



MONTGOMERY ALPHA PLUS FUND

INVESTMENT REPORT & FACT SHEET

FUND OVERVIEW

The Montgomery Alpha Plus Fund offers investors an Australian equity market neutral strategy that harnesses the benefits of a repeatable investment process while seeking to produce higher risk-adjusted returns over the medium term - irrespective of market conditions.

By simultaneously managing long and short portfolios of similar size, The Fund aims to reduce or eliminate the risks typically associated with extreme market gyrations.

The Fund aims to achieve returns that exceed the RBA cash rate by 6-8 per cent per annum after fees and targets a lower level of volatility than the overall Australian equity market.

Typically The Fund will hold 15-35 long positions and 15-35 short positions of equal value.

FUND FACTS

INVESTMENT MANAGER

Montgomery Investment Management Pty Ltd

OBJECTIVE

The Montgomery Alpha Plus Fund seeks to generate higher risk-adjusted returns than are available in the market place over the medium term

BENCHMARK

RBA Cash Rate

APIR

FHT0041 AU

RECOMMENDED INVESTMENT TIMEFRAME

5 years

MINIMUM INITIAL INVESTMENT

\$50,000

FUND SIZE

\$24.8M

INCEPTION DATE

1 AUGUST 2016

MANAGEMENT FEE

Up to 1.55% per annum, (inclusive of GST/RITC.)

PERFORMANCE FEES

17.5% of the amount by which The Fund outperforms its Benchmark. No performance fee is payable until any previous periods of underperformance have been made up.

APPLICATION & REDEMPTION PRICES*

montinvest.com/map

UNIT PRICE - BUY

0.9264

UNIT PRICE - MID

0.9241

UNIT PRICE - SELL

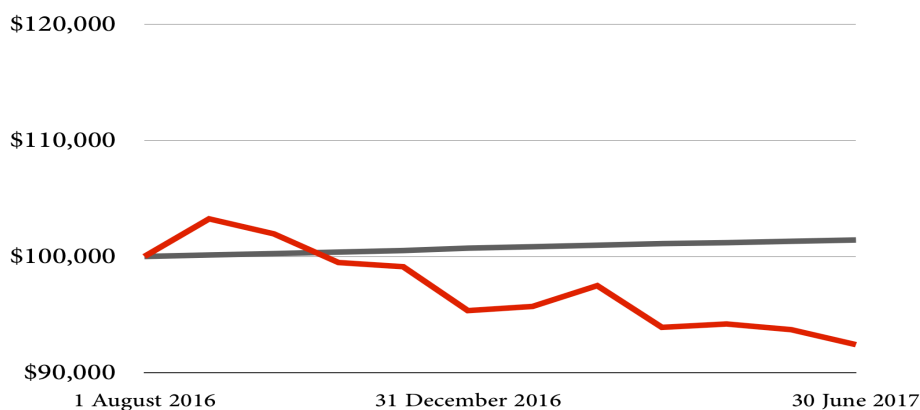
0.9218

The Fund is forward priced; you will receive the price struck subsequent to the receipt of your application / redemption request.

PERFORMANCE GRAPH

■ Montgomery Alpha Plus Fund

■ RBA Cash Rate



CONTACT DETAILS

INVESTORS

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PORTFOLIO PERFORMANCE

(to 30 June 2017, after all fees)

| | INCOME | CAPITAL GROWTH | MONTGOMERY ALPHA PLUS FUND | RBA CASH RATE | OUT/UNDER PERFORMANCE |
|-----------------|--------|----------------|----------------------------|---------------|-----------------------|
| 1 month | 2.46% | -3.84% | -1.38% | 0.11% | -1.49% |
| 3 months | 2.45% | -4.04% | -1.59% | 0.33% | -1.92% |
| 6 months | 2.42% | -5.49% | -3.07% | 0.69% | -3.76% |
| Since inception | 2.23% | -9.82% | -7.59% | 1.42% | -9.01% |

1) Inception: 1 August 2016

*With the conclusion of the financial year The Fund pays a distribution of 2.3046 cents per unit, and so after ending FY17 with a unit price of \$0.9241, we commence FY18 with a unit price of \$0.9011.

