MONTGOMERY SMALL COMPANIES FUND

INVESTMENT REPORT & FACT SHEET

FUND OVERVIEW

Montgomery Lucent's investment philosophy is guided by fundamental research and analysis. Small market capitalisation companies are relatively under-researched and when markets misprice securities, this creates investment opportunities.

The Montgomery Small Companies Fund (The Fund) typically invests in a portfolio of 30 to 50 high quality, undervalued small and emerging companies with strong growth potential. The Fund will focus on investing in companies outside of the ASX 100 and across the New Zealand stock market, while being able to invest up to 10% of the portfolio in pre-IPO opportunities.

We are searching for companies likely to benefit from secular trends, industry change and with substantial competitive advantages. With a "lifecycle approach" to sizing the portfolio positions depending on whether they are an early stage, emerging, developed or a core investment, The Fund is designed to be as agile as the remarkable small companies that it invests in. This is a long-only portfolio.

FUND FACTS

INVESTMENT MANAGER
Montgomery Lucent Investment Management Pty Limited

OBJECTIVE
The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over a rolling 5 year period.

BENCHMARK
S&P/ASX Small Ordinaries Accumulation Index

FUND CONSTRUCTION
The Fund's Small Cap portfolio will typically comprise 30-50 high quality stocks listed on the ASX and/or NZSX. Cash typically ranges around 10%.

APIR
FHT3726AU

RECOMMENDED INVESTMENT TIMEFRAME
5 years

MINIMUM INITIAL INVESTMENT
$25,000

INCEPTION DATE
20 SEPTEMBER 2019

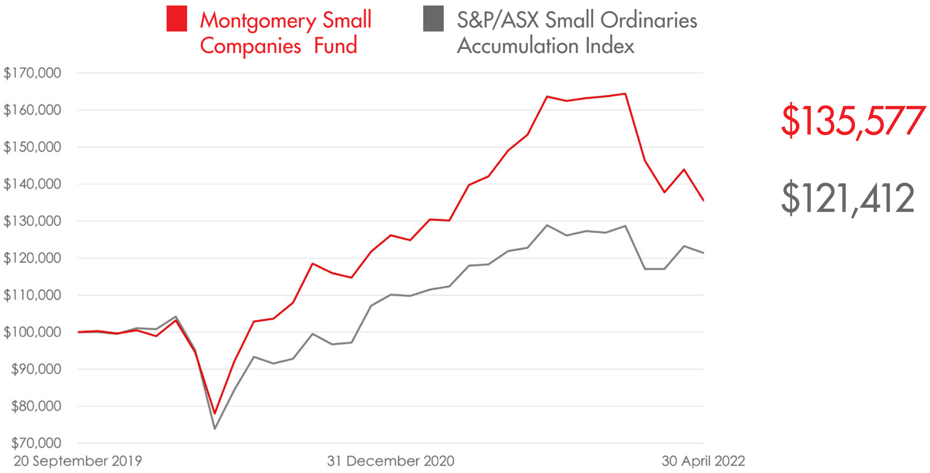
FUND SIZE
$158.2M

MANAGEMENT FEES AND COSTS
1.25% per annum*, which includes a management fee of 1.03% per annum.
*Includes the Responsible Entities fees, Montgomery's fees, custody fees, ordinary and abnormal expenses and any indirect costs

PERFORMANCE FEES
17.94% of the amount by which The Fund outperforms its Benchmark, after other fees and expenses have been deducted and achieves positive performance.

APPLICATION & REDEMPTION PRICES
www.montinvest.com/our-funds/montgomery-small-companies-fund/

PERFORMANCE GRAPH



CONTACT DETAILS

INVESTORS
Toby Roberts
t 02 8046 5017
e troberts@montinvest.com

ADVISERS, RESEARCHERS AND PLATFORMS
Scott Phillips (NSW)
e sphillips@montinvest.com
Dean Curnow (NSW, ACT, WA)
e dcurnow@montinvest.com
David Denby (VIC,SA)
e ddenby@montinvest.com
Michael Gollagher (QLD)
e mgollagher@montinvest.com

