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%.

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RECOMMENDED INVESTMENT TIMEFRAME
5 years

MINIMUM INITIAL INVESTMENT
$25,000

INCEPTION DATE
20 SEPTEMBER 2019

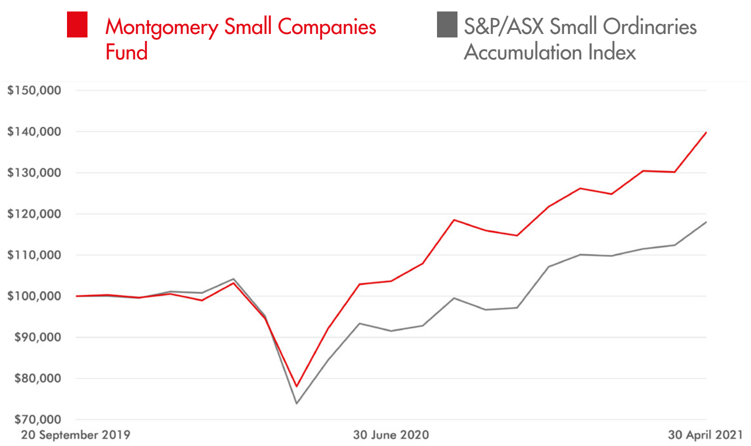
FUND SIZE
$88.2M

MANAGEMENT FEE
1.23% per annum, which includes a management fee of 1.03% per annum.
Both figures are GST inclusive and net of RITC.

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



$139,770

$117,976

CONTACT DETAILS

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PORTFOLIO PERFORMANCE

(to 30 April 2021, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	7.37%	7.37%	4.98%	2.39%
3 months	0.00%	11.98%	11.98%	7.44%	4.54%
6 months	0.00%	21.84%	21.84%	21.44%	0.40%
12 months	0.00%	51.79%	51.79%	39.78%	12.01%
Since inception#	0.00%	39.77%	39.77%	17.98%	21.79%
Compound annual return (since inception)#	0.00%	23.12%	23.12%	10.81%	12.31%

Inception: 20 September 2019

FUND COMMENTARY

The Montgomery Small Companies Fund (the Fund) returned 7.37 per cent, net of fees, in April versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 4.98 per cent. Since inception (20 September 2019), the Fund has increased 39.77 per cent, outperforming the benchmark by 21.79 per cent, after all expenses.

The largest positive contributors for April included City Chic Collective (ASX:CCX), Orocobre (ASX:ORE) and Uniti Group (ASX:UWL). CCX rallied on no new news, likely reflecting the improving consumption trends evident within the US economy which is benefiting from further stimulus and a well progressed vaccine rollout program. CCX remains our preferred e-commerce play – it hasn't been a COVID demand winner facing the prospect of slowing growth slowdown, rather strong growth rates should sustain. Management is executing well against the global growth strategy while gross margins should improve from mix shift back towards more formal wear as social gatherings resume and workers get back to the office. ORE rose on continued investor enthusiasm towards the global decarbonisation theme and news of a merger with Galaxy Resources (ASX:GXY). The proposed $4 billion merger of equals will create the world's fifth largest lithium player with a diverse portfolio of assets and a strong balance sheet to accelerate development opportunities, particularly in Argentina where ORE has extensive operating experience and GXY an undeveloped project. We think this transaction makes strong strategic sense with the potential to unlock significant shareholder value over time. UWL shares posted another solid month's performance – supported by broker upgrades and growing awareness of the strategic value of UWL's network infrastructure.

Notwithstanding the strong recent performance of the share price, we still view UWL as attractively positioned for the certainty and quality of the growth in its infrastructure like assets.

