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

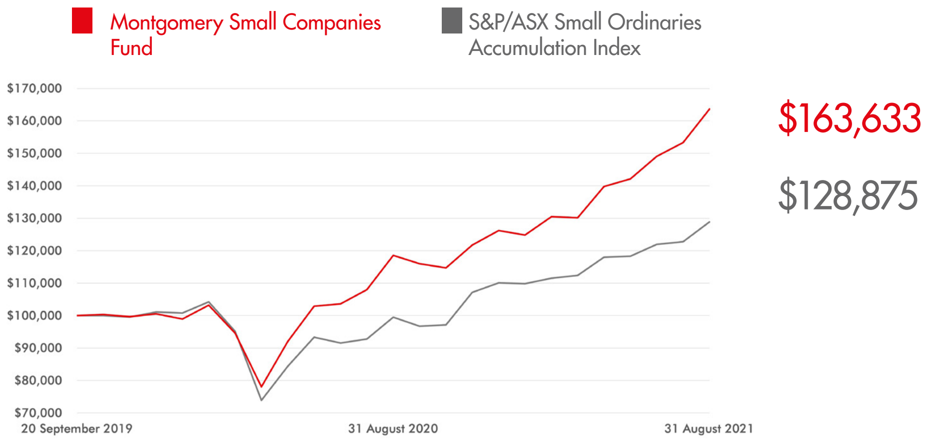
FUND SIZE
$130.7M

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

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PORTFOLIO PERFORMANCE

(to 31 August 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%	6.71%	6.71%	4.98%	1.73%
3 months	5.55%	9.60%	15.15%	8.95%	6.20%
6 months	6.05%	19.39%	25.44%	15.58%	9.86%
12 months	6.66%	31.38%	38.04%	29.51%	8.53%
Since inception#	7.89%	55.74%	63.63%	28.88%	34.75%
Compound annual return (since inception)#	3.98%	24.81%	28.79%	13.92%	14.87%

Inception: 20 September 2019

FUND COMMENTARY

The Montgomery Small Companies Fund (the Fund) returned 6.71 per cent, net of fees, in August 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 by 63.63 per cent, outperforming the benchmark by over 34 per cent, after all fees and expenses.

The largest positive contributors for August included EML Payments (ASX:EML), Macquarie Telecom Group (ASX:MAQ) and Uniti Group (ASX:UWL). EML delivered a solid FY21 operating result, although this was largely overshadowed by the regulatory update which the market read positively, sending the shares higher. EML has worked constructively with the Central Bank of Ireland since regulatory concerns were first raised in May 2021 relating to the acquired Prepaid Financial Services (PFS) business. A remediation plan has been put forward; expectations are for substantial completion by the end of CY2021 and completion by the end of March 2022. This will increase ongoing compliance costs modestly we feel and EML has provided $10 million to cover anticipated future one-off costs including potential enforcement action. Whilst this issue is not over, there is clarity on the pathway out and scope of its impact, and, in hindsight, the savage market reaction when news of the regulatory concerns broke, provided us with a wonderful opportunity to increase the Fund's exposure to EML.

MAQ's FY21 result contained few surprises with the strong share price performance over the month likely reflecting growing investor appreciation for the company's favourable quality and growth characteristics.

In July MAQ unveiled plans to almost triple its Macquarie Park data centre load capacity to meet anticipated long-term demand from government and enterprise clients. Cloud remains an exciting global megatrend with a long growth runway and we see MAQ as one of the best ways to play this theme in Small Caps. UWL rewarded investors with a strong FY21 operating result comfortably ahead of market expectations, coupled with high cashflow conversion which materially improved the Company's balance sheet position. Consensus earnings forecasts were upgraded on the back of the better than expected 2H21 earnings run-rate and the positive outlook for continued organic growth. UWL has successfully transitioned from a small, aggressive telco roll-up to a serious NBN challenger with highly strategic infrastructure assets; and in a low growth, low interest rate world, these types of assets are becoming increasingly scarce.

The largest detractors from performance included Aeris Resources (ASX:AIS), Alliance Aviation Services (ASX:AQZ) and Mineral Resources (ASX:MIN). AIS shares gave back most of July's gains driven by weaker investor sentiment towards the broader resources sector as China signalled intentions to cut back near-term manufacturing production on environmental grounds and to reign in commodity prices.

Continued on the next page..

