

CONTINUOUS DISCLOSURE NOTICE AUGUST 2018

Montgomery Investment Management Pty Ltd (MIM) and Fundhost Limited are implementing some material changes to the investment process of the Montgomery Alpha Plus Fund with effect from 1 October 2018.

The changes will entail:

- Diversifying the Fund's investment portfolio across global markets rather than focusing on Australia and New Zealand;
- The Fund being invested in a much larger portfolio of 80 to 180 companies in both the long and short portfolio;
- Increasing the leverage from 2.0x-2.5x with a maximum of 3.0x, to 2.5x-3.5x with a maximum of 4.0x;
- Removing the subjective business quality assessment from the stock selection process and relying on the quality elements already present in the quantitative forecast models.
- Due to the global nature of the strategy the fund will be subject to exchange rate risk. Exchange rate exposures will be unhedged, but the manager expects that these exposures will be relatively low, given the nature of the strategy. More specifically, the manager anticipates holding long and short portfolios of similar size in each geographic region, resulting in some netting out of exchange risk, and cash will be held primarily in AUD.

This would result in the Fund becoming a global, quantitative market-neutral fund, with expected benefits to investors through:

- A wider universe allowing the Fund to choose the best investment candidates from a larger pool of opportunities;
- Greater opportunities for diversification in terms of geography, stock numbers and quantitative model factors; and
- Improved consistency of performance through increased strategy breadth.

The underlying nature of the Fund will remain very much as it is in that it will continue to invest in a long and a short portfolio of equities to maintain a broadly "market neutral" stance. Its returns will continue to be driven by stock selection rather than overall market movements, and it will continue to target equity-like returns with lower than equity risk levels.

In addition, from 1 October 2018 the Montgomery Alpha Plus Fund will be managed by Montgomery Quantitative Management Pty Ltd (MQM), a company 75% owned by MIM and 25% owned by interests associated with Tim Kelley, the Portfolio Manager. The Directors of MIM, Roger Montgomery, David Buckland and Tim Kelley, are also the Directors of MQM.

More information can be found in the [Annual Letter](#).