The largest detractors from performance included Corporate Travel Management (ASX:CTD), Seven Group Holdings (ASX:SVW) and Webjet (ASX:WEB). CTD and WEB shares retraced as investor sentiment towards travel stocks soured on the back of rising global COVID-19 infections, particularly in India. CTD released a positive market update highlighting that the business broke even in March with 4QFY21 expected to be EBITDA positive. Management noted that ANZ domestic bookings have recovered strongly while the outlook for the US and the UK (which together represent c.70 per cent of group revenue) is positive considering the advanced stages of vaccination rollouts within these countries, in conjunction with the recent new client wins. WEB is due to report FY21 results later this month. SVW shares underperformed after the company raised $500 million in fresh equity to restore balance sheet flexibility (potentially ahead of a material transaction) and Beach Energy (ASX:BPT, 30 per cent owned by SVW) surprised the market with a material production and reserve downgrade. We think SVW represents a high-quality play on attractive domestic themes (iron ore mining production volumes, infrastructure and building activity) and we back management to continue building value for shareholders.

Continued on the next page…

TOP COMPLETED HOLDINGS* (TCH)

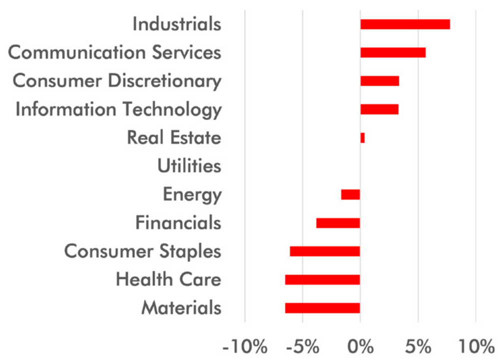
(as at 30 April 2021 showing top 5 of 50 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Alliance Aviation Services	ASX:AQZ	https://www.allianceairlines.com.au/
Bingo Industries	ASX:BIN	https://www.bingoindustries.com.au/
EML Payments	ASX:EML	https://www.emlpayments.com/
Macquarie Telecom Group	ASX:MAQ	https://macquarietelecom.com/
Uniti Group	ASX:UWL	https://unitigrouplimited.com/

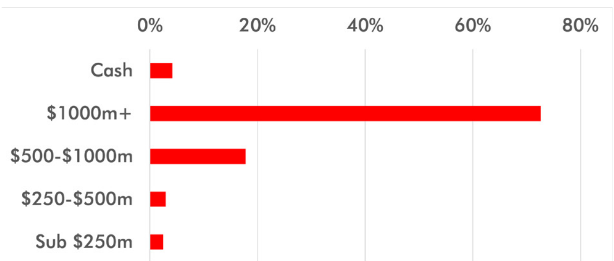
Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.

Total equity weighting	95.82%
Total cash weighting	4.18%

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



MARKET CAPITALISATION EXPOSURE



Montgomery Small Companies Fund

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

Market commentary

April was a strong month for global equities with improved investor sentiment reflecting lower bond market volatility and macro data that continues to surprise to the upside. Although the pandemic is far from over, with many countries experiencing second and third waves, both the US and the UK are making solid progress with their vaccine rollouts illustrating what the pathway could look like. Thematically, there was a notable rotation back towards the technology and resources sectors and away from direct re-opening sectors such as energy and travel. Commodity prices surged on the stronger macro backdrop and the Electric Vehicle (EV)/de-carbonisation theme gained further global momentum. Domestically, the economy appears to have successfully absorbed the end of the Federal Government JobKeeper support, as evidenced by elevated consumption trends and falling unemployment. It seems that closed international borders are having a more material stimulus impact to savings and consumption activity.

Outlook

A key feature of our investment process is to hunt down the market share takers. These are companies that we believe have developed a sustainable competitive advantage that has enhanced their ability to wrestle market share away from often larger incumbents. We know market share changes hands most easily during periods of rapid industry change, such as during COVID or more specifically the recovery from it. Competitively advantaged businesses in those dynamic sectors are likely to emerge with potentially materially more market share on the recovery than they had prior to the downturn. As you would expect we have been positioning the portfolio for this opportunity.

We think the medium-term outlook includes a period where investors get good visibility of what a recovery looks like as the combination of vaccine rollout progress in Western Economies (specifically US and UK) and a move into Northern Hemisphere summer brings the conditions of rising economic activity and recovery. And we hope to witness this via the market share taking power of some of the key investee companies in our portfolio.