



# 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

\$621.9M

#### 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.

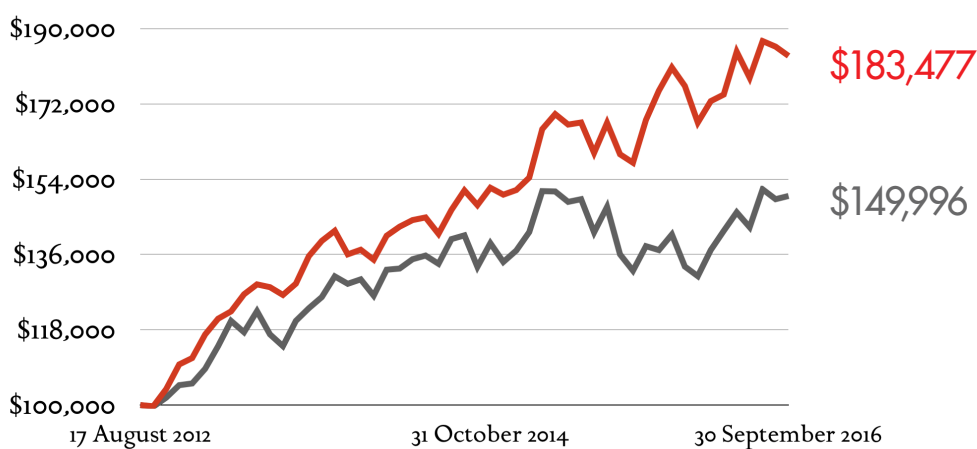
#### APPLICATION & REDEMPTION PRICES

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

### PERFORMANCE GRAPH

■ The Montgomery Fund

■ S&P/ASX300 Accum.



### CONTACT DETAILS

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### PORTFOLIO PERFORMANCE

(to 30 September 2016, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-1.19%	-1.19%	0.51%	-1.71%
3 months	0.00%	2.93%	2.93%	5.24%	-2.31%
6 months	5.38%	0.88%	6.26%	9.43%	-3.17%
12 months	5.88%	10.29%	16.16%	13.52%	2.64%
2 years (p.a.)	7.42%	3.99%	11.42%	6.18%	5.23%
3 years (p.a.)	5.95%	3.68%	9.63%	6.03%	3.59%
4 years (p.a.)	6.99%	8.38%	15.36%	10.18%	5.19%
Since inception#	32.21%	51.26%	83.48%	50.00%	33.48%
Compound annual return (since inception)#	6.77%	8.91%	15.68%	10.22%	5.46%
# 17 August 2012					



## FUND COMMENTARY

The Montgomery Fund (The Fund) delivered a weak result in September, declining by 1.19 per cent, compared with its benchmark, the S&P/ASX300 Accumulation Index which returned positive 0.51 per cent.

This result was primarily due to a sharp decline in the share price of TPG Telecom Limited, which had been a top ten holding in The Fund in early September. While TPG's September profit announcement was in line with expectations, the company issued lower-than-expected earnings guidance for the FY17 year, largely attributable to an expected reduction in margins as TPG transitions customers from existing networks onto the National Broadband Network (NBN).

Transition to the NBN is a complex event in terms of evolving technology, regulation and competitive dynamics between service providers, and is something that we are studying in detail. While the short term impacts have been unfavourable for TPG, we anticipate that this transition is likely to provide longer term opportunities.

We continue to review developments in the sector, but our current assessment is that bearing short term pain through more vigorous price competition may be part of a rational long-term strategy on the part of TPG. Being able to attract a larger customer base during the transition may position the company favourably as technology and regulatory questions are resolved over time.

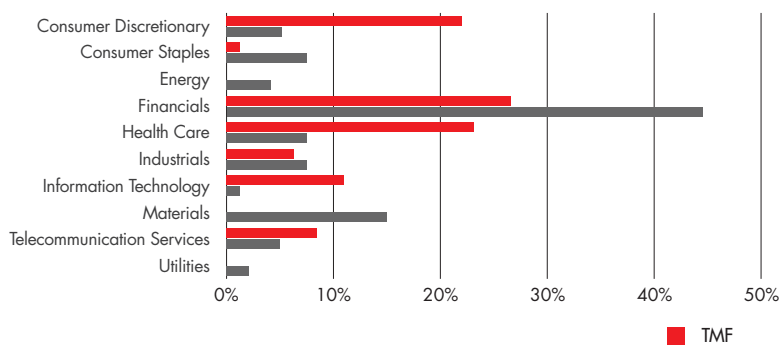
## TOP COMPLETED HOLDINGS\* (TCH)

(at 30 September 2016, out of 27 holdings)

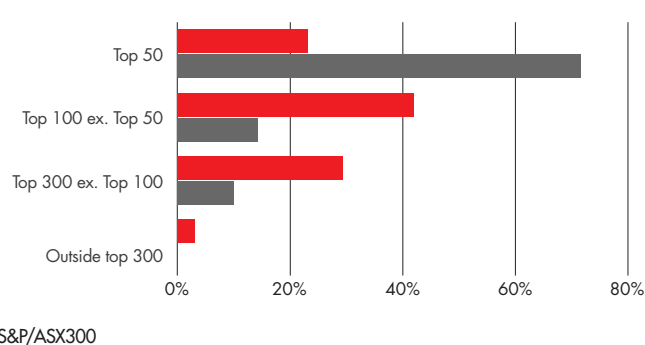
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Challenger Ltd	11.7	N/A	14.6	4.30
Commonwealth Bank of Australia	16.3	N/A	13.2	4.13
Westpac Banking Corp	14.4	N/A	13.0	4.10
Resmed	22.0	26.2	24.1	4.04
REA Group Ltd	35.3	51.6	29.1	3.98
Healthscope Ltd	8.3	57.4	25.8	3.98
Trade Me Group Ltd	11.9	14.5	24.4	3.98
Seek Limited	13.7	12.5	26.3	3.97
Chorus Limited	11.3	180.7	12.7	3.43
iSentia Group Limited	20.5	38.0	20.8	3.20
<b>TCH AVERAGE</b>	<b>16.5</b>	<b>54.4</b>	<b>20.4</b>	
<b>MARKET AVERAGE</b>	<b>14.4</b>	<b>81.5</b>	<b>20.3</b>	
<b>Total equity weighting</b>				<b>75.6</b>
<b>Total cash weighting</b>				<b>24.4</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: 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.

