

**Montgomery Investment Management, Inc.
Verification and Equity Composite Performance
Examination Report**

December 31, 2016





Verification and Performance Examination Report

Montgomery Investment Management, Inc.
6229 Executive Boulevard
Rockville, MD 20852

We have verified whether Montgomery Investment Management, Inc. (the "Firm") (1) has complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS®) on a firm-wide basis for the periods from June 30, 2004 through December 31, 2016, and (2) designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of December 31, 2016. We have also conducted a performance examination of the Firm's Equity Composite for the periods from June 30, 2004 through December 31, 2016. The Firm's management is responsible for compliance with the GIPS standards and the design of its policies and procedures and for the Equity Composite's compliant presentation. Our responsibility is to express an opinion based on our verification and performance examination. We conducted this verification and performance examination in accordance with the required verification and performance examination procedures of the GIPS standards. We also conducted such other procedures as we considered necessary in the circumstances.

In our opinion, the Firm has, in all material respects:

- Complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the periods from June 30, 2004 through December 31, 2016; and
- Designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of December 31, 2016.

A verification covering the periods from December 31, 1992 through June 30, 2004 was performed by another verification firm, whose report expressed an unqualified opinion thereon.

Also, in our opinion, the Firm has, in all material respects:

- Constructed the Equity Composite and calculated the Equity Composite's performance for the periods from June 30, 2004 through December 31, 2016 in compliance with the GIPS standards; and
- Prepared and presented the Equity Composite's accompanying compliant presentation for the periods from December 31, 2006 through December 31, 2016 in compliance with the GIPS standards.

A performance examination of the Firm's Equity Composite covering the periods from December 31, 1992 through June 30, 2004 was performed by another verification firm, whose report expressed an unqualified opinion thereon.

This report does not relate to or provide assurance on any composite compliant presentation of the Firm other than the Firm's Equity Composite.

ACA Performance Services, LLC

ACA Performance Services, LLC
October 20, 2017

Montgomery Investment Management
Equity Composite
12/31/06 – 12/31/16

Year	Total Return Gross of Fees %	Total Return Net of Fees %	S&P 500 Index Return %	Composite 3 Year Ex Post Standard Deviation	S&P 500 3 Year Ex Post Standard Deviation	Number of Portfolios End of Period	Dispersion % Net of Advisory Fees	Non-Fee Paying Accounts % of Composite Assets*	Total Composite Assets End of Period (\$ millions)	Total Firm Assets End of Period (\$ millions)	Percentage of Firm Assets %
2007	14.92	14.21	5.49	N/A	N/A	95	4.80	35	169	345	49
2008	(31.75)	(32.20)	(37.00)	N/A	N/A	88	3.78	40	97	243	40
2009	29.21	28.40	26.46	N/A	N/A	90	6.25	35	129	280	46
2010	14.42	13.74	15.06	N/A	N/A	100	3.18	29	155	306	51
2011	(2.11)	(2.67)	2.11	20.30	18.70	117	5.09	30	171	300	57
2012	8.48	7.84	16.00	17.17	15.09	109	2.62	33	169	297	57
2013	18.53	17.86	32.39	13.90	11.94	48	3.07	49	137	221	62
2014	(3.37)	(3.83)	13.69	10.52	8.98	45	2.50	54	125	247	51
2015	(13.13)	(13.54)	1.38	11.73	10.48	49	2.35	60	124	204	61
2016	21.10	20.53	11.96	13.96	10.59	41	1.83	63	144	270	53

*For performance purposes, hypothetical management fees have been incorporated into the net of fees return for non-fee paying accounts based on the current fee schedule. Net returns for all other accounts are calculated using actual management fees.

Notes:

Montgomery Investment Management, Inc. (MIM, the firm) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. MIM has been independently verified for the periods December 31, 1992 through December 31, 2016.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Equity Composite has been examined for the periods December 31, 1992 through December 31, 2016. The verification and performance examination reports are available upon request.

Firm Information: MIM, formed in 1987, is a SEC registered investment advisor which manages primarily US equities for both individual and institutional clients. MIM utilizes fundamental analysis in order to find securities with the best potential. Registration does not imply a certain level of skill or training. The firm's fee schedule is as follows: 1.20% for the first \$500,000, 0.60% for the next \$1,500,000, 0.50% for the next \$3,000,000 and 0.40% for the next \$15,000,000. Management fees for accounts with assets under management exceeding \$20,000,000, for institutional accounts and for accounts of officers, directors and family members are negotiable.

Composite Characteristics: The Equity Composite was created January 1, 1992. A complete list and description of all firm composites is available upon request. MIM's Equity Composite strategy focuses on total return. Accounts comprising the Equity Composite are all actively managed equity accounts which fully adhere to MIM's investment philosophy without excessive positions with tax encumbrances. This composite is made up of equity and cash only and invests primarily in mid to large capitalization US value equities. Cash is defined as 'cash plus all money market values only'. Beginning January 1, 2017, the minimum account value threshold was set to \$200,000. The Equity Composite and Index returns reflect the reinvestment of dividends and other earnings. From March 2005 through March 2009 the composite contained one bundled fee (sub-advisor fee) portfolio representing less than 1% of the composite assets as of each year end. The composite benchmark is the S&P 500 Index. On January 1, 2004, the firm replaced the S&P MidCap 400 Index with the S&P 500/Barra Value Index as this benchmark better reflects the firm's strategy. As of July 1, 2006, the S&P 500/Barra Value Index was discontinued. The S&P 500 was chosen as the benchmark as the S&P 500 provides a general comparison to the universe of US stocks. Benchmark returns are not covered by the report of independent verifiers.

Calculation Methodology: Valuations and returns are computed and stated in U.S. dollars and individual portfolios are revalued monthly. Investment portfolios are stated at fair value based on quoted market prices reported on recognized securities exchanges on the last business day of each month. Portfolios also are revalued intra-month in cases where cash flows in excess of 10% of the portfolio's value occur. The firm uses the Modified Dietz formula to calculate monthly returns and links these returns geometrically to produce a time-weighted rate of return. Composite returns are asset-weighted using the aggregate method and calculated both gross and net of management fees. The composite is revalued on dates when a cash flow exceeds 10% of the market value of the composite. All broker commissions, interest and realized and unrealized gains and losses are included in the calculation of returns. The firm uses accrual accounting for fixed income securities and dividends are recorded on the pay date. Investment transactions are recorded on a trade-date basis. Composite dispersion of annual returns is measured by the standard deviation of asset-weighted portfolio returns represented within the composite for the full year. Prior to January 1, 2014, dispersion was calculated using an equal-weighted methodology. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Other Disclosures: Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value.