

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

\$555.1M

MANAGEMENT FEE

1.36% 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

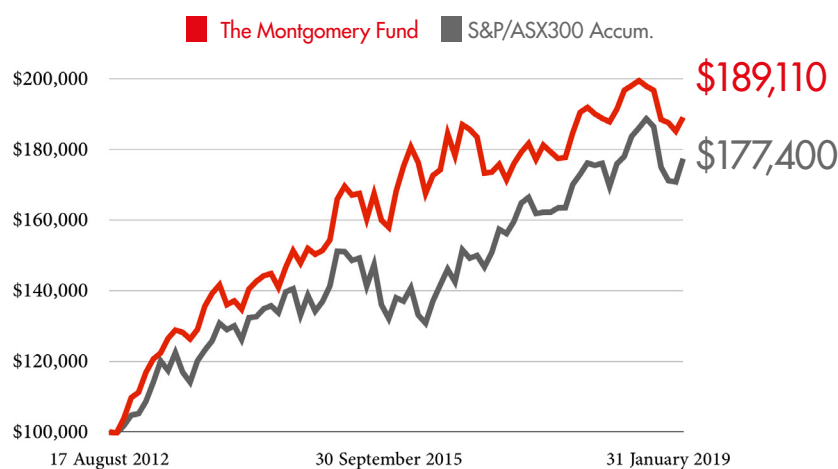
FINANCIAL YEAR RETURNS

FINANCIAL YEAR	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX
2013*	26.3%	14.1%
2014	11.6%	17.3%
2015	13.7%	5.6%
2016	11.2%	0.9%
2017	1.7%	13.8%
2018	9.3%	13.2%
Since Inception**	10.4%	9.3%

* 2013 is the period 17 August 2012 to 30 June 2013

**Compound annual returns

PERFORMANCE GRAPH



PORTFOLIO PERFORMANCE

(to 31 January 2019, after all fees)

	INCOME	CAPITAL GROWTH	THE MONTGOMERY FUND	S&P/ASX 300 ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	2.12%	2.12%	3.87%	-1.75%
3 months	1.73%	-1.39%	0.34%	1.38%	-1.04%
6 months	1.63%	-6.84%	-5.21%	-4.68%	-0.53%
12 months	9.30%	-9.83%	-0.53%	1.08%	-1.61%
3 years (p.a.)	5.47%	-2.58%	2.89%	10.04%	-7.15%
5 years (p.a.)	5.82%	1.19%	7.01%	7.05%	-0.04%
Since inception#	49.41%	39.70%	89.11%	77.40%	11.71%
Compound annual return (since inception)#	6.42%	3.95%	10.37%	9.29%	1.08%

17 August 2012



Equity markets in January bounced back strongly from December's decline, with the S&P/ASX300 Accumulation Index rising by 3.87 per cent. While the Montgomery Fund (The Fund) also had a good month, returning 2.12 per cent, its performance was adversely impacted by a sharp decline in the price of Challenger Limited, which has been among The Fund's larger positions. During the month, Challenger issued updated earnings guidance that fell below market expectations, triggering a price decline of approximately 24 per cent.

The Challenger share price has now declined to level in the mid-\$7s, from a high of above \$13.00 per share in May, underperforming the broader market by a significant margin over this period. As you would expect, it is a position that we have examined closely in recent weeks, to determine whether the current price may be a warning of more difficult times ahead, or alternatively a compelling opportunity.

Our view at this stage is that the market has overreacted to short-term earnings pressures, and may be treating as permanent, issues that we expect to be transient.

In this regard we note that disappointing December quarter returns from some of Challenger's market-exposed investments may be reversed by a market recovery.

Our analysis leads us to think that Challenger has the potential to surprise the market on the upside in FY2020, and to deliver strong long-term growth beyond that as Challenger's annuity products become a larger proportion of an increasing pool of superannuation assets. Accordingly, we remain comfortable holding the position, but will continue to monitor the business closely.

The Fund deployed some of its surplus cash during the late-2018 market pullback, and currently holds a lower cash balance than it has for some time. The more recent market rally has not been particularly broad-based, and so we remain comfortable holding a somewhat reduced cash weighting. However, should equities continue to rally, and portfolio names in particular become more expensive, we anticipate again increasing The Fund's weighting to cash.

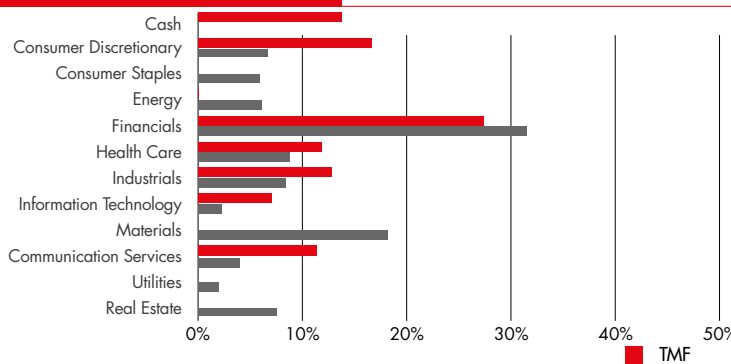
TOP COMPLETED HOLDINGS* (TCH)

(at 31 January 2019, out of 26 holdings)

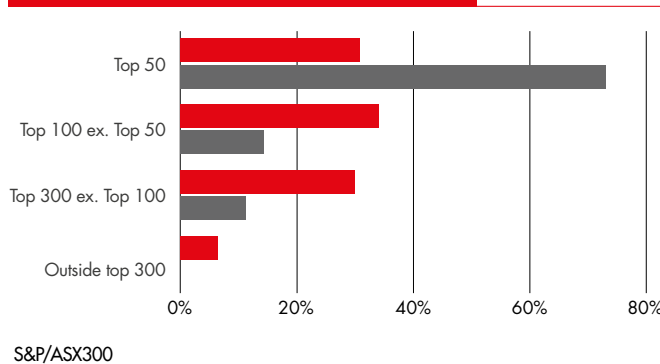
COMPANY NAME	RETURN ON EQUITY (%)	NET DEBT/EQUITY (%)	PRICE/EARNINGS (X)	WEIGHT (%)
Aristocrat Leisure	37.6	141.5	17.8	5.89
National Australia Bank	12.1	N/A	10.5	5.66
Link Administration Holdings	14.3	29.3	11.7	5.51
Healius	3.9	42.7	18.2	5.04
Spark New Zealand	26.2	69.6	18.3	4.99
Ramsay Health Care	23.2	130.0	20.1	4.99
Medibank Private	24.9	-25.7	17.9	4.78
Telstra Corp	22.8	108.7	13.6	4.78
Westpac Banking Corp	13.0	N/A	10.7	4.56
Pendal Group	22.8	-18.2	15.0	4.51
TCH AVERAGE	20.1	59.8	15.4	
MARKET AVERAGE	17.3	61.9	18.0	
Total equity weighting				86.65
Total cash weighting				13.35

*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: Ausmaq AMP PortfolioCare AMP Summit AMP Wealthview AMP North Asgard BT Wrap BT Panorama Colonial First Wrap Clearview Wealthsolutions Investment Exchange (IX) Federation Accounts HUB24 Linear Managed Accounts Macquarie Wrap MLC Wrap Navigator Netwealth IPDS Netwealth Super OneVue Powerwrap UBS

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.