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
$238.5M

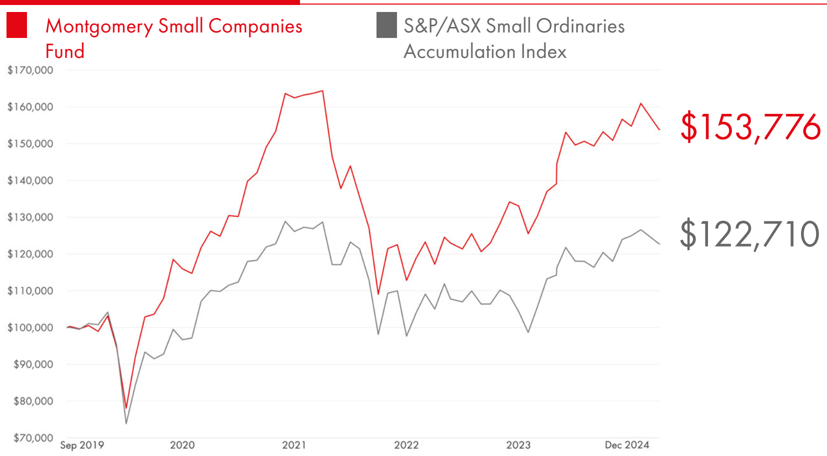
MANAGEMENT FEES AND COSTS
1.23% per annum*, which includes a management fee of 1.03% per annum.

*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/

PERFORMANCE GRAPH



PORTFOLIO PERFORMANCE

(to 31 December 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%	-4.47%	**-4.47%**	-3.07%	-1.40%
3 months	0.00%	-1.82%	**-1.82%**	-1.01%	-0.81%
6 months	0.00%	2.97%	**2.97%**	5.46%	-2.49%
12 months	0.19%	12.07%	**12.26%**	8.36%	3.90%
3 years (p.a.)	0.77%	-2.97%	**-2.20%**	-1.57%	-0.63%
5 years (p.a.)	2.23%	6.99%	**9.22%**	4.01%	5.21%
Since inception#	11.53%	42.25%	**53.78%**	22.71%	31.07%
Compound annual return (since inception)#	2.09%	6.40%	**8.49%**	3.95%	4.54%

Inception: 20 September 2019 | Past performance is not indicative of future performance

TOP COMPLETED HOLDINGS* (TCH)

(as at 31 December 2024 showing top 5 of 51 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Life360	ASX:360	https://www.life360.com/
Gold Road Resources	ASX:GOR	https://www.goldroad.com.au/
HUB24	ASX:HUB	https://www.hub24.com.au/
Pinnacle Investment Management	ASX:PNI	https://www.pinnacleinvestment.com/
Zip Co	ASX:ZIP	https://zip.co/

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

Total equity weighting	94.47%
Total cash weighting	5.53%

TOP 3 CONTRIBUTORS AND DETRACTORS

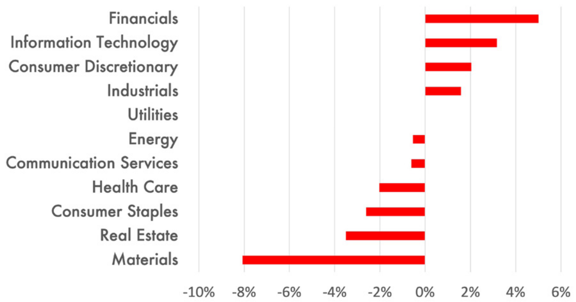
CONTRIBUTORS

Beach Energy	Investors re-rate the business as key project nears completion
Gold Road Resources	Shares rallied on Northern Star Resources takeover of De Grey Mining, which Gold Road Resources owns 17 per cent
Nick Scali	Share price rallied despite news of increased logistics costs in 1H25

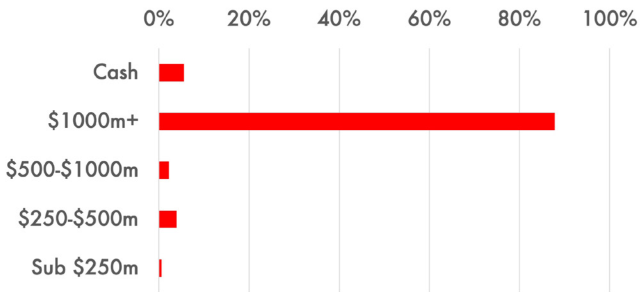
DETRACTORS

HMC Capital	Shares fell on poor DigiCo Infrastructure REIT listing
HUB24	Significant 2024 performer which faded in December as investors bank returns
Zip Co	Significant 2024 performer faded in December as investors bank returns

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



MARKET CAPITALISATION EXPOSURE



Montgomery Small Companies Fund

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

For the month of December, the Montgomery Small Companies Fund (the Fund) decreased 4.47 per cent, net of fees, versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which decreased by 3.07 per cent. Since inception (20 September 2019), the Fund has increased by 53.78 per cent, outperforming the benchmark by 31.07 per cent, after all fees and expenses.

The largest positive contributors for December included Beach Energy (ASX:BPT), Gold Road Resources (ASX:GOR) and Nick Scali (ASX:NCK).