TOP COMPLETED HOLDINGS* (TCH)

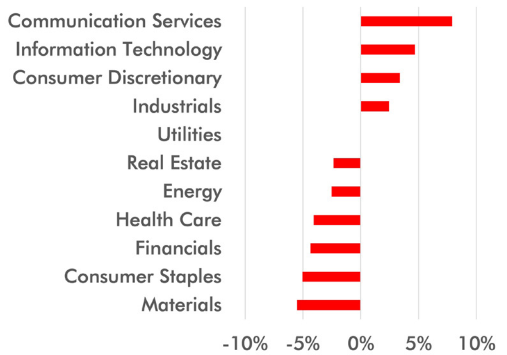
(as at 31 August 2021 showing top 5 of 47 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
EML Payments	ASX:EML	https://www.emlpayments.com/
Macquarie Telecom Group	ASX:MAQ	https://macquarietelecom.com/
Megaport	ASX:MP1	https://www.megaport.com/
NEXTDC	ASX:NXT	https://www.nextdc.com/
Uniti Group	ASX:UWL	https://unitigrouplimited.com/

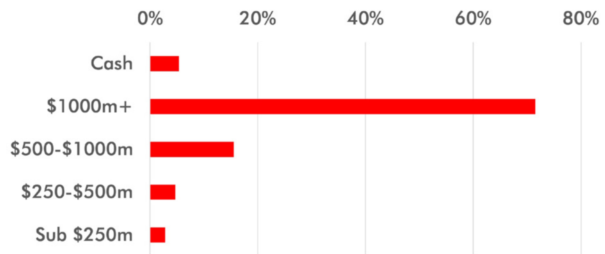
**Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.*

Total equity weighting	94.60%
Total cash weighting	5.40%

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



MARKET CAPITALISATION EXPOSURE



Montgomery Small Companies Fund

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

Looking beyond the short-term noise, we view AIS as an attractive play on copper which has favourable long-term fundamentals, underpinned by structural demand as electric vehicle penetration increases worldwide combined with a distinct lack of major discoveries. FY21 results showed AQZ is in great shape, but its share price declined on market concerns regarding the potential impact of domestic lockdowns on the pace of the rollout of 18 aircraft to Qantas, with possible consequences for near-term earnings. We see this as a timing issue rather than a structural problem so would expect investor confidence to gradually improve as the outlook for economic opening becomes more certain. MIN shares sold off after its FY21 result fell short of market expectations, largely attributable to industry-wide cost pressures, operational delays on labour shortages and in response to a weaker iron ore price.

Market commentary

August saw further gains in global equities as company results, macro data and Central Bank policy settings overwhelmed fears of Delta disrupting the road to recovery in major Western Economies. In the US & Europe Delta infections (cases) have spiked as restrictions eased, but importantly hospitalisations and fatalities appear to have decoupled from the caseload trajectory and remained at levels stretched health systems appear able to cope with. There is growing confidence that vaccines work, greatly reducing severe illness and death, albeit not eliminating it.

Domestically it has been results season. It's been clear for some time that backward looking FY21 results were going to be good (and they were). Outlooks however needed to take account of the impact of lockdowns, and the evolution of Australia's COVID-19 management strategy from elimination to "live with it". As a result, there was a clear bifurcation between offshore earners and domestically exposed businesses; with highly vaccinated countries overseas reopening their economies. Near-term uncertainty from the impact of restrictions meant fewer companies were willing to provide earnings guidance.

In a healthy sign for equity markets, we noticed strong appetite for capital raisings and block trades during the month which suggests many investors are prepared to look beyond the current challenges and take a longer-term view.

Outlook

Attitudes in Australia to COVID-19 have changed. NSW's delta outbreak is the tipping point for a more sustainable strategy, as well as a call to arms for vaccination. Elimination is out and "live with it" is in. It now appears many States and Territories will be hitting the 80 percent double jab vaccination rate by late-October/ early-November.

We have been positioning a portion of the portfolio to manage the risk/ capitalise on the opportunity of this shift for some time. Specifically, the relative difference in economic activity domestically versus overseas. We are looking to harvest rapid growth in COVID-19 impacted sectors overseas as they recover, whilst avoiding some more impacted sectors and businesses domestically. We will look to do the same in Australia when the time is right, and we have already started to make some moves in that direction. It is worth pointing out that we continue to have the bulk of our portfolio positioned towards structural themes or businesses that have very little operational impact from COVID-19. And these are a big contributor to the Fund's outperformance. These are businesses that are performing well, they are market share takers, positioned in growing markets and their outlooks are strong. Whatever cyclical type event comes along our aim is to make the most of it to complement the heavy lifting done by our investments in these structural winners.