



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

\$602M

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

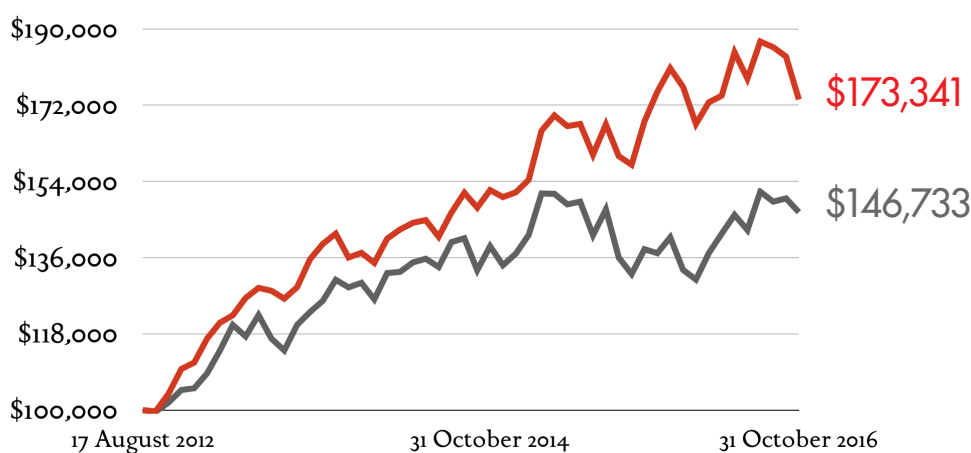
15.38% of the total return of The Fund that is in excess of the Index. No performance fee is payable until any previous periods of underperformance has been made up.

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 October 2016, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-5.52%	-5.52%	-2.17%	-3.35%
3 months	0.00%	-7.32%	-7.32%	-3.20%	-4.12%
6 months	5.33%	-5.84%	-0.51%	3.59%	-4.10%
12 months	5.52%	-2.45%	3.08%	6.33%	-3.26%
2 years (p.a.)	7.23%	-0.42%	6.81%	2.85%	3.95%
3 years (p.a.)	5.85%	1.10%	6.96%	3.91%	3.04%
4 years (p.a.)	6.63%	5.48%	12.11%	8.79%	3.32%
Since inception#	32.21%	41.13%	73.34%	46.73%	26.61%
Compound annual return (since inception)#	6.64%	7.18%	13.82%	9.44%	4.38%
# 17 August 2012					



FUND COMMENTARY

October proved a difficult month for The Montgomery Fund (The Fund). While the S&P/ASX300 Accumulation Index delivered a return of negative 2.17 per cent, The Fund fared significantly worse, returning negative 5.52 per cent for the month, resulting in underperformance of 3.35 per cent.

This underperformance resulted from a combination of factors. The largest single contributor to the weak result was The Fund's holding in Healthscope (HSO) – a business we consider to be of very high quality, but whose share price declined by almost 30 per cent in October. During the month, HSO flagged an unexpected slowdown in hospital treatments for the first quarter of FY17, which if sustained would lead to flat EBITDA for the year, compared with consensus expectations for 10 per cent EBITDA growth.

Our assessment is that the weakness in the September quarter is likely transient, and that longer-term trends of growing rates of hospital treatments remain very much intact. Accordingly, we view the harsh price reaction as an opportunity, albeit one that brings short-term pain.

More generally, higher quality businesses suffered during October, including other healthcare businesses apparently caught in the HSO downdraught, while the broader market was supported by strength in resources companies. In summary, higher quality became cheaper while lower quality became more expensive. We think this is unlikely to be sustained long term.

While painful, this dynamic is obviously beneficial in terms of the future returns that may be earned on quality names. We anticipate reporting somewhat lower cash holdings in the future as we seek to capitalise on the changing conditions.

TOP COMPLETED HOLDINGS* (TCH)

(at 31 October 2016, out of 29 holdings)

COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Westpac Banking Corp	14.4	N/A	13.1	4.73
Commonwealth Bank of Australia	16.3	N/A	13.1	4.63
Challenger Ltd	11.7	N/A	15.3	4.52
REA Group Ltd	35.3	51.6	26.4	4.47
Resmed	22.0	26.2	20.9	4.42
Seek Limited	13.7	12.5	24.6	4.42
Healthscope Ltd	8.3	57.4	18.3	3.88
Carsales.com	44.7	76.1	21.3	3.75
Chorus Limited	11.3	180.7	11.9	3.65
Trade Me Group Ltd	11.9	14.5	20.7	3.63
TCH AVERAGE	19.0	59.9	18.6	
MARKET AVERAGE	13.9	78.1	19.2	

Total equity weighting

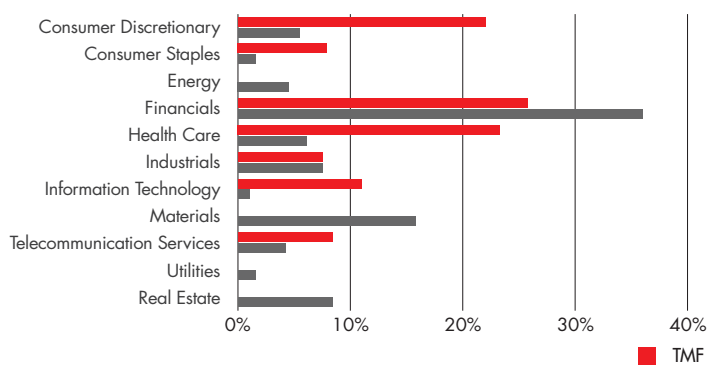
76.1

Total cash weighting

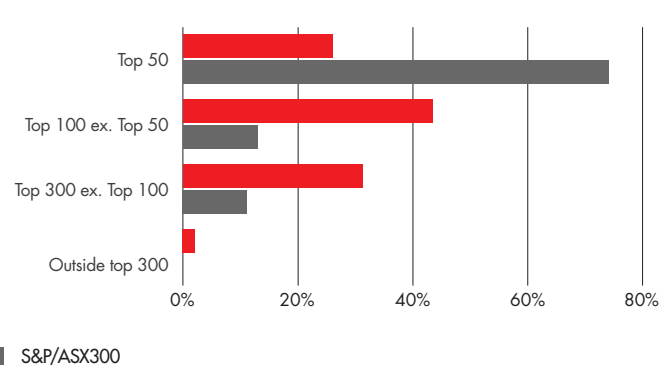
23.9

*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: 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.

