



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

\$659.5M

MANAGEMENT FEE

1.36% per annum, which includes a management fee of 1.18% per annum. Both figures are GST inclusive and net of RITC.

PERFORMANCE FEES

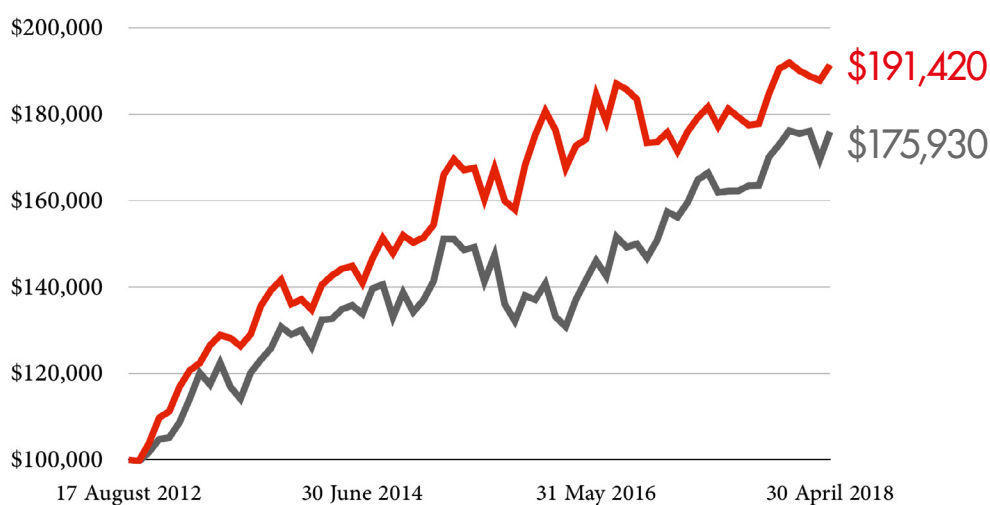
15.38% of the total return of The Fund that is in excess of the Index. No performance fee is payable until any previous periods of underperformance has been made up.

APPLICATION & REDEMPTION PRICES

montinvest.com/tmf

PERFORMANCE GRAPH

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



CONTACT DETAILS

INVESTORS

Dean Curnow
 † 02 8046 5019
 e dcurnow@montinvest.com

ADVISERS, RESEARCHERS AND PLATFORMS

Scott Phillips
 (NSW, ACT & QLD)
 † 02 8046 5005
 e sphillips@montinvest.com

David Denby
 (VIC, TAS, SA & WA)
 † 0455 086 484
 e ddenby@montinvest.com

PORTFOLIO PERFORMANCE

(to 30 April 2018, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	1.91%	1.91%	3.78%	-1.87%
3 months	0.00%	0.69%	0.69%	0.25%	0.44%
6 months	1.12%	2.49%	3.61%	3.44%	0.17%
12 months	1.81%	3.54%	5.35%	5.71%	-0.36%
3 years (p.a.)	4.86%	-0.22%	4.64%	5.79%	-1.15%
5 years (p.a.)	5.03%	3.21%	8.24%	7.52%	0.72%
Since inception#	35.84%	55.58%	91.42%	75.93%	15.49%
Compound annual return (since inception)#	5.52%	6.54%	12.06%	10.42%	1.64%

17 August 2012



FUND COMMENTARY

We wrote in our February report about the structural factors that drive relative performance of The Montgomery Fund (The Fund) versus its benchmark - the S&P/ASX300 Accumulation Index - over short periods of time.

Specifically, we noted that when lower-quality businesses, proxied by the ASX200 Materials sub index, do well, The Fund is more likely to underperform due to its focus on higher-quality companies; when the market runs strongly, The Fund is more likely to underperform due to its cash holdings and conservative positioning; and when smaller companies (proxied by the S&P/ASX Small Ordinaries Index) trail larger companies, The Fund is more likely to underperform due to its benchmark-agnostic construction. As we set out in February, we expect a mix of positive and negative effects from these structural differences over long stretches of time, and relative performance will ultimately be driven by The Fund's stock selection. However, over shorter periods of time these structural factors will tend to dominate.

