



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

\$689.6M

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

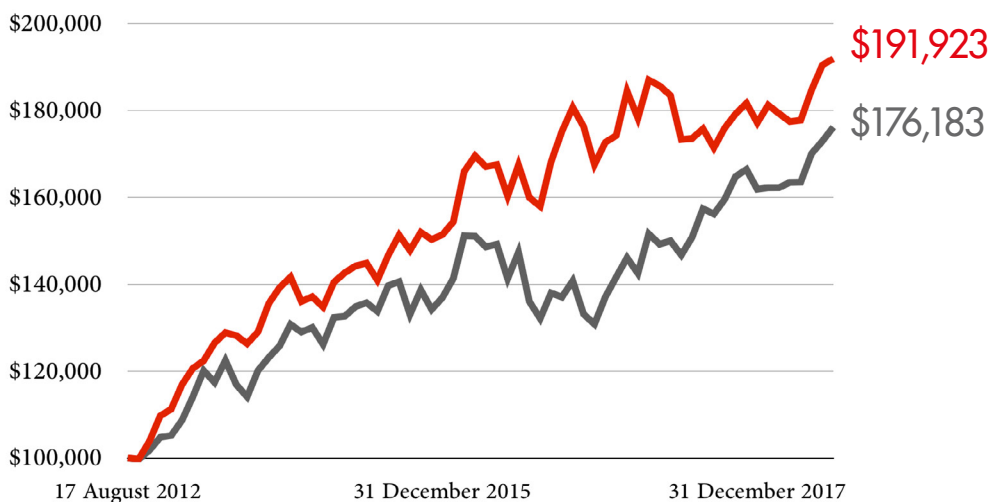
15.38% of the total return of The Fund that is in excess of the Index. No performance fee is payable until any previous periods of underperformance has been made up.

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 31 December 2017, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	1.08%	-0.33%	0.75%	1.86%	-1.11%
3 months	1.16%	6.80%	7.96%	7.74%	0.22%
6 months	1.13%	4.77%	5.90%	8.60%	-2.70%
12 months	1.85%	7.33%	9.18%	11.94%	-2.76%
3 years (p.a.)	5.28%	2.94%	8.22%	8.76%	-0.54%
5 years (p.a.)	5.49%	4.93%	10.43%	10.15%	0.28%
Since inception#	35.84%	56.09%	91.92%	76.18%	15.74%
Compound annual return (since inception)#	5.87%	7.04%	12.91%	11.12%	1.79%



FUND COMMENTARY

As the 2017 calendar year concludes, we look back on another relatively strong 12 months for the Australian equity market, with the S&P/ASX300 Accumulation Index delivering a total return of 11.94 per cent for the year. This marks a sixth straight year of positive returns for the Index, during which time it has gained more than 90 per cent.

The Montgomery Fund (The Fund) delivered a satisfactory result for the year, with a total return of 9.18 per cent. Given that The Fund held an average cash weighting of more than 25 per cent during the year this result reflects the equity part of The Fund's portfolio performing slightly better than the market, but with the low return on the cash holdings bringing down the overall result. In simple terms, we held some calamity insurance during the year, and with no calamity emerging, we would have been better off not holding that insurance.

Of course, the nature of this kind of insurance is that you only get to buy it

before the event, and not with the benefit of hindsight. In thinking about how we approach this going in to 2018, it is worth reiterating that the market has delivered six straight years of positive returns, and that most of this gain has been delivered through multiple expansion rather than earnings growth. This process naturally results in stretched valuations, and while stretched valuations do not mean that the market will decline any time soon, they do shift the risk profile: the downside potential becomes greater while the upside potential becomes more constrained. In these conditions we think some calamity insurance represents good value, and we continue to hold an elevated cash position awaiting better opportunities to buy.

At the conclusion of 2017 The Fund paid a distribution of 1.6 cents per unit, and so after ending the year with a unit price of \$1.4897 per unit, we begin the new year with a unit price of \$1.4737 per unit.

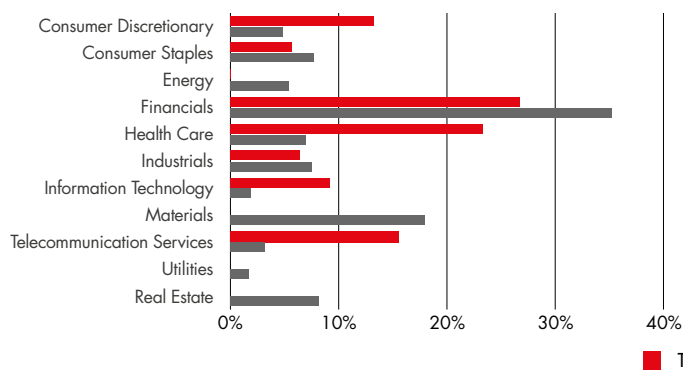
TOP COMPLETED HOLDINGS* (TCH)

(at 31 December 2017, out of 25 holdings)

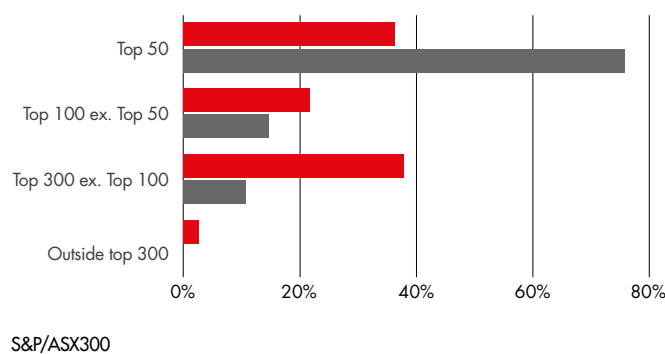
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Rea Group	23.1	16.7	33.9	5.80
Resmed	19.7	13.1	27.8	5.15
Ramsay Health Care	26.0	124.1	24.3	4.67
Seek	16.8	11.8	32.7	4.08
Speedcast International	12.0	119.2	22.4	4.07
Spark New Zealand	24.3	51.1	16.6	3.98
Wesfarmers	12.0	18.4	17.6	3.90
Westpac	13.2	N/A	12.8	3.88
Challenger	14.3	N/A	20.1	3.55
Trade Me Group	13.1	11.5	19.3	3.53
TCH AVERAGE	17.4	45.7	22.7	
MARKET AVERAGE	15.8	65.2	20.2	
Total equity weighting				72.3
Total cash weighting				27.7

*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.

