



# 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

\$675.9M

#### 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

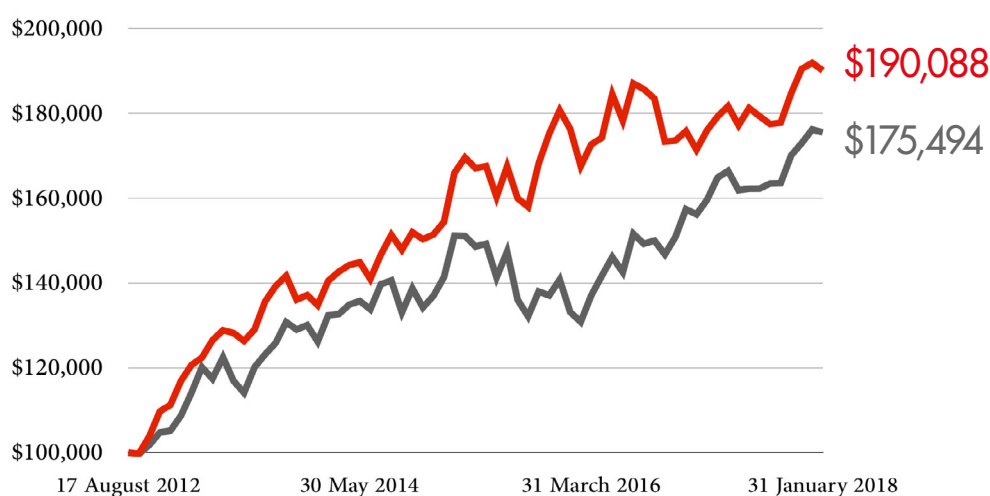
15.38% of the total return of The Fund that is in excess of the Index. No performance fee is payable until any previous periods of underperformance has been made up.

#### APPLICATION & REDEMPTION PRICES

[montinvest.com/tmf](http://montinvest.com/tmf)

### PERFORMANCE GRAPH

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



### CONTACT DETAILS

#### INVESTORS

Dean Curnow  
t 02 8046 5019  
e [dcurnow@montinvest.com](mailto:dcurnow@montinvest.com)

#### ADVISERS, RESEARCHERS AND PLATFORMS

Scott Phillips  
(NSW, ACT & QLD)  
t 02 8046 5005  
e [sphillips@montinvest.com](mailto:sphillips@montinvest.com)

David Denby  
(VIC, TAS, SA & WA)  
t 0455 086 484  
e [ddenby@montinvest.com](mailto:ddenby@montinvest.com)

### PORTFOLIO PERFORMANCE

(to 31 January 2018, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-0.96%	<b>-0.96%</b>	-0.39%	-0.57%
3 months	1.12%	1.78%	<b>2.90%</b>	3.18%	-0.28%
6 months	1.15%	4.86%	<b>6.01%</b>	8.16%	-2.15%
12 months	1.91%	8.97%	<b>10.89%</b>	12.37%	-1.48%
3 years (p.a.)	5.24%	1.94%	<b>7.18%</b>	7.47%	-0.29%
5 years (p.a.)	5.34%	4.18%	<b>9.52%</b>	8.99%	0.53%
Since inception#	35.84%	54.25%	<b>90.09%</b>	75.49%	14.60%
Compound annual return (since inception)#	5.78%	6.72%	<b>12.50%</b>	10.86%	1.64%

# 17 August 2012



## FUND COMMENTARY

In early February as we write the January report for The Montgomery Fund (the Fund), we are confronted by news headlines announcing the biggest ever one-day point fall for the Dow Jones Industrial Average. This is needlessly breathless, given it is the percentage fall rather than the points fall that matters. Nonetheless, the decline in early February is a dramatic reversal of recent steady gains, and Australian markets are unsurprisingly following a similar path. The events of January seem suddenly less relevant than a perspective on what might lie ahead.

As always, we can't say with any confidence how markets will behave in the near-term. It is possible that the recent declines mark the start of something more serious, but it is also possible that the bull run resumes its course after a brief consolidation. What we can say with confidence is that the bull market has resulted in stretched valuations, and high prices are categorically bad for long-run future returns.

Because of this, we have for some time held a significant part of the Fund in cash, awaiting better opportunities to deploy it. This cash weighting has been a material drag on performance in recent years while markets have been rising, but provides protection and optionality should markets become more treacherous. This allows us to approach potential market instability with objectivity and detachment: If markets do decline further, investors in the Fund will benefit over the long run through the effective deployment of that cash at cheaper prices.

As uncertainty emerges, we hope that this somewhat conservative positioning may allow investors to feel more comfortable taking a long-term approach to their investment in the Fund. We believe that being able to adopt this longer-term mindset, and successfully weathering the short-term vagaries of the market, is fundamental to ultimate success.

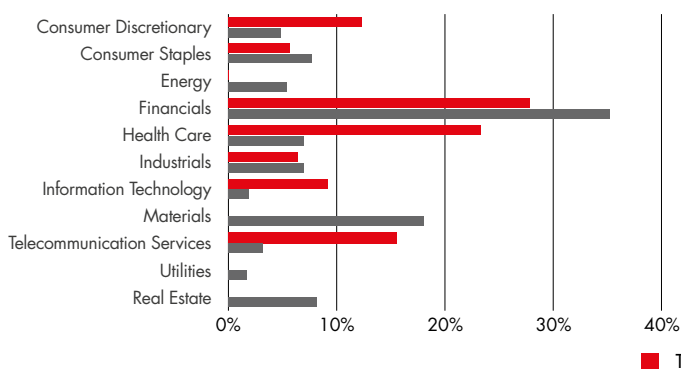
## TOP COMPLETED HOLDINGS\* (TCH)

(at 31 January 2018, out of 24 holdings)

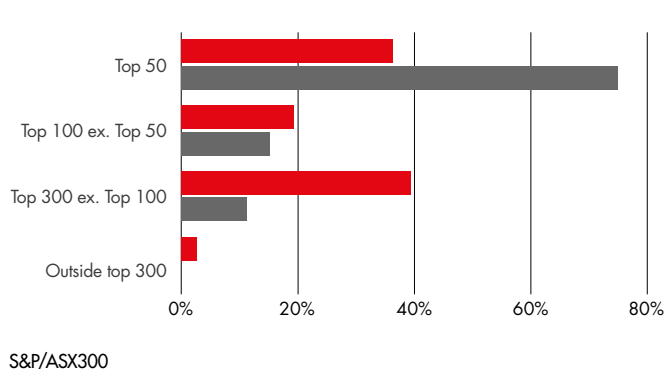
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Resmed	22.4	13.1	28.5	5.71
Rea Group	23.1	16.7	33.0	5.68
Ramsay Health Care	26.0	124.1	24.0	5.04
Seek	16.8	11.8	35.7	4.28
Spark New Zealand	24.3	51.1	15.9	4.25
Speedcast International	12.0	119.2	23.0	4.22
Wesfarmers	12.0	18.4	16.8	3.92
Westpac Banking Corp	13.2	N/A	12.9	3.91
Challenger	14.3	N/A	19.6	3.83
Steadfast Group	7.5	-13.5	22.2	3.49
<b>TCH AVERAGE</b>	<b>17.2</b>	<b>42.6</b>	<b>23.2</b>	
<b>MARKET AVERAGE</b>	<b>15.9</b>	<b>64.0</b>	<b>19.4</b>	
<b>Total equity weighting</b>				<b>74.4</b>
<b>Total cash weighting</b>				<b>25.6</b>

\*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.

