



# 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

\$215.8M

#### 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

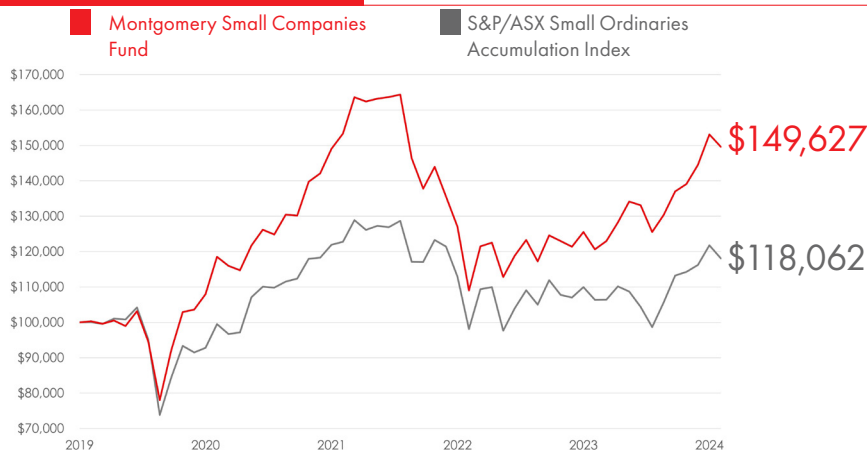
#### PERFORMANCE FEES

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



### PORTFOLIO PERFORMANCE

(to 30 April 2024, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-2.27%	<b>-2.27%</b>	-3.06%	0.79%
3 months	0.00%	7.57%	<b>7.57%</b>	3.33%	4.24%
6 months	0.00%	19.20%	<b>19.20%</b>	19.66%	-0.46%
12 months	0.67%	18.54%	<b>19.21%</b>	7.36%	11.85%
3 years (p.a.)	2.62%	-0.32%	<b>2.30%</b>	0.02%	2.28%
Since inception#	11.29%	38.34%	<b>49.63%</b>	18.06%	31.57%
Compound annual return (since inception)#	2.35%	6.78%	<b>9.13%</b>	3.67%	5.46%

# Inception: 20 September 2019

Past performance is not indicative of future performance



## TOP COMPLETED HOLDINGS\* (TCH)

(as at 30 April 2024 showing top 5 of 49 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Life360	ASX:360	<a href="http://www.life360.com.au/">http://www.life360.com.au/</a>
Bapcor	ASX:BAP	<a href="http://www.bapcor.com.au/">http://www.bapcor.com.au/</a>
HUB24	ASX:HUB	<a href="http://www.hub24.com.au/">http://www.hub24.com.au/</a>
Megaport	ASX: MP1	<a href="https://www.megaport.com/">https://www.megaport.com/</a>
Red5	ASX:RED	<a href="http://www.red5limited.com/">http://www.red5limited.com/</a>

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

Total equity weighting	95.92%
Total cash weighting	4.08%

## TOP 3 CONTRIBUTORS AND DETRACTORS

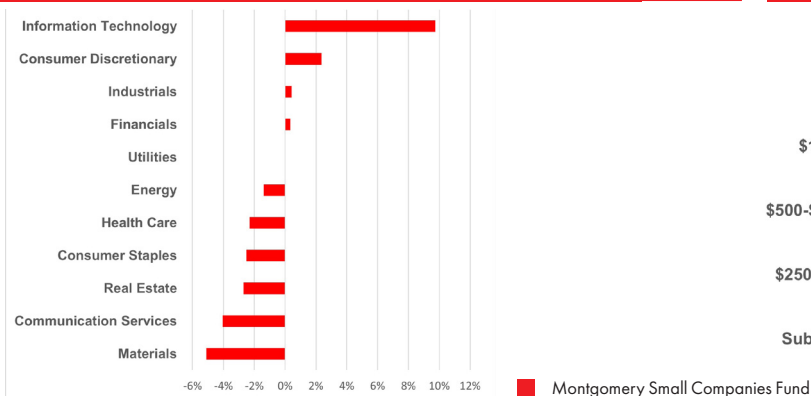
### CONTRIBUTORS

Life360	Strong performance continues after positive quarterly report
Capstone Copper	Strong Copper price
Red5	Strong Gold price and operational performance

