

MONTGOMERY ALPHA PLUS FUND

ARSN 613 229 904

GENERAL PURPOSE FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Montgomery Alpha Plus Fund - ARSN 613 229 904

Directors' Report

The directors of Fundhost Limited, the Responsible Entity of the Montgomery Alpha Plus Fund (the "Fund"), present their report together with the interim financial report of the Fund for the half-year ended 31 December 2018.

Directors

The names of the directors of the Responsible Entity in office at any time during or since the end of the half-year and up to the date of this report are:

Valerie Anne Monge
Paul Ernest Dortkamp
Robert H Nagel
Drew Wilson

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Review and results of operations

During the half-year, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the operations of the Fund are disclosed in the Statement of Comprehensive Income of these financial statements.

	Half-year ended 31 December	
	2018	2017
	\$'000	\$'000
Operating loss	(4)	(566)
Distributions	-	-
Distributions payable	-	-

Significant changes in state of affairs

From 1 October 2018, the Fund has expanded to hold market-neutral portfolios in securities listed on both Australian and international stock exchanges in accordance with its investment objectives and guidelines as set out in the Product Disclosure Statement (PDS) dated 29 September 2018. The Fund will hold a larger number of securities of up to 180 securities in each of the long and short portfolios.

On 1 October 2018, the Investment Manager has changed from Montgomery Investment Management Pty Ltd (MIM) to Montgomery Quantitative Management Pty Ltd (MQM) (ABN 72 628 254 357), 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.

No other significant changes in the Fund's state of affairs occurred during the financial half-year.

Rounding

The Fund is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument class order 2016/191 applies. Accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

Signed in accordance with a resolution of the Board of Directors:



Drew Wilson
Director
Dated this 20th day of February 2019

Auditor's Independence Declaration to the Directors of Fundhost Limited

As lead auditor for the review of Montgomery Alpha Plus Fund for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Rita Da Silva
Partner
Sydney
20 February 2019

Montgomery Alpha Plus Fund - ARSN 613 229 904

Statement of Comprehensive Income
For the half-year ended 31 December 2018

	Notes	31/12/2018 \$'000	31/12/2017 \$'000
Investment income			
Dividend income		359	554
Interest income		152	123
Change in fair value of financial assets and liabilities held at fair value through profit or loss		87	(480)
Net (loss) / gain from foreign exchange movements		(1)	-
Total investment income		<u>597</u>	<u>197</u>
Expenses			
Management fees		129	173
Dividend expenses		202	430
Borrowing costs		174	112
Other expenses		96	48
Total expenses		<u>601</u>	<u>763</u>
Net operating loss before finance costs*		<u>(4)</u>	<u>(566)</u>
Finance costs attributable to unitholders			
Distributions to unitholders	3	<u>-</u>	<u>-</u>
Net operating loss after finance costs*		<u>(4)</u>	<u>(566)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the period	2	<u>(4)</u>	<u>(566)</u>

* Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability prior to 30 June 2018. Subsequent to this change, the recognition of 'Finance costs attributable to unitholders' is no longer applicable. Refer to note 1 for further detail.

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Montgomery Alpha Plus Fund - ARSN 613 229 904

Statement of Financial Position
As at 31 December 2018

	Notes	31/12/2018 \$'000	30/06/2018 \$'000
Assets			
Cash and cash equivalents		15,986	17,524
Receivables		64	138
Financial assets held at fair value through profit or loss	4	21,514	22,901
Total assets		<u>37,564</u>	<u>40,563</u>
Liabilities			
Financial liabilities held at fair value through profit or loss	4	20,400	21,203
Payables		74	117
Distributions payable	3	-	892
Total liabilities		<u>20,474</u>	<u>22,212</u>
Net assets		<u>17,090</u>	<u>18,351</u>
Total equity		<u>17,090</u>	<u>18,351</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Montgomery Alpha Plus Fund - ARSN 613 229 904

Statement of Changes in Equity
For the half-year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
Opening balance at 1 July*		18,351	-
Comprehensive income for the period			
Net operating loss		(4)	-
Other comprehensive income		-	-
Total comprehensive loss for the period		<u>(4)</u>	<u>-</u>
Transactions with unitholders			
Applications		432	-
Redemptions		(2,232)	-
Distributions to unitholders	3	-	-
Distributions reinvested		543	-
		<u>(1,257)</u>	<u>-</u>
Closing balance at 31 December*	2	<u>17,090</u>	<u>-</u>

*Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability prior to 30 June 2018. Refer to note 1 for further detail.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Montgomery Alpha Plus Fund - ARSN 613 229 904

