Fund
ARSN 613 229 904

Notes To The Financial Statements
For the Half-Year Ended 31 December 2017

Note 4. Distributions to unitholders

There have been no distributions to unitholders in the current period or during the same period in the prior year.

Note 5. Financial assets and liabilities held at fair value through profit or loss

	31/12/2017	30/06/2017
	\$'000	\$'000
Shares in companies listed on Australian Securities Exchange (ASX)	26,693	29,017
	<u>26,693</u>	<u>29,017</u>
Short positions in shares in companies listed on Australian Securities Exchange (ASX)	(25,726)	(27,270)
	<u>(25,726)</u>	<u>(27,270)</u>

Note 6. Contingent Assets and Liabilities and Commitments

There are no contingent assets and liabilities or commitments as at 31 December 2017 and 30 June 2017.

Note 7. Events Subsequent To Balance Sheet Date

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operation of the Fund, the results of those operations, or the state of affairs of the entity in future financial periods.

Montgomery Alpha Plus Fund

ARSN 613 229 904


Directors' Declaration

The Directors of Fundhost Limited, being the Responsible Entity declare that:

- (i) The financial statements and notes, as set out in pages 3 to 10 are in accordance with the Corporations Act 2001, including:
 - a) complying with AASB134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the Fund's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
- (ii) In the Directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director


.....
Drew Wilson

Dated this 21st day of February 2018.

Independent Auditor's Review Report to the unitholders of Montgomery Alpha Plus Fund

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report Montgomery Alpha Plus Fund (the "Fund"), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Fundhost Limited as the Responsible Entity of the Fund are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva' in a cursive style.

Rita Da Silva
Partner
Sydney
21 February 2018