PORTFOLIO PERFORMANCE

(to 30 April 2022, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-5.81%	**-5.81%**	-1.50%	-4.31%
3 months	0.00%	-7.37%	**-7.37%**	3.68%	-11.05%
6 months	0.00%	-16.94%	**-16.94%**	-4.61%	-12.33%
12 months	5.65%	-8.65%	**-3.00%**	2.91%	-5.91%
2 years (p.a.)	4.20%	17.14%	**21.34%**	19.94%	1.40%
Since inception#	7.89%	27.69%	**35.58%**	21.41%	14.17%
Compound annual return (since inception)#	2.95%	9.42%	**12.37%**	7.72%	4.65%

Inception: 20 September 2019

FUND COMMENTARY

The Montgomery Small Companies Fund (the Fund) declined 5.81 per cent, net of fees, in April versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which declined by 1.50 per cent. Since inception (20 September 2019), the Fund has increased by 35.58 per cent, outperforming the benchmark by 14.17 per cent, after fees.

The largest positive contributors for April included Boss Energy (ASX:BOE), Pendal (ASX:PDL) and Stanmore Resources (ASX:SMR). The improving uranium market backdrop propelled BOE shares to new highs, driven by significant recent commodity price rises and a stronger supply-demand outlook. Nuclear power is benefiting from two key themes, decarbonisation and global energy security, both of which continue to gain momentum, particularly energy security since the start of the Ukraine war. Having raised $125 million of new equity in March 2022 to fund the development and restart its Honeymoon project located in South Australia, BOE is set to become Australia's next low-cost uranium producer with first production anticipated within 18 months of the final investment decision.

Pendal shares rallied after the company announced it had received a $6.23 per share indicative bid from rival fund manager, Perpetual (ASX:PPT). The PDL Board was quick to reject the takeover offer and declare a $100 million share buyback, determining that the indicative bid significantly undervalues the company (implies c.12x FY23 consensus PE). The offer appears to be opportunistically timed (represents less than a 1 per cent premium to the six-month VWAP) with PDL shares having come under substantial pressure after a couple of soft flow updates and generally weak equity market conditions impacting listed fund managers globally. The ball is now firmly in PDL's court to turnaround flow performance and deliver shareholder value.

Stanmore Resources shares performed strongly on the back of robust coking coal prices which have been buoyed by Western sanctions against Russia following the Ukraine invasion. SMR recently completed the transformative acquisition of BHP's (ASX:BHP) 80 per cent interest in BHP Mitsui Coal (BMC) which owns the South Walker Creek and Poitrel metallurgical (steel-making) coal mines located in Queensland's Bowen Basin. The acquisition positions SMR as one of Australia's largest coking coal producers and valuation remains compelling with significant earnings upside from a stronger-for-longer pricing environment.

The largest detractors from performance included Aeris Resources (ASX:AIS), EML Payments (ASX:EML) and Megaport (ASX:MP1). Aeris Resources shares declined on no news although the company has since announced a transformational acquisition, agreeing to buy Round Oak Minerals for $234 million from Washington H. Soul Pattinson (ASX:SOL). The deal, which has been funded via a $117 million equity raise and the issuance of a 30.3 per cent stake in AIS to SOL, transforms AIS into a mid-tier copper, gold and base metals producer with diversified operations and significant new project development potential.

Continued on the next page…

TOP COMPLETED HOLDINGS* (TCH)

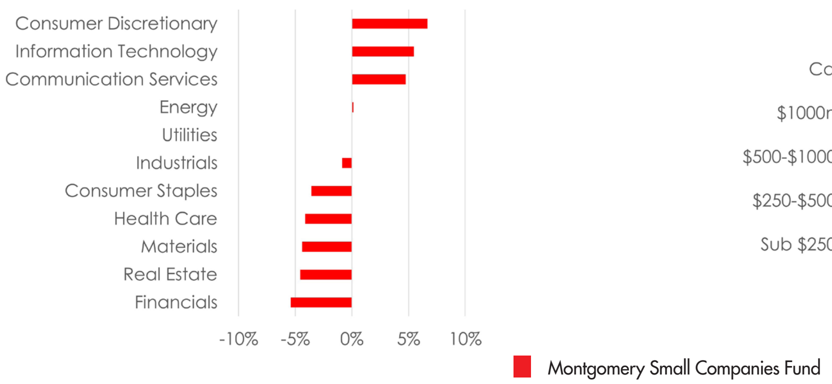
(as at 30 April 2022 showing top 5 of 50 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Ingenia Communities Group	ASX:INA	https://www.ingeniacommunities.com.au/
Macquarie Telecom Group	ASX:MAQ	https://macquarietelecom.com/
Megaport	ASX:MP1	https://www.megaport.com/
Seven Group Holdings	ASX:SVW	https://www.sevengroup.com.au/
Symbio Holdings	ASX:SYM	https://www.symbio.global/