This was very much in evidence for the month of April, when the overall market rose 3.78 per cent - equivalent to more than 50 per cent per annum on a compound basis, largely driven by a materials sub-index that rose by 7.6 per cent - equivalent to well over 100 per cent per annum on a compound basis, while the S&P/ASX Small Ordinaries Index trailed the overall market. Unsurprisingly, this combination of structural factors saw The Fund also trail the market with a return of 1.91 per cent, which, while solid in absolute terms, reflected relative underperformance for the month of 1.87 per cent.

In terms of individual stock performance, the main detractors from relative performance (after cash) included BT Investment Management, which reported weak fund flows owing to soft investment performance experienced in prior periods, and Navitas, which experienced weaker-than-expected growth in student numbers. In both cases we remain comfortable with longer-term prospects and value. The main positive contributor for the month was Healthscope, which was the subject of a takeover proposal from a private equity led consortium.

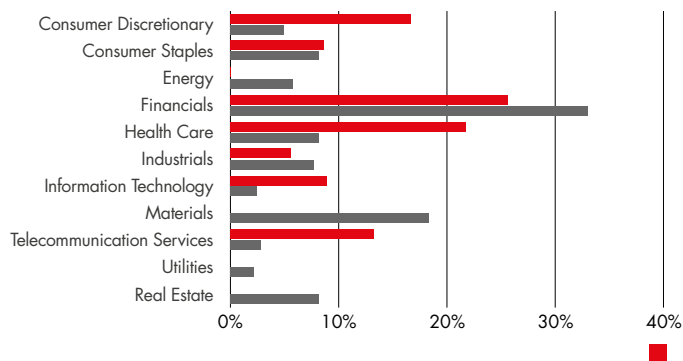
TOP COMPLETED HOLDINGS* (TCH)

(at 30 April 2018, out of 27 holdings)

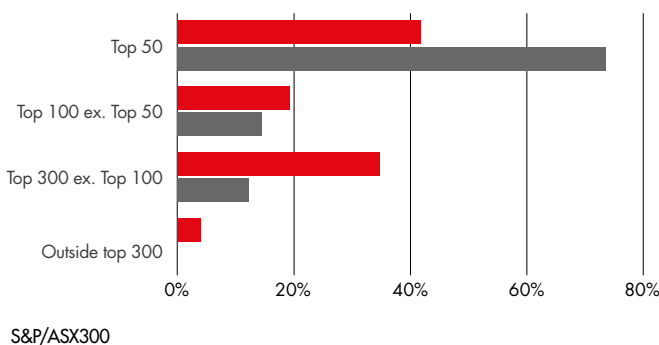
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
REA Group	21.4	16.7	38.0	5.94
Ramsay Health Care	27.5	124.1	22.1	4.91
Trade Me Group	13.1	11.5	19.2	4.40
BT Investment Management	19.4	-24.3	15.7	4.07
Resmed	22.8	13.1	27.5	4.03
Challenger	12.5	N/A	15.3	3.72
Westpac Banking Corp	13.2	N/A	12.0	3.70
Spark New Zealand	24.6	51.1	15.8	3.65
Primary Health Care	4.1	42.0	21.0	3.55
Steadfast Group	7.3	-13.5	21.8	3.48
TCH AVERAGE	16.6	27.6	20.8	
MARKET AVERAGE	15.7	68.8	19.7	
Total equity weighting				79.2
Total cash weighting				20.8

*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: Ausmaq ☞ AMP PortfolioCare ☞ AMP Summit ☞ AMP Wealthview ☞ AMP North ☞ Asgard ☞ BT Wrap ☞ BT Panorama ☞ Colonial First Wrap ☞ Clearview Wealthsolutions ☞ Investment Exchange (IX) ☞ Federation Accounts ☞ HUB24 ☞ Linear Managed Accounts ☞ Macquarie Wrap ☞ MLC Wrap ☞ Navigator ☞ Netwealth IPDS ☞ Netwealth Super ☞ OneVue ☞ Powerwrap ☞ UBS ☞

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.

