

MONTGOMERY SMALL COMPANIES FUND

ARSN 635 229 533

INTERIM REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Directors' Report

The directors of Fundhost Limited, the Responsible Entity of Montgomery Small Companies Fund (the "Fund"), present their report together with the interim report of the Fund for the half-year ended 31 December 2020.

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 period to the date of this report unless otherwise stated.

Review and results of operations

The Fund was registered on 30 August 2019 and commenced operations on 20 September 2019. There have been no significant changes to the operations of the Fund during the period. The Fund invests 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.

On 11 March 2020 the World Health Organisation declared the COVID-19 outbreak to be a pandemic. The resulting global travel restrictions, increased lockdowns in certain countries and restrictions on social gatherings are having an ongoing impact on business and economic activity both in Australia and overseas. The fair values of the Fund's assets as at 31 December 2020 reflect the conditions known as at that date. The evolving COVID-19 health situation and its impact on investment markets are being closely monitored.

The results of the operations of the Fund are disclosed in the Statement of Comprehensive Income of this interim report.

	Half-year ended	
	31 December 2020	31 December 2019
	\$'000	\$'000
Net operating profit / (loss)	8,638	(213)
<i>Distributions</i>	-	-
Distributions payable	-	-

Significant changes in state of affairs

The Fund was constituted as a registered scheme on 30 August 2019 with the Australian Securities & Investments Commission ("ASIC") and commenced operations on 20 September 2019. There were no significant changes in the Fund's state of affairs occurred during the period.

Events subsequent to the 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.

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 interim report 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 17th day of February 2021



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Auditor's Independence Declaration to the Directors of Fundhost Limited

As lead auditor for the review of the half-year financial report of Montgomery Small Companies Fund for the half-year ended 31 December 2020, 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

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A handwritten signature in black ink, appearing to read 'S. Hooper', written over a horizontal line.

Stacey Hooper
Partner
17 February 2021

Statement of Comprehensive Income
For the half-year ended 31 December 2020

	Notes	1 July 2020 to 31 Dec 2020 \$'000	20 Sept 2019 to 31 Dec 2019 \$'000
Investment income			
Dividend and distribution income		487	101
Interest income from financial assets at amortised cost		-	2
Net gains / (losses) on investments in financial assets held at fair value through profit or loss		8,758	(142)
Net gain / (loss) from foreign exchange movements		6	(8)
Total net investment income / (loss)		9,251	(47)
Expenses			
Management fees		278	67
Performance fees		145	-
Transaction fees		173	94
Other expenses		17	5
Total expenses		613	166
Net operating profit / (loss)		8,638	(213)
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the period	2	8,638	(213)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

Statement of Financial Position
As at 31 December 2020

	Notes	31/12/2020 \$'000	30/06/2020 \$'000
Assets			
Cash and cash equivalents		3,698	3,391
Receivables		162	66
Financial assets held at fair value through profit or loss	4	61,140	30,777
Total assets		<u>65,000</u>	<u>34,234</u>
Liabilities			
Payables		808	762
Distribution payable	3	-	-
Total liabilities		<u>808</u>	<u>762</u>
Net assets		<u>64,192</u>	<u>33,472</u>
Total equity		<u>64,192</u>	<u>33,472</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

Statement of Changes in Equity
For the half-year ended 31 December 2020

	Notes	1 July 2020 to 31 Dec 2020 \$'000	20 Sept 2019 to 31 Dec 2019 \$'000
Opening balance at 1 July		33,472	-
Comprehensive income for the period			
Net operating profit / (loss)		8,638	(213)
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the period		<u>8,638</u>	<u>(213)</u>
Transactions with unitholders			
Applications		23,109	27,505
Redemptions		(1,027)	(99)
Distributions to unitholders	3	-	-
Distributions reinvested		-	-
		<u>22,082</u>	<u>27,406</u>
Closing balance at 31 December	2	<u>64,192</u>	<u>27,193</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

