



# 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

\$638.5M

#### 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.

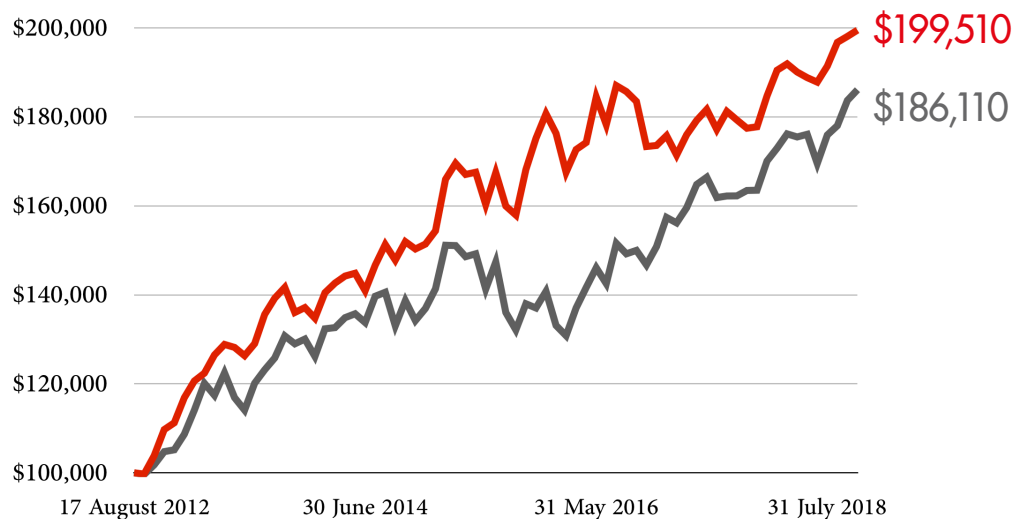
#### APPLICATION & REDEMPTION PRICES

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

### PERFORMANCE GRAPH

■ The Montgomery Fund

■ S&P/ASX300 Accum.



### CONTACT DETAILS

#### INVESTORS

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### PORTFOLIO PERFORMANCE

(to 31 July 2018, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	0.72%	<b>0.72%</b>	1.31%	-0.59%
3 months	7.66%	-3.43%	<b>4.23%</b>	5.78%	-1.55%
6 months	7.71%	-2.77%	<b>4.94%</b>	6.05%	-1.11%
12 months	9.24%	2.01%	<b>11.25%</b>	14.70%	-3.45%
3 years (p.a.)	5.16%	0.85%	<b>6.01%</b>	8.09%	-2.08%
5 years (p.a.)	5.83%	3.28%	<b>9.11%</b>	9.15%	-0.04%
Since inception#	47.09%	52.42%	<b>99.51%</b>	86.11%	13.40%
Compound annual return (since inception)#	6.70%	5.60%	<b>12.30%</b>	11.00%	1.30%

# 17 August 2012



## FUND COMMENTARY

The Australian equity market continued its march northward during July, with the S&P/ASX300 Accumulation Index delivering a total return of 1.31 per cent for the month. The Montgomery Fund (The Fund) also delivered a positive result, but at a more subdued rate of 0.72 per cent.

As we outlined in the recent Annual Letter, The Fund currently is positioned very much towards the conservative end of the spectrum, both in terms of its cash holdings and in terms of a bias towards companies perceived to offer relative stability of earnings and a measure of insulation from economic cycles. This positioning reflects our assessment that valuations generally are at elevated levels, that risk is generally not being adequately rewarded, and that valuations for growth companies in particular have moved into uncomfortable territory over the past 12 months or so.

As we outlined in the Annual Letter, this positioning results in The Fund having a beta of around 0.6 – a metric that describes the extent to which The Fund is likely to rise or fall with the market, with a beta of 1.0 indicating that The Fund ought to rise and fall in line with the market. In this context, The Fund's performance for July is broadly in line with what might be expected.

This conservative positioning will naturally continue to drag on relative performance while markets continue to rise, but should provide a good measure of capital protection and optionality in the event of a change in market sentiment.

We note that the extended run of strong performance we have seen from the market provides something of a test of patience for investors. We note also that if history is any guide, the market has a way of (eventually) rewarding patience and punishing impatience. Accordingly, we remain patient.

## TOP COMPLETED HOLDINGS\* (TCH)

(at 31 July 2018, out of 28 holdings)

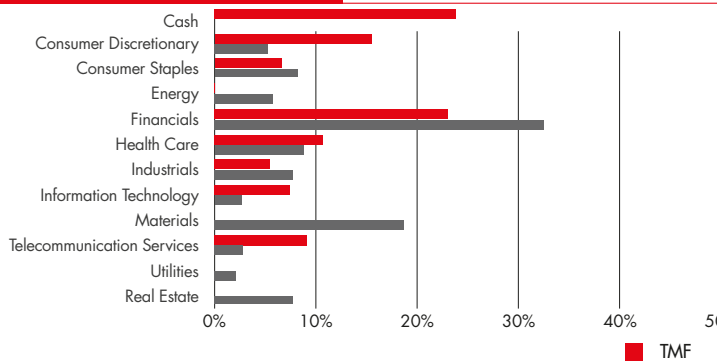
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Aristocrat Leisure	38.7	48.5	25.6	5.20
Seek	17.5	11.8	35.9	4.52
Pendal Group	23.5	-24.3	14.3	3.90
REA Group	21.4	16.7	39.0	3.87
Trade Me Group	13.1	11.5	19.4	3.86
Primary Health Care	4.1	42.0	19.4	3.76
Steadfast Group	7.3	-13.5	23.7	3.49
Spark New Zealand	24.6	51.1	17.0	3.38
Woolworths Group	16.3	21.5	22.8	3.28
Westpac Banking Corp	13.4	N/A	11.7	3.20
<b>TCH AVERAGE</b>	<b>18.0</b>	<b>18.4</b>	<b>22.9</b>	
<b>MARKET AVERAGE</b>	<b>16.2</b>	<b>66.3</b>	<b>19.3</b>	

Total equity weighting 76.1

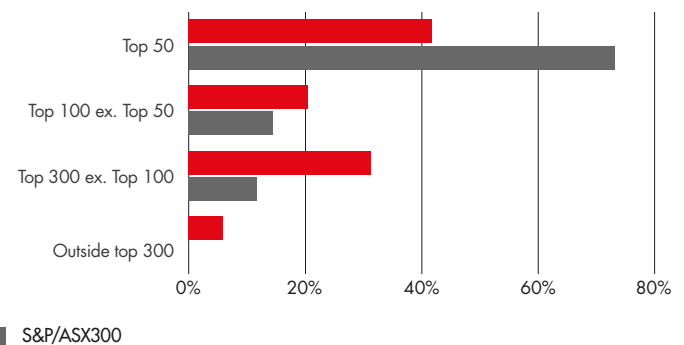
Total cash weighting 23.9

\*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.