



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

\$177.8M

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

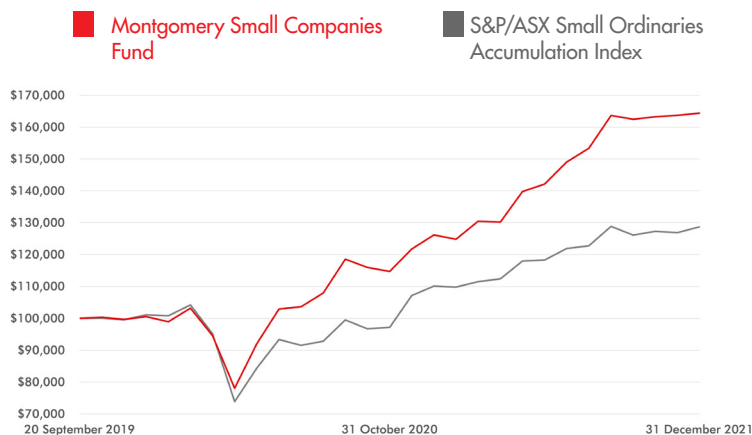
PERFORMANCE FEES

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 December 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%	0.43%	0.43%	1.41%	-0.98%
3 months	0.00%	1.20%	1.20%	2.03%	-0.83%
6 months	0.00%	10.29%	10.29%	5.54%	4.75%
12 months	6.25%	24.03%	30.28%	16.90%	13.38%
2 years (p.a.)	3.91%	24.99%	28.90%	12.99%	15.91%
Since inception#	7.89%	56.49%	64.38%	28.68%	35.70%
Compound annual return (since inception)#	3.39%	20.96%	24.35%	11.69%	12.66%

Inception: 20 September 2019



The Montgomery Small Companies Fund (the Fund) returned 0.43 per cent, net of fees, in December versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 1.41 per cent. Since inception (20 September 2019), the Fund has increased by 64.38 per cent, outperforming the benchmark by 35.70 per cent, after fees.

The largest positive contributors for December included Macquarie Telecom Group (ASX:MAQ), Nanosonics (ASX:NAN) and Pilbara Minerals (ASX:PLS). MAQ shares rallied in response to a positive year-end business update which highlighted continued strong demand for cyber security in the Government and Cloud Services businesses and a solid first half performance with the company guiding towards 1H22 EBITDA of \$39-40 million. NAN bounced on no stock specific news, most likely due to easing investor concerns regarding the severity of the Omicron strain and its impact on hospitals. PLS shares surged on continued investor appetite for the decarbonisation theme more generally and helped along by a couple of brokers who upgraded their lithium price forecasts on stronger industry fundamentals; specifically, faster Electric Vehicle sales penetration and a limited supply response which is expected to keep battery feedstock prices like lithium stronger for longer.

The largest detractors from performance included EML Payments (ASX:EML), Megaport (ASX:MP1) and Symbio Holdings (ASX:SYM). Each having performed strongly in November, all three stocks retraced in December, most likely reflecting the broader market rotation out of growth and into value names witnessed during the month.

We find macro factors too hard to call, particularly over short timeframes, so we remain focused on the medium-term business fundamentals which we think look good for each of these companies. Further, we expect them to grow earnings much faster than the market, whilst their strong balance sheets provide optionality.

Market commentary

Global equities were volatile throughout December yet managed to stage a late comeback as fears around the severity of the highly infectious Omicron variant moderated, finishing the month broadly higher and capping off a strong year for returns. Despite hawkish central bank commentary and higher than expected inflation prints, US bond yields remained relatively flat during December. Growth stocks underperformed value on earnings concerns following a string of weaker than expected quarterly updates within the US tech sector. Resources were a notable outperformer, buoyed by stronger commodity prices and further momentum in the decarbonisation thematic. Domestically, the data continues to suggest that the economy remains in good shape. Rapidly rising COVID-19 infection rates will likely add further pressure to supply chains and potentially dampen demand, however these impacts should only be short-term in nature. December also saw an elevated level of local M&A activity which we see as another healthy sign for Aussie small caps.

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TOP COMPLETED HOLDINGS* (TCH)

(as at 31 December 2021 showing top 5 of 46 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
City Chic Collective	ASX:CCX	https://www.citychiccollective.com.au/
Ingenia Communities Group	ASX:INA	https://www.ingeniacommunities.com.au/
Macquarie Telecom Group	ASX:MAQ	https://macquarietelecom.com/
Megaport	ASX:MP1	https://www.megaport.com/
Symbio Holdings	ASX:SYM	https://www.symbio.global/

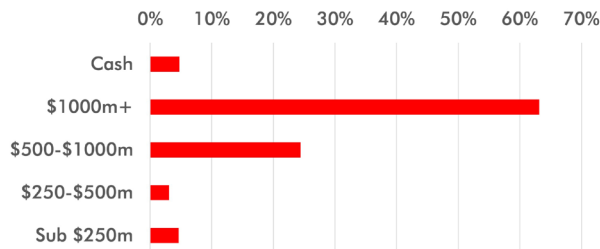
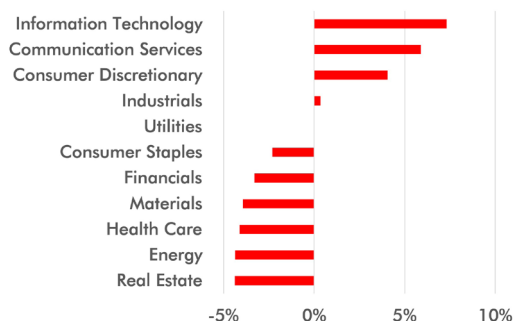
*Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.

Total equity weighting 95.23%

Total cash weighting 4.77%

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

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) Target Market Determination (TMD) relating to the Fund before making a decision to invest. 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.

Outlook

Farewell 2021 and welcome 2022! Looking back, the past year was certainly not without its challenges and our thoughts remain with all those families who have been adversely impacted by the pandemic which is nearly two years old. We have been pleased with the Fund's overall performance; during calendar year 2021 the Fund returned 30.28 per cent after fees, outperforming the benchmark by 13.38 per cent. Importantly, we feel that the Fund has generated these superior investment returns without taking a disproportionate amount of risk. We have gone after opportunities when they arise but have done so in a disciplined manner. That is our aim, to find the best risk-adjusted undervalued opportunities where the drivers of change and earnings power have upcoming catalysts to drive a shift in valuation, thereby delivering performance for our investors.

From our perspective, the outlook for equities in 2022 appears positive with small caps by their very nature continuing to present opportunities to invest in high-growth, innovative companies targeting large addressable markets and with their destinies firmly in their own hands. After a remarkably strong global macroeconomic recovery and with central banks now shifting gears by tapering bond purchases and planning for higher interest rates (yet with monetary policy likely remaining accommodative), we expect markets to return to more normal patterns in 2022...heading back towards a low growth, lower return world. Back to a stock picker's market. Hopefully the pandemic will transition towards an endemic and we can get on with life! In the near-term, investors will need to navigate obstacles such as ongoing COVID-19 disruptions, historically high inflation and rising interest rates (plus there is always the risk of further virus mutations) which may create pockets of volatility; but active investors like ourselves will look to take advantage of extreme market overreactions to such short-term factors. With this in mind, we retain a highly liquid portfolio and healthy cash position as we enter 2022.