Statement of Cash Flows
For the half-year ended 31 December 2018

	Notes	31/12/2018 \$'000	31/12/2017 \$'000
Cash flows from operating activities			
Dividends and distributions received		443	708
Interest received		143	125
Management fees paid		(120)	(179)
Dividends paid		(266)	(455)
Interest paid		(70)	(109)
Other expenses paid		(189)	(47)
Net cash (used in) / provided by operating activities		<u>(59)</u>	<u>43</u>
Cash flows from investing activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		56,844	24,205
Payment for financial instruments held at fair value through profit or loss		(56,164)	(23,905)
Net cash provided by investing activities		<u>680</u>	<u>300</u>
Cash flows from financing activities			
Proceeds from issue of units		432	852
Payments for redemption of units		(2,232)	(3,380)
Distributions paid		(349)	(242)
Net cash used in financing activities		<u>(2,149)</u>	<u>(2,770)</u>
Net decrease in cash held		(1,528)	(2,427)
Cash and cash equivalents at the beginning of the half-year		17,524	22,992
Effect of exchange rate changes on cash and cash equivalents		(10)	-
Cash and cash equivalents at the end of the half-year		<u>15,986</u>	<u>20,565</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

**Notes to the Financial Statements
For the half-year ended 31 December 2018**

Note 1. Statement of Significant Accounting Policies

This financial report covers Montgomery Alpha Plus Fund ("the Fund") as an individual entity.

The Fund is a registered investment scheme under the Corporations Act 2001. The financial report of the Fund is for the half-year ended 31 December 2018. The Fund was constituted as a registered scheme on 8 July 2016 with Australian Securities & Investments Commission ("ASIC").

The Responsible Entity of Montgomery Alpha Plus Fund is Fundhost Limited (ABN 69 092 517 087). The Responsible Entity's registered office is Suite 1, Level 9, 70 Castlereagh Street, Sydney, NSW 2000.

Basis of preparation

This interim financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards AASB134: Interim Financial Reporting.

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018, and any public announcements made in respect of Montgomery Alpha Plus Fund during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements were approved by the Board of Directors of the Responsible Entity on 20 February 2019.

The financial statements have been prepared on the basis of historical costs except for financial assets held at fair value through profit or loss that have been measured at fair value.

The financial statements are presented in Australian Dollars and all values are rounded to the nearest thousand except where otherwise indicated.

The Fund is a for-profit unit trust for the purpose of preparing financial statements.

On 5 May 2016, the Attribution Managed Investment Trust ("AMIT") regime, applying to Managed Investment Trusts was enacted under the Tax Laws Amendment (New Tax System for Management Investment Trusts) Act 2016. With its introduction, the Responsible Entity has amended the Fund's Constitution to allow the Fund to operate as an AMIT. On 19 October 2016, the Responsible Entity sent notice to unitholders on the Fund's intention to elect into the AMIT regime for the financial year ended 30 June 2018 (and for subsequent financial years). On 30 June 2018, the Fund met the other conditions to adopt the AMIT tax regime and consequently the units in the Fund have been re-classified from a financial liability to equity. As of 31 December 2018, the Fund has continued to meet the conditions to remain in the AMIT tax regime and consequently the units in the Fund have remained classified as equity.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board.

(ii) Use of estimates and judgements

In the application of accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

a. Financial Instruments

In the current period the Fund has adopted AASB 9 Financial Instruments. Comparative figures for the half-year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with AASB 139 Financial Instruments: Recognition and Measurement.

(i) Classification

In accordance with AASB 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets discussed below. The Fund classifies its financial assets as subsequently measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

**Notes to the Financial Statements
For the half-year ended 31 December 2018**

Note 1. Statement of Significant Accounting Policies (cont'd)

a. Financial Instruments (cont'd)

(i) Classification (cont'd)

The Fund classifies its financial assets or financial liability as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking, or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

They comprise:

- *Financial assets and liabilities at fair value through profit or loss upon initial recognition*

These include financial assets that are held for trading purposes and which may be sold. These are investments in equity instruments. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification. The Fund does not designate any derivatives as hedges in a hedging relationship.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date. Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

- *Financial assets and liabilities held at fair value through profit or loss*

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss is measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the Statement of Financial Position date without any deduction for estimated future selling costs. Financial assets are priced at last sale prices, while financial liabilities are priced at current asking prices. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the balance date. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Forward contract valuations are determined using the applicable foreign exchange rates and forward margins as at Statement of Financial Position date.

- *Loans and receivables*

Loan and receivables are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any.

**Notes to the Financial Statements
For the half-year ended 31 December 2018**

Note 1. Statement of Significant Accounting Policies (cont'd)

b. Impairment of assets

The adoption of AASB 9 has fundamentally changed the Fund's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Fund to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit and loss.

The Fund holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under AASB 9 to all its trade receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Fund uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

c. Investment income and expenses

Unrealised gains and losses on revaluation of investments to fair value, are recognised in the Statement of Comprehensive Income.