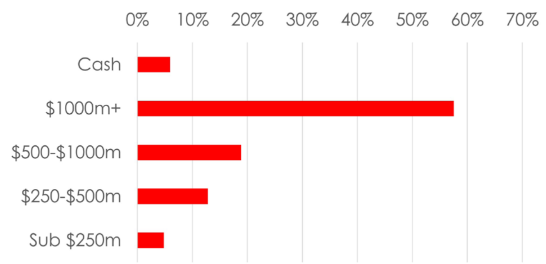
**Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.*

Total equity weighting	93.43%
Total cash weighting	6.57%

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



MARKET CAPITALISATION EXPOSURE



PLATFORMS WE ARE ON: Netwealth (IDPS and Super/Pension) Wealth02/uXchange BT Wrap BT Panorama HUB24 (IDPS and Super) Ausmaq Macquarie Wrap Asgard Praemium IDPS Mason Stevens

EML shares were punished after the company revised down their FY22 profit guidance (by c.8 per cent at the EBITDA mid-point) and warned cashflow conversion would be worse than expected. The key driver of the earnings miss was less new program launches in Europe than previously anticipated, and this was attributable to a more risk adverse approach whilst dealing with the Irish regulator. Weaker cash conversion was blamed on the success of the inactivity fee project within the reloadable card business with accounting standards requiring upfront revenue recognition despite cash being collected over a longer period. Dealing with the Irish regulator has clearly been more challenging for EML than originally envisaged, and growth expectations have been tempered accordingly, however we think the risks have been more than reflected in the current share price with the stock trading on just 7x FY23 EBITDA. Private Equity were recently reported to have approached EML exploring the opportunity for the business to be taken private.

Megaport shares fell sharply after the company's 3Q22 update on revenue growth which fell short of market expectations, reflecting FX headwinds and a slower transition to a partner sales channel. Management acknowledged that recent sales momentum has been impacted by time delays associated with training, integration and supporting new partners with a knock-on effect from the direct sales team supporting the indirect partner channel as it gets up to speed. It is impossible to forecast quarterly revenue growth rates with the degree of accuracy that an unforgiving market demands. We consider the building of an indirect sales capability as a step to the true commercial model for MP1's suite of market leading technology products, and one that could considerably scale the sales run rate opportunity for the business (think 3-4x).

Outlook and positioning

Global equities continue to be dominated by macro uncertainty surrounding inflationary pressures and potential economic impacts from tighter monetary policy settings as central banks around the world play a game of catch up. Inflation has become broad-based with food and energy prices driven by global supply-chain disruptions from the pandemic and China's recent lockdowns, sanctions on Russia and a tight labour market. The global post COVID reopening theme continues to play out, as evidenced by a strong rebound in travel activity over the past few months. Domestically, the best performing sectors in April were energy, agriculture and travel while technology, financials and consumer discretionary lagged.

Markets are expected to remain volatile over the coming months as investors assess the interest rate outlook which will be determined by the ability of central banks to effectively combat inflation., The evolving demand picture may become subdued in response to rapidly rising interest rates. We are certainly not macro specialists, so we try to avoid making large macro bets either way.

From a top-down perspective, we remain attracted to several structural themes, like global energy security and cloud, while we still like the travel earnings recovery story. We are increasingly cautious on domestic consumption as spending shifts away from goods towards services and households deal with higher interest rates and petrol prices. From a bottom-up viewpoint, we are focused on companies with solid profitable growth, good earnings visibility, strong cashflows and balance sheet optionality. We are busy looking for high quality companies which have been aggressively sold off by investors taking a short-term view of the world despite the medium-term fundamentals remaining attractive. We have ample cash to deploy for the right opportunities.