



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

\$696.2M

MANAGEMENT FEE

1.35% per annum, which includes a management fee of 1.18% per annum. Both figures are GST inclusive and net of RITC.

PERFORMANCE FEES

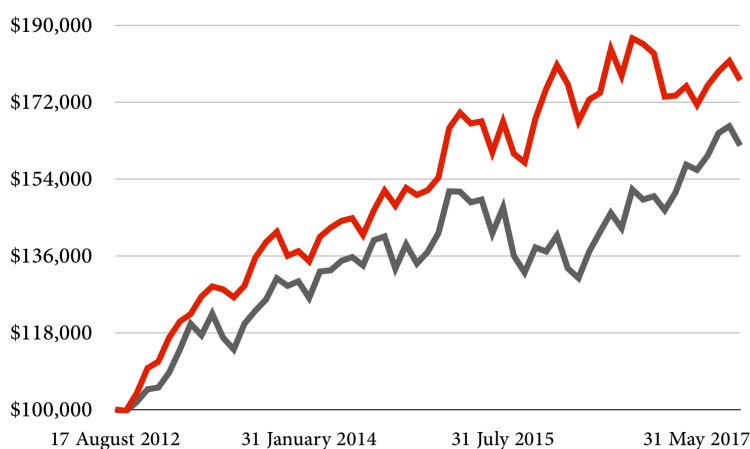
15.38% of the total return of The Fund that is in excess of the Index. No performance fee is payable until any previous periods of underperformance has been made up.

APPLICATION & REDEMPTION PRICES

montinvest.com/tmf

PERFORMANCE GRAPH

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



CONTACT DETAILS

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PORTFOLIO PERFORMANCE

(to 31 May 2017, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-2.48%	-2.48%	-2.74%	0.26%
3 months	0.00%	0.68%	0.68%	1.43%	-0.75%
6 months	0.84%	1.23%	2.07%	7.30%	-5.23%
12 months	5.78%	-9.74%	-3.96%	10.80%	-14.76%
2 years (p.a.)	6.56%	-3.73%	2.83%	4.15%	-1.32%
3 years (p.a.)	5.81%	1.13%	6.94%	6.04%	0.90%
4 years (p.a.)	5.94%	2.49%	8.43%	8.48%	-0.05%
Since inception#	33.37%	43.81%	77.18%	61.87%	15.31%
Compound annual return (since inception)#	6.18%	6.51%	12.69%	10.58%	2.11%
# 17 August 2012					



FUND COMMENTARY

May was a weak month for the Australian equity market, with the S&P/ASX300 Accumulation Index declining by 2.74 per cent. To a large extent, this decline was driven by the major banks, which were seen by the Government as the path of least resistance in framing revenue measures for the 2017 Federal Budget. The weakness in the financial sector was offset to some extent by relative strength in the resources sector, but the overall result was a meaningful decline for the overall market.

The Montgomery Fund (The Fund) performed slightly better than the market, but nonetheless turned in a weak month, declining by 2.48 per cent. By and large, we were happy with the performance of the individual holdings in The Fund, but this was overshadowed by a sharp decline in the value of one of The Fund's smaller positions – Vita Group –

which owns a network of Telstra stores. Having previously given the market some reassurance in relation to ongoing commercial negotiations with Telstra, Vita Group surprised investors in May by announcing a series of large changes to the commission structures under which it operates as a Telstra licensee. The Fund has followed Vita Group closely (and with concern) for some time now, but in May our patience with management was exhausted, and we move on, a little wiser for the experience.

While a declining market restores some value to Australian equities, we continue to view the market as generally expensive, and The Fund's cash weighting remains close to the top of its normal range, awaiting better opportunities.

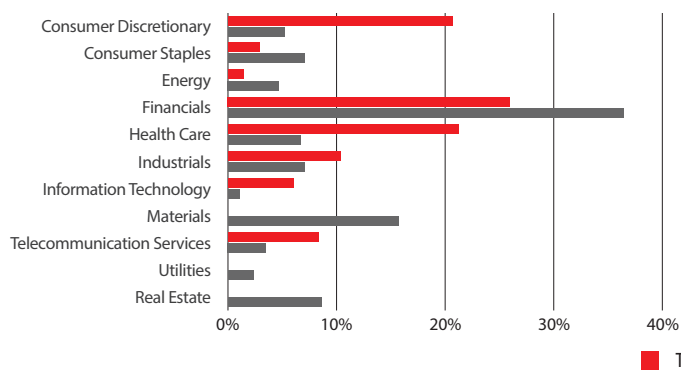
TOP COMPLETED HOLDINGS* (TCH)

(at 31 May 2017, out of 26 holdings)

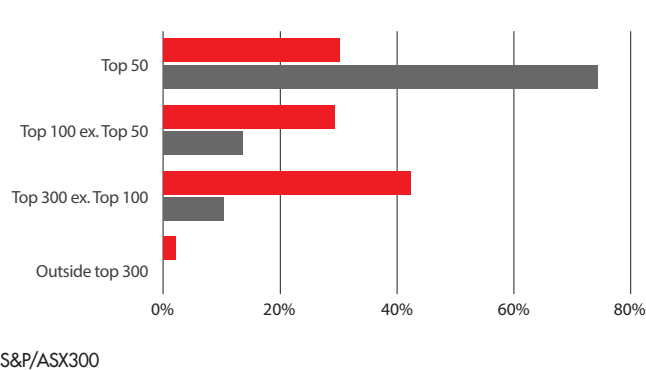
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Challenger Ltd	10.8	N/A	17.5	5.10
Seek Ltd	13.0	12.5	28.9	4.78
Resmed	20.3	26.2	25.4	4.34
Chorus Ltd	14.6	180.7	14.3	4.31
Trade Me Group Ltd	11.9	14.5	22.6	4.30
Commonwealth Bank of Australia	15.8	N/A	14.2	4.21
Westpac Banking Corp	13.3	N/A	12.5	4.04
Rea Group Ltd	29.2	51.6	30.9	3.99
Healthscope Ltd	7.8	57.4	20.2	3.91
Medibank Private Ltd	26.6	-27.8	18.7	3.62
TCH AVERAGE	16.3	45.0	20.5	
MARKET AVERAGE	14.7	72.6	19.4	
Total equity weighting				71.39
Total cash weighting				28.61

*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: Macquarie ⇄ Asgard ⇄ Netwealth ⇄ Powerwrap ⇄ North ⇄ Australian Executor Trustees ⇄ MLC Wrap

BT Panorama ⇄ Linear ⇄ Avanteos ⇄ OneVue ⇄ Hub24 ⇄ BT ⇄ Navigator Wrap ⇄ Colonial FirstWrap ⇄ Federation Accounts ⇄

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.