Realised gains and losses on sale are recognised as investment income in the Statement of Comprehensive Income. Gross proceeds from sale of investments are disclosed in the Statement of Cash Flows.

Dividend income is recognised on a receivable basis on the date the shares are quoted ex-dividend. Dividend expense is recognised when payable on the date the shares are quoted ex-dividend where the security has been short sold.

Interest income and expenses are recognised in the Statement of Comprehensive Income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through the profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 1(a).

Where the Fund sells a security it does not own in anticipation of a decline in the market price of such securities, the Fund will borrow the security sold in order to make delivery to the buyer. The Fund recognises a realised gain or loss when the short position is closed out and the borrowed security is returned. Until the security is replaced, the Fund is required to make compensation payments to the lender and this is recognised as an expense by the Fund.

All expenses including management fees are recognised on an accrual basis in the Statement of Comprehensive Income.

d. Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Australian dollars at the exchange rate at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the reporting date. The foreign exchange gains and losses resulting from these translations are recognised in the Statement of Comprehensive Income.

The Fund does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss in the Statement of Comprehensive Income.

**Notes to the Financial Statements
For the half-year ended 31 December 2018**

Note 1. Statement of Significant Accounting Policies (cont'd)

e. Management fees

In accordance with the Constitution, the Fund's managers are entitled to a management fee of 1.58% per annum of the value of the Fund payable on a monthly basis. There is also an expense recovery of up to 0.01% per annum of net assets.

f. Performance fees

The Fund's managers are also entitled to a performance fee when the investment performance of the Fund has exceeded the hurdle, being the performance of the RBA Cash Rate. This is provided the "high watermark" has been exceeded. The method of calculating the fee is detailed in the Constitution and summarised in the current PDS.

g. Income tax

Under current legislation, the Fund is not subject to income tax since the Fund elected into the AMIT tax regime and unitholders will be attributed the income of the Fund.

h. Distributions

Net assets attributable to unitholders were reclassified from liabilities to equity on 30 June 2018. Up until this date, in accordance with the Fund's Constitution, the Fund fully distributed its distributable income to unitholders. Such distributions were determined by reference to the taxable income of the Fund. Distributions were recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Post 30 June 2018, distributions are at the discretion of the Fund. A distribution to the Fund's unitholders is accounted for as a deduction from equity.

Distributions to unitholders comprise the net income of the Fund. The distributions (if any) are attributable or payable at the end of June each year.

i. Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% (55% on Responsible Entity fees) hence investment management fees, administration fees, custodial fees and other expenses have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

j. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and at call deposits with banks or financial institutions, investments in money market instruments with original maturities of less than three months and net of bank overdrafts.

k. Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

l. Payables

Trade payables and other accounts payable are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services. The distribution amount payable to unitholders as at the reporting date is recognised separately on the Statement of Financial Position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

m. Due from/to brokers

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the half-year. Trades are recorded on trade date, and normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

**Notes to the Financial Statements
For the half-year ended 31 December 2018**

Note 1. Statement of Significant Accounting Policies (cont'd)

n. Equity

Net assets attributable to unitholders comprise units on issue and undistributed reserves. Prior to 30 June 2018, net assets attributable to unitholders were classified as liabilities and not as equity because the Responsible Entity had a contractual obligation to pay distributable income of the Fund to unitholders and units are redeemable at the unitholders' option (subject to the provisions of the Fund's Constitution). In order to allow the Fund to elect into the AMIT tax regime, the Fund's Constitution has been amended and other conditions required to adopt the AMIT tax regime have also been met effective from 30 June 2018. Adopting the AMIT tax regime removes the Responsible Entity's contractual obligation to distribute trust income to unitholders. As the Responsible Entity no longer has any contractual obligations to pay distributions, and the units on issue comprise one class of units with identical features which are equally subordinate to any other financial instruments on issue, the Fund's net assets attributable to unitholders have been reclassified to equity in accordance with AASB 132 Financial Instruments: Presentation.

Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the fair value of financial assets and derivative financial instruments. The fair value of units requested to be redeemed is measured at the redemption amount that would be payable (based on the redemption unit price) at the balance date. Units are redeemable at the unitholders' option (subject to the provisions of the PDS).

Quantitative information about the Fund's capital is provided in the statement of changes in equity. The units are entitled to dividends when declared and to payment of a proportionate share of the Fund's net asset value on the redemption date or upon winding up of the Fund. A reconciliation of the number of units outstanding at the beginning and the end of each reporting period is provided in note 2.

o. Exit price

The unit exit price is calculated in accordance with the Constitution of the Fund and is determined by the value of the assets of the Fund less its liabilities adjusted for estimated transaction costs, divided by the number of units on issue.

p. Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. No exit fees are charged. Unit redemption prices are determined by reference to the net assets of the Fund divided by the number of units on issue at or immediately prior to close of business each day.