Beach Energy's share price rallied in December following an update from the company alongside its Perth Basin gas asset tour. Beach Energy's near-term earnings and cashflow driver is the delivery of its Waitsia Gas project into production. The new news was to delay further the delivery of the first gas from the new Waitsia Gas plant, which initially caused a negative share price reaction. However, investors took comfort from the update and asset tour that mechanical completion of the plant had been achieved, the delay in expected gas production was from a flowline issue, not the plant, there was no increase in capex required to complete the project (remains $600-650 million net to Beach Energy) and expected first gas sales are not far away now, in the second quarter of calendar year 2025. Gas sales from Waitsia, plus the impact of the re-structuring/turnaround that the new CEO Brett Woods has brought into effect should have a material impact on the company's free cashflow generation. And Waitsia, when it delivers its first saleable gas in 2025, is the tipping point for that. We estimate that Beach Energy's free cashflow yield on an annualised run rate post Waitsia coming online using consensus expectations for energy prices is in the 25-30 per cent range. Which we think is too cheap.

The Gold Road Resources share price performed well on the back of De Grey Mining (DEG) agreeing to be acquired by Northern Star Resources (NST). Gold Road Resources holds 17.3 per cent of DEG shares, which rallied 16 per cent in the month in response to NST's offer. Gold Road Resources has remained largely silent on the NST approach and hasn't endorsed the deal, no doubt considering the possibility that there may be another acquirer of its stake out there.

At the end of December DEG's equity value was $4.23 billion, implying value to Gold Road Resources of $732 million. Gold Road Resources' market capitalisation at December end was $2.2 billion, including the value for the DEG stake (and any tax liability due) and over $100 million of cash it had on its balance sheet (at the end of September its last quarterly report). Gold Road Resources also owns 50 per cent of Gruyere, a Western Australian gold mine operated by the large listed South African miner Gold Fields, as well as some not in production exploration-type assets. Gruyere's had some near-term production headwinds (weak management execution, weather impacts), but it produces approximately 300,000 oz of gold per annum at around a A$2200 cost, versus an AUD gold price of over A$4200 today, and that is a high cash margin. Gruyere has significant ore reserves, and an expected mine life of around 10 years or so based on current reserves. Gold Road Resources' last communication on Gruyere's operational activities expressed confidence that execution improvements should be expected, we will find out more in January when Gold Road Resources reports its 2Q25 quarterly results.

Nick Scali shares rallied in December despite the news that one of its logistics partners had entered administration likely causing them to incur some unknown extra costs to complete the import of customer orders. This follows on from the update in November where Nick Scali updated positively on same store sales growth, but alerted to some gross margin compression, from peak levels in the prior period, due to higher than expected logistics costs. We expect the key positive driver for Nick Scali's shares in 2025 will likely be linked to the company's recent entry into the UK market where it acquired 20 sites for a nominal fee whilst accepting the lease liabilities from the vendor.

Nick Scali's UK market entry plan will take time to play out, but we should see some progress and insights on how its product gets accepted by UK consumers. If there is enough success, the market will start to look ahead at what the size of Nick Scali's store portfolio may look like and with that a store roll-out driven growth story into a large addressable UK market may become apparent.

The largest detractors from performance included, HMC Capital (ASX:HMC), HUB24 (ASX:HUB) and Zip Co (ASX:ZIP).

Asset manager HMC Capital been a strong performer for the Fund in 2024 as the scale and speed with which it can aggregate assets under management has become more apparent to the market, spurring on HMC Capital's share price. A larger funds under management (FUM) base equals larger revenue and earnings for HMC Capital's scalable business model. December for HMC Capital was all about the listing of its latest fund – DigiCo Infrastructure REIT – a REIT managed by HMC and the first incarnation of its digital infrastructure asset management platform which is expected to be a significant area of FUM growth for HMC Capital. DigiCo Infrastructure REIT did list, and the FOMO frenzy pre-listing appeared to be sufficiently stoked, with HMC Capital turning to retail wealth managers to anchor the capital raising efforts, leaving the traditional institutional investor base normally at the heart of IPO capital raisings with less exposure, presumably with unsatiated demand. However DigiCo Infrastructure REIT's first day of trading turned sour, instead of the short term gains that the retail investor base may have been craving, the stock dropped with its shares closing in December some 11 per cent below the issue price. HMC Capital was a "casualty" in this short term price move for DigiCo Infrastructure REIT, as it took some of the near-term wind from the perceived momentum in HMC Capital's ability to raise further capital for this fund (and perhaps others), and in the process turned HMC Capital's share price performance from 100 per cent+ year to date at the end of November to "just" 60 per cent by the end of December. HMC Capital continues to look well positioned to grow assets and earnings from here in our view.

HUB24 shares fell on no new news, having had barnstorming share price performance to November 2024 year to date of 109 per cent as investors appreciated HUB24's structural growth characteristics, and its revenue and earnings leverage to rising equity markets. We think the reason for Decembers share price decline of -7.66 per cent was due to weaker global equity markets in December (HUB24's market leverage works both ways) and investors looking to "bank" the year to date share price gains before year end.

Zip Co's shares fell on no new fundamental news. Perhaps the most significant factor that drove the 13 per cent share price fall in December was that established Buy Now Pay Later businesses performed very well in 2024, with Zip Co a standout share price performer November year to date up some 539 per cent. December's share price performance of -13 per cent did come on the back of Co-Founder and former CEO Larry Diamond announcing he was formally stepping away from the business, but management operational control of the business has long since ceded to a new management team. As hinted at above the more likely reason for the share price under-performance in December is that Zip Co had been such a standout winner in the year and investors wanted to "bank" profit ahead of the year end, this turned Zip Co's 2024 returns into "just" 366 per cent. The same thing appears to have happened to Zip Co's U.S. listed peers, Affirm – November year to date +42 per cent, December -13 per cent, 2024 +24 per cent. Sezzle (once Australian listed) – November year to date 2076 per cent, December -40 per cent, 2024 +1152 per cent return for the year.