Statement of Cash Flows
For the half-year ended 31 December 2020

	1 July 2020 to 31 Dec 2020 \$'000	20 Sept 2019 to 31 Dec 2019 \$'000
Cash flows from operating activities		
Dividends received	391	55
Interest received	-	1
Management fees paid	(259)	128
Performance fees paid	(724)	-
Other expenses paid	(177)	(94)
Net cash (outflow) / inflow from operating activities	<u>(769)</u>	<u>90</u>
Cash flows from investing activities		
Proceeds from sale of financial assets held at fair value through profit or loss	22,277	5,074
Payments for purchase of financial assets held at fair value through profit or loss	(43,290)	(30,829)
Net cash outflow from investing activities	<u>(21,013)</u>	<u>(25,755)</u>
Cash flows from financing activities		
Proceeds from issue of units	23,110	27,505
Payments for redemption of units	(1,027)	(99)
Net cash inflow from financing activities	<u>22,083</u>	<u>27,406</u>
Net increase in cash held	301	1,741
Cash and cash equivalents at the beginning of the half-year	3,391	-
Effect of exchange rate changes on cash and cash equivalents	6	-
Cash and cash equivalents at the end of the half-year	<u>3,698</u>	<u>1,741</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements
For the half-year ended 31 December 2020

Note 1. Statement of Significant Accounting Policies

This interim report covers Montgomery Small Companies Fund (the "Fund") as an individual entity.

The Fund is a registered investment scheme under the Corporations Act 2001. The interim report of the Fund is for the half-year ended 31 December 2020. The Fund was constituted as a registered scheme on 30 August 2019 with the Australian Securities & Investments Commission ("ASIC") and commenced operations on 20 September 2019 .

The Responsible Entity of Montgomery Small Companies Fund is Fundhost Limited (ABN 69 092 517 087). The Responsible Entity's registered office is Suite 5.01, Level 5, 28 O'Connell Street, Sydney, NSW 2000.

The interim report was authorised for issue by the Directors on 17 February 2021. The Directors of the Responsible Entity have the power to amend and reissue the financial reports.

Basis of preparation

This interim report is a 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 annual report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The interim report has 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 interim report is 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 the interim report.

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

The interim 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.

Fair value measurement of investments in financial instruments

All of the Fund's investments are listed equities measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgment is applied in selecting valuation techniques and setting valuation assumptions and inputs.

New accounting standards and interpretations

All new accounting standards that are applicable to the Fund for the 31 December 2020 reporting period have been adopted and do not have a material impact on the interim report. There are no new accounting standards and interpretations that have been issued, but not yet effective, that are material to the interim report or have been early adopted for the 31 December 2020 reporting period.

**Notes to the Financial Statements
For the half-year ended 31 December 2020**

Note 2. Equity

	1 July 2020 to 31 Dec 2020	20 Sept 2019 to 31 Dec 2019	1 July 2020 to 31 Dec 2020	20 Sept 2019 to 31 Dec 2019
	Units '000	Units '000	\$'000	\$'000
Opening balance at 1 July	32,299	-	33,472	-
Units issued during the period	19,479	27,583	23,109	27,505
Units redeemed during the period	(905)	(100)	(1,027)	(99)
Distribution reinvested	-	-	-	-
Distributions to unitholders	-	-	-	-
Total comprehensive profit / (loss) for the period	-	-	8,638	(213)
Closing balance 31 December	50,873	27,483	64,192	27,193

Note 3. Distributions to unitholders

The Fund distributes annually at 30 June each year, and therefore there has been no distribution during the period (31 December 2019: nil).

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

	31/12/2020	30/06/2020
	\$'000	\$'000
Listed equity securities	61,140	30,777
	61,140	30,777

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 2020

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

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

31/12/2020	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Listed equity securities	61,140	-	-	61,140
Total	61,140	-	-	61,140

30/06/2020	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Listed equity securities	30,777	-	-	30,777
Total	30,777	-	-	30,777

Transfers between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels in the fair value hierarchy at the end of the reporting period (30 June 2020: nil).

Note 6. Commitments and contingencies

There were no commitments nor contingent asset and liabilities at 31 December 2020 (2019: 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.

Directors' Declaration

The Directors of the Responsible Entity declare that:

- (i) The interim report 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 2020 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 17th day of February 2021



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Independent Auditor's Review Report to the unitholders of Montgomery Small Companies Fund

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Montgomery Small Companies Fund (the Fund), which comprises the statement of financial position as at 31 December 2020, 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 2020 and of its financial performance for the 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 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 2020 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.



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Independence

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

Ernst & Young

Ernst & Young

Stacey Hooper
Partner
Sydney
17 February 2021