Changes in Australian Accounting Standards

The Fund has adopted all mandatory standards and amendments for the half year beginning 1 July 2018. Adoption of these standards and amendments has not had any material effect on the financial position or performance of the Fund.

AASB 9 Financial Instruments (applies to reporting periods beginning on or after 1 January 2018)

AASB 9 contains new requirements for classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 Financial Instruments: Recognition and Measurement.

AASB 9 has not had a significant impact on the Fund's financial instruments. The Fund's financial assets and financial liabilities measured at fair value through profit or loss continue to be classified and measured at fair value through profit or loss. The Fund's receivables continue to be classified and measured at amortised cost. The impact of expected credit losses on financial assets measured at amortised cost is insignificant.

The Fund does not apply hedge accounting.

AASB 15 Revenue from Contracts with Customers (applies to reporting periods beginning on or after 1 January 2018)

AASB 15 makes insignificant changes to revenue recognition and adds some additional disclosures, replacing AASB 111 Construction Contracts and AASB 118 Revenue. The new standard provides a five-step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The Fund's main sources of revenue are dividends, distributions, interest income and gains on financial instruments measure at fair value through profit or loss. As all of these are outside the scope of the new standards, this does not have a material impact on the Fund's financial position or performance, or the presentation and disclosures in the Financial Report.

**Notes to the Financial Statements
For the half-year ended 31 December 2018**

Note 2. Equity

As of 30 June 2018, the Fund met the conditions to adopt the AMIT tax regime and consequently the units in the Fund have been re-classified from a financial liability to equity on 30 June 2018 as disclosed in note 1.

	2018	2017	2018	2017
	Units '000	Units '000	\$'000	\$'000
Opening balance at 1 July*	21,370	26,870	18,351	24,216
Units issued during the half-year	506	969	432	852
Units redeemed during the half-year	(2,656)	(3,817)	(2,232)	(3,381)
Distribution reinvested	633	418	543	377
Change in net assets attributable to unitholders	-	-	-	(566)
Net operating loss for the period	-	-	(4)	-
Closing balance 31 December*	<u>19,853</u>	<u>24,440</u>	<u>17,090</u>	<u>21,498</u>

*Net assets attributable to unitholders are classified as equity from 1 July to 31 December 2018 and as a financial liability from 1 July 2017 to 31 December 2017. Refer to note 1 for further detail.

Note 3. Distributions to unitholders

The Fund distributes annually at 30 June each year, therefore no distributions have been paid during the period (2017: nil).

Note 4. Financial assets and liabilities held at fair value through profit or loss

	31/12/2018	30/06/2018
	\$'000	\$'000
Financial assets		
Long positions in listed equity securities	21,514	22,901
Financial liabilities		
Short positions in listed equity securities	(20,333)	(21,203)
Derivatives	(67)	-
	<u>1,114</u>	<u>1,698</u>

Note 5. Fair value of financial instruments

Financial instruments carried at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued using quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valued using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Fund's own data, reflecting the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available.

Notes to the Financial Statements
For the half-year ended 31 December 2018

Note 5. Fair value of financial instruments (cont'd)

The following table shows an analysis of financial instruments held at the balance date, recorded at fair value by level of the fair value hierarchy:

31/12/2018	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Long positions in listed equity securities	21,514	-	-	21,514
Short positions in listed equity securities	(20,333)	-	-	(20,333)
Derivative financial liabilities	-	(67)	-	(67)
Total	1,181	(67)	-	1,114

30/06/2018	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Long positions in listed equity securities	22,901	-	-	22,901
Short positions in listed equity securities	(21,203)	-	-	(21,203)
Total	1,698	-	-	1,698

Note 6. Commitments and contingencies

There were no commitments and contingent liabilities or commitments at 31 December 2018 (2017: nil).

Note 7. Events subsequent to balance date

No matters or circumstances have arisen since the end of the financial half-year which significantly affected or may significantly affect the operation of the entity, the results of those operations, or the state of affairs of the entity in future financial periods.

Montgomery Alpha Plus Fund - ARSN 613 229 904

Directors' Declaration

The Directors of the Responsible Entity declare that:

- (i) The financial statements and notes are prepared in accordance with the Corporations Act 2001, including:
 - a) complying with AASB134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the Fund's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
- (ii) In the Director's opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



.....
Drew Wilson

Dated this 20th day of February 2019

Independent Auditor's Review Report to the unitholders of Montgomery Alpha Plus Fund

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report Montgomery Alpha Plus Fund (the Fund), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Fundhost Limited as the Responsible Entity of the Fund are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva' in a cursive style.

Rita Da Silva
Partner
Sydney
20 February 2019