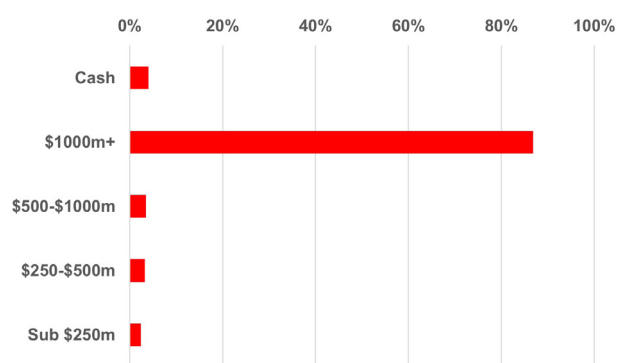
### DETRACTORS

Ingenia	Peer Lifestyle Communities warns of weak conditions
Megaport	Quarterly update shows no uptick in sales
Bapcor	Trading update ahead

## GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



## MARKET CAPITALISATION EXPOSURE



## CONTACT DETAILS

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**PLATFORMS WE ARE ON:** Asgard ⇄ BT Panorama ⇄ Clearstream ⇄ Colonial First Wrap ⇄ DASH ⇄ HUB24 ⇄ IOOF eXpand ⇄ Macquarie Wrap ⇄ Mason Stevens ⇄ MLC/Navigator ⇄ Netwealth ⇄ North ⇄ Powerwrap ⇄ Praemium ⇄ Xplore Wealth

# 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) decreased 2.27 per cent, net of fees, in April versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which declined by 3.06 per cent. Since inception (20 September 2019), the Fund has increased by 49.63 per cent, outperforming the benchmark by 31.57 per cent, after all fees and expenses.

April is usually a month where there is limited new stock specific news, and so it was this month allowing macro news flow to once again take control of the market narrative. Two big picture macro events were the U.S. bond market re-pricing of expectations of interest rate cuts from sometime in 2024 to not until 2025, and the strong start to U.S. quarterly earnings reporting season. Essentially, the U.S. economy is doing better than expected (as observed by backward looking earnings reports), and the Federal Reserve's efforts to curb inflation haven't bitten as hard yet as most commentators expected. That combination saw equity markets globally weaken during April as it absorbed the higher for longer interest rate narrative. Here in Australia, equity markets similarly weakened on our stubborn inflation data, with the S&P/ASX 100 Accumulation Index down 2.91 per cent and the S&P/ASX Small Ordinaries Accumulation Index down 3.06 per cent, with the Fund doing better than both.

The largest positive contributors for April included RED5 (ASX:RED), Life360 (ASX:360), and Capstone Copper (ASX:CSC). RED5 is a gold miner and performed well in the month on the back of strong gold price performance. Life360 shares continue to perform after its strong update at its quarterly report in March. Capstone Copper is a new stock to the portfolio and to the Australian market. Capstone is listed in Canada and now also in Australia. It is a multi-mine Copper producer with strong organic growth options. Copper price performance was strong in April and no doubt drove the shares in the month. Despite Australia's strong mineral resource endowment, there are limited quality pureplay copper producers available on the Australian market for investors to gain exposure to Copper, and its role in the energy transition. We think Capstone is a strong candidate to fit into that investor appetite as it becomes more well known to the investor community here.

The largest detractors from performance included Ingenia (ASX:INA), Megaport (ASX:MP1) and Bapcor (ASX:BAP).

Ingenia's shares weakened as its peer Lifestyle Communities (LIC) warned of a significant earnings shortfall as it has had trouble navigating some tough conditions in its core market of Victorian regional retirement living driven by the influx of holiday homes for sale following on from the Victorian Government's decision to raise considerable taxation from owners of holiday properties. Lifestyle Communities' market exposure is very concentrated to Victoria, and so vulnerable to market conditions there. It is Lifestyle Communities' second profit warning in just two months, following on from a surprise capital raise in February, and Lifestyle Communities' market darling status with an attendant premium valuation didn't help.

On the other hand, Ingenia has limited exposure to Victoria (10 per cent versus Lifestyle Communities at 100 per cent), it has a diversified geographic exposure, and so whilst the impact of market weakness is felt in Ingenia's portfolio, it's not concentrated to the same extent as observed at Lifestyle Communities.

Megaport's shares continued its recent track record for share price volatility on the day of its quarterly report release. The stock, prior to its quarterly result, was up 55 per cent year to date and has done well as investors started to price the significant profit improvement management has delivered. The market is looking forward to the increasing revenue growth from the changes to the Megaport's sales and marketing approach that won't really be observable to investors until we get to FY25. And so, it proved Megaport's quarterly report didn't show a change in the level of sales activity and the share price sold off some 10 per cent in the month.

Bapcor's shares were weak in the month, with the stock entering into a halt ahead of a trading update that it delivered subsequent to month-end. Bapcor's incoming CEO has decided not to take the role, and the trading update warned of weaker profits in the June 2024 half-year on higher re-structuring costs and slower realisation of the expected benefits. That's a lot to go wrong. Bapcor is a strong franchise, now priced at an unnecessarily vulnerable share price, and a potential takeover cannot be ruled out.

