



# 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

#### PORTFOLIO MANAGERS

Gary Rollo  
Dominic Rose

#### RECOMMENDED INVESTMENT TIMEFRAME

5 years

#### MINIMUM INITIAL INVESTMENT

\$25,000

#### INCEPTION DATE

20 SEPTEMBER 2019

#### FUND SIZE

\$161.8M

#### MANAGEMENT FEES AND COSTS

1.23% 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

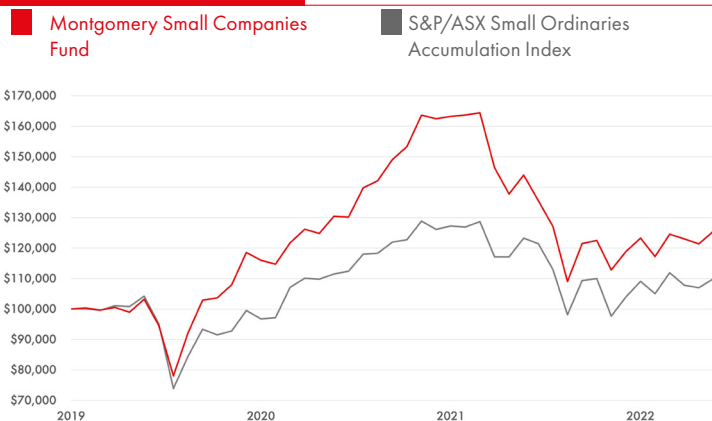
#### PERFORMANCE FEES

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/](http://www.montinvest.com/our-funds/montgomery-small-companies-fund/)

### PERFORMANCE GRAPH



\$125,519

\$109,968

### PORTFOLIO PERFORMANCE

(to 30 April 2023, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	3.43%	<b>3.43%</b>	2.78%	0.65%
3 months	0.00%	0.77%	<b>0.77%</b>	-1.74%	2.51%
6 months	0.00%	5.62%	<b>5.62%</b>	5.77%	-0.15%
12 months	2.04%	-9.46%	<b>-7.42%</b>	-9.43%	2.01%
3 years (p.a.)	3.67%	7.21%	<b>10.88%</b>	9.22%	1.66%
Since inception#	10.51%	15.01%	<b>25.52%</b>	9.97%	15.55%
Compound annual return (since inception)#	2.81%	3.69%	<b>6.50%</b>	2.67%	3.83%

# Inception: 20 September 2019

Past performance is not indicative of future performance



## TOP COMPLETED HOLDINGS\* (TCH)

(as at 30 April 2023 showing top 5 of 50 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
AUB Group	ASX:AUB	<a href="https://www.aubgroup.com.au/">https://www.aubgroup.com.au/</a>
Bapcor	ASX:BAP	<a href="https://www.bapcor.com.au/">https://www.bapcor.com.au/</a>
Hub24	ASX:HUB	<a href="https://www.hub24.com.au/">https://www.hub24.com.au/</a>
Johns Lyng Group	ASX:JLG	<a href="https://johnslyng.com.au/">https://johnslyng.com.au/</a>
National Storage REIT	ASX:NSR	<a href="https://www.nationalstorageinvest.com.au">https://www.nationalstorageinvest.com.au</a>

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

Total equity weighting 93.08%

Total cash weighting 6.92%

## TOP 3 CONTRIBUTORS AND DETRACTORS

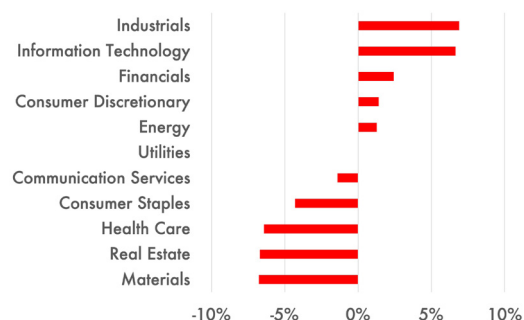
### CONTRIBUTORS

Ingenia Communities Group	Shares rallied on improved housing sentiment
ImpediMed	Shares gained on U.S. survivorship guideline inclusion
Symbio Holdings	Shares rallied on positive trading update

### DETRACTORS

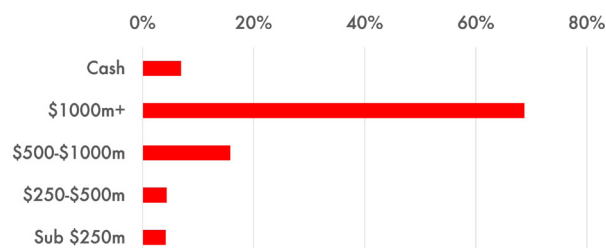
Aeris Resources	Shares fell on production and earnings guidance cut
Alliance Aviation Services	Shares sold after ACCC knocked back QAN bid
Praemium	Shares fell on soft quarterly platform inflows

## GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



■ Montgomery Small Companies Fund

## MARKET CAPITALISATION EXPOSURE



## CONTACT DETAILS

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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 = FirstWrap = AMP North = MLC Wrap

# 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 Lucent Investment Management Pty Limited, (ABN 58 635 052 176, Authorised Representative No. 001277163) (Montgomery) the investment manager of the Montgomery Small Companies Fund. 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 account your particular objectives, financial circumstances or needs. You should obtain and consider a copy of the Product Disclosure Statement (PDS) relating to the Fund before making a decision to invest. The PDS and Target Market Determination (TMD) are available here: <https://fundhost.com.au/fund/montgomery-small-companies-fund/> 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 document. Past performance is not indicative of future performance.



The Montgomery Small Companies Fund (the Fund) returned 3.43 per cent, net of fees, in April versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 2.78 per cent. Since inception (20 September 2019), the Fund has increased by 25.52 per cent, outperforming the benchmark by 15.55 per cent, after fees and expenses.

The largest positive contributors for April included Ingenia Communities Group (ASX:INA), ImpediMed (ASX:IPD) and Symbio Holdings (ASX:SYM). INA shares rebounded during the month on no new company specific news, likely driven by improved domestic housing sector sentiment following the Reserve Bank of Australia's decision to pause hiking rates at the April meeting. IPD shares continued their strong run as investors consider the upside potential from last month's announcement that the U.S. National Cancer Council Network (NCCN) has revised its survivorship guidelines to reflect BIS (bioimpedance spectroscopy – IPD has the only FDA approved product based on this technology) as the only objective measurement tool for lymphedema in cancer patients. Guideline inclusion could be a real game changer for this medical device company, accelerating commercial adoption and broadening the addressable market. SYM shares rallied after the company's trading update reconfirmed FY23 operating earnings guidance and highlighted improved client demand during 3QFY23. Management have also successfully reduced operating costs and capex while the Asian expansion strategy continues to progress.

The largest detractors from performance included Aeris Resources (ASX:AIS), Alliance Aviation Services (ASX:AQZ) and Praemium (ASX:PPS). AIS shares sold off as it struggled to manage its transition to multi-ore mining against a backdrop of labour shortages and broad inflationary forces. Progress is slower than expected but the destination remains the same and we continue to view AIS as relatively cheap exposure to growing copper production assets which are becoming harder and more expensive to find with medium-term demand underpinned by structural drivers such as decarbonisation and electric vehicles (EVs). AQZ shares fell after the Australian Competition and Consumer Commission (ACCC) decided to oppose the planned acquisition of AQZ by Qantas (ASX:QAN). QAN announced it will seek more information from the ACCC in determining next steps, including the possibility of challenging this decision in court. PPS shares lost ground after the company released a soft 3QFY23 net fund flow update. Subdued investor sentiment continues to impact platform inflows across the sector. Whilst we don't know when market sentiment will improve, we do know that it eventually will improve, and PPS is strongly leveraged when it does with a more simplified business (post international segment divestment) and market share gains as advisers shift to independent groups and platforms.

## Macro, outlook and positioning

Global equity markets rallied in April, encouraged by better-than-feared earnings reports from Corporate America which highlighted economic resilience rather than an impending melt-down. Stronger macroeconomic data and stubbornly tight labour markets have caused bond markets to keep pushing out rate cut expectations to the right. Domestically, the Reserve Bank of Australia left rates unchanged in April (as expected), however subsequently surprised the market with a 25 basis point hike and a more hawkish tone at the May meeting. China growth concerns weighed on resources stocks during April, however gold stocks ran on the lower interest rate outlook.

As we have mentioned many times before, we try to avoid making big macro bets either way when investing, preferring to stick to what we are good at – bottom-up, stock picking. Portfolio positioning continues to attempt to strike the right balance between Stable Compounds, Tactical Opportunities and Structural Growers. Stable Compounds currently make up about a third of the portfolio – these stocks should deliver resilient and steadily growing earnings over the medium-term with upside potential from company specific initiatives (like self-help or acquisitions). Our structural growers, which account for around 30 per cent of the Portfolio, are innovative, market share taking companies with their destiny in their own hands, propelled along by global megatrends like cloud computing. Consequently, we would expect this bucket to do much of the heavy lifting of the Portfolio over the medium-term. Although growth is currently out of favour, these stocks screen historically cheap and we remain confident that the market will come back to these quality growth names at some point, particularly those that deliver. The remaining 37 per cent of the Portfolio is invested in Tactical Opportunities – here we are looking to benefit from shorter-term factors like cyclical upturns by seeking companies with a competitive advantage that enables share gains as the industry recovers.

