

# 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

\$556.1M

#### 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)

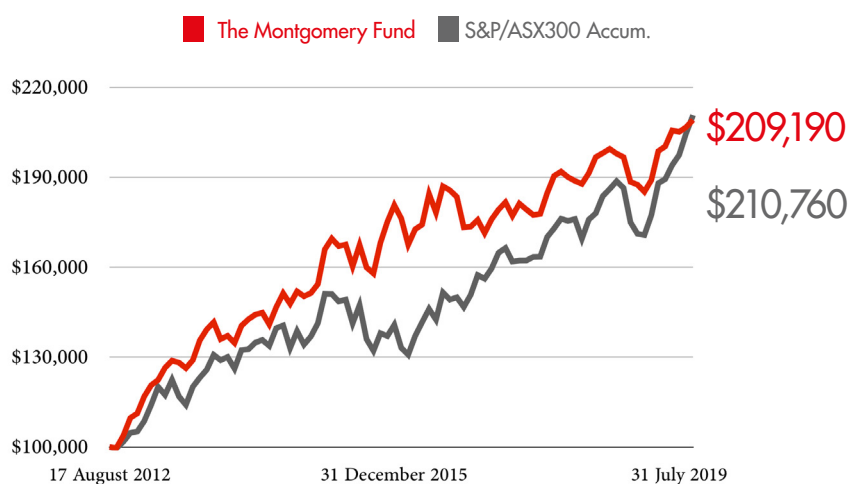
### FINANCIAL YEAR RETURNS

FINANCIAL YEAR	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX
2013*	26.3%	14.1%
2014	11.6%	17.3%
2015	13.7%	5.6%
2016	11.2%	0.9%
2017	1.7%	13.8%
2018	9.3%	13.2%
2019	4.4%	11.4%
Since Inception**	11.2%	11.3%

\* 2013 is the period 17 August 2012 to 30 June 2013

\*\*Compound annual returns

### PERFORMANCE GRAPH



### PORTFOLIO PERFORMANCE

(to 31 July 2019, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	1.18%	1.18%	2.97%	-1.79%
3 months	4.35%	-2.63%	1.72%	8.58%	-6.86%
6 months	4.73%	5.89%	10.62%	18.81%	-8.19%
12 months	6.04%	-1.19%	4.85%	13.25%	-8.40%
3 years (p.a.)	5.06%	-1.26%	3.80%	11.61%	-7.81%
5 years (p.a.)	5.88%	1.48%	7.36%	8.57%	-1.21%
Since inception#	55.66%	53.53%	109.19%	110.76%	-1.57%
Compound annual return (since inception)#	6.57%	4.63%	11.20%	11.32%	-0.12%

# 17 August 2012



## FUND COMMENTARY

Australian equity markets continued their strong run through July, with the S&P/ASX300 Accumulation Index returning 2.97 per cent for the month, equivalent to annual rate of return in excess of 40 per cent. The Montgomery Fund (The Fund) delivered a more modest return of 1.18 per cent, underperforming the market by 1.79 per cent for the month.

While part of this difference is owed to The Fund's continued conservative positioning, a large part was also due to a stock selection error on our part, being Speedcast Limited – a mistake that we outlined in The Fund's recent Annual Letter. Speedcast has caused significant pain for The Fund in the last 12 months, and while the position has now been completely exited, a sharp decline in the Speedcast price in early July saw it make a final negative contribution to Fund relative performance.

As we write, we note that equity market volatility has spiked in early August, with Australian and global equity markets generally down sharply, and the potential for further market volatility is perhaps a more pressing concern for investors. We can offer no particular insight into the direction of equity markets in the near term, and a sudden recovery (as we saw at the start of the year) is perhaps as likely as continued market weakness. We note however, that with ten years of strong equity market returns now behind us and with valuations correspondingly elevated, the risk is arguably tilted to the downside. In the event that downside risks do materialise, The Fund's conservative positioning and cash balance should protect it from some of the pain and enable it to take advantage of opportunities presented. This in turn should sow the seeds of strong performance in subsequent periods. In the event that markets recover quickly from the early August declines, conservative positioning will of course continue to constrain relative performance.

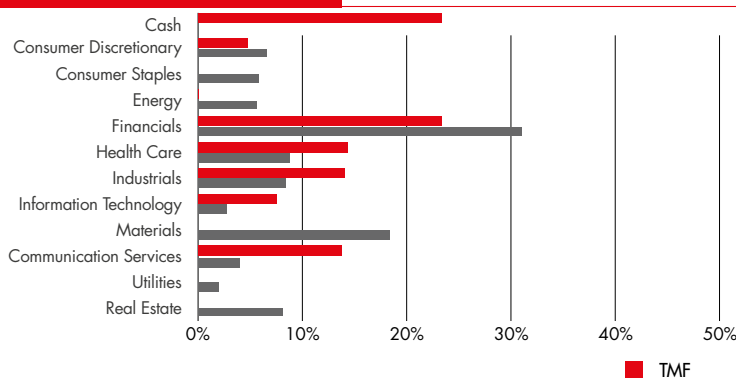
## TOP COMPLETED HOLDINGS\* (TCH)

(at 31 July 2019, out of 22 holdings)

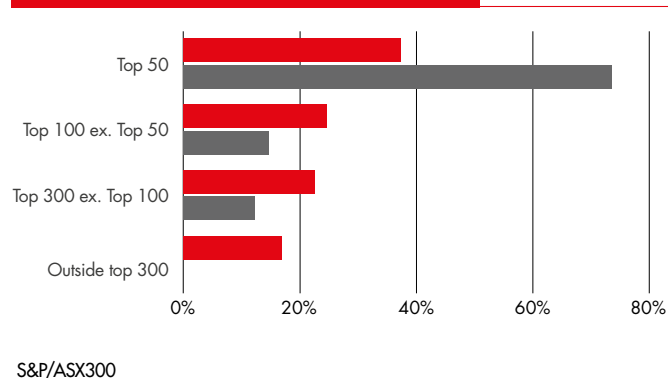
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Telstra Corp	20.4	112.1	19.6	6.46
Healius	3.7	42.7	17.3	5.85
Spark New Zealand	26.3	104.3	18.4	5.38
Macquarie Group	9.9	N/A	14.3	5.03
Medibank Private	22.6	-25.7	20.8	4.91
Ramsay Health Care	22.4	130.0	23.5	4.69
Aristocrat Leisure	38.6	141.5	22.2	4.58
Westpac	11.4	N/A	12.9	4.47
Atlas Arteria	2.2	85.6	31.2	4.06
National Australia Bank	11.6	N/A	12.8	3.98
<b>TCH AVERAGE</b>	<b>16.9</b>	<b>84.4</b>	<b>19.3</b>	
<b>MARKET AVERAGE</b>	<b>17.7</b>	<b>77.2</b>	<b>23.9</b>	
Total equity weighting				76.08
Total cash weighting				23.92

\*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.