PLATFORMS WE ARE ON:

None at present



FUND COMMENTARY

June delivered a frustrating end to a frustrating financial year for the Montgomery Alpha Plus Fund. After performing well through the first 3 weeks of June, The Fund saw an abrupt turnaround in the fortunes of its short portfolio in the final week of the month. This was enough to erase earlier gains and push The Fund slightly into negative territory, finishing with a return of -1.38 per cent.

The largest contributor to the turnaround was a short position in Bega Cheese Limited, which in late June announced a discounted equity issue for the purpose of taking advantage of unspecified future growth opportunities, and was rewarded with a share price surge. With Bega shares trading at close to 30 times FY18 earnings, the company's rationale for issuing new equity is more apparent to us than the reasons for the market's enthusiastic reaction to it.

With the financial year concluding, we see that the first year of The Fund's life has fallen well short of our aspirations and the Annual Letter to be sent to investors in the Fund in July will set out the drivers of this result in some detail.

While the initial year has been disappointing we remain confident of the longer-term prospects for The Fund, and anticipate better results to come.

With the conclusion of the financial year The Fund pays a distribution of 2.3046 cents per unit, and so after ending FY17 with a unit price of \$0.9241, we commence FY18 with a unit price of \$0.9011.

TOP COMPLETED HOLDINGS* (LONG)

(at 30 June 2017, out of 28 holdings)

| COMPANY NAME | WEIGHT (%) |
|----------------|------------|
| ASX Ltd | 6.9 |
| Cochlear Ltd | 6.7 |
| Wesfarmers Ltd | 6.7 |
| Invocare Ltd | 6.7 |
| Perpetual Ltd | 6.6 |

TOP COMPLETED HOLDINGS* (SHORT)

(at 30 June 2017, out of 33 holdings)

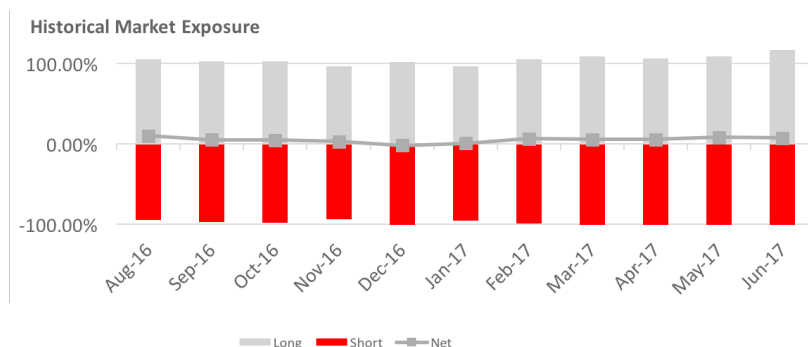
| COMPANY NAME | WEIGHT (%) |
|-------------------------|------------|
| AMP Ltd | 5.7 |
| James Hardie Industries | 5.6 |
| Super Retail Group Ltd | 5.5 |
| Bapcor Ltd | 5.5 |
| Lendlease Group | 5.5 |

*Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.

SECTOR INDUSTRY EXPOSURE

| SECTOR NAME | LONG PORTFOLIO (%) | SHORT PORTFOLIO (%) | NET (%) |
|------------------------|--------------------|---------------------|---------|
| Consumer Discretionary | 12.5 | -36.7 | -24.2 |
| Industrials | 10.3 | -7.4 | 2.9 |
| Consumer Staples | 12.0 | -12.4 | -0.4 |
| Financials | 40.9 | -14.6 | 26.3 |
| Real Estate | 0.0 | -5.5 | -5.5 |
| Information Technology | 7.2 | 0.0 | 7.2 |
| Health Care | 15.6 | -1.6 | 14.1 |
| Materials | 8.4 | -24.0 | -15.5 |
| Energy | 1.0 | -6.3 | -5.3 |
| Telecommunications | 8.6 | -1.2 | 7.5 |

HISTORICAL MARKET EXPOSURE



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 Alpha Plus Fund ('MAPF'), ARSN 613 229 904. 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/map>. 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.

