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

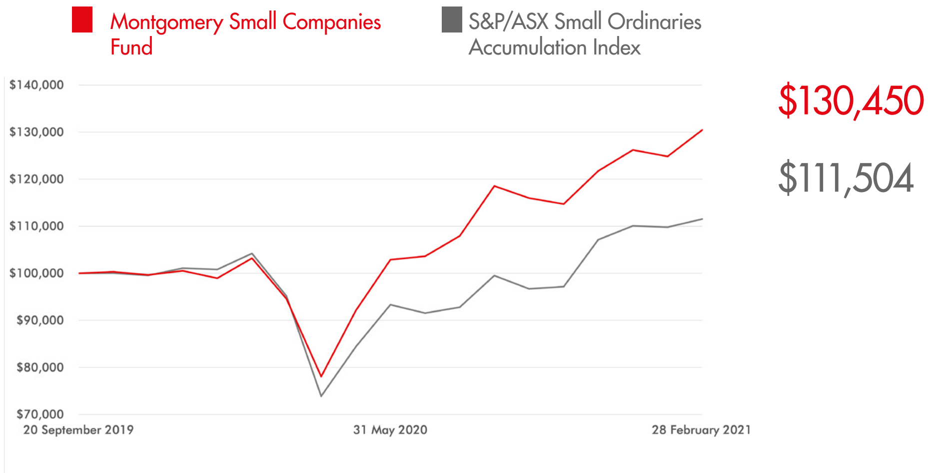
FUND SIZE
$75.0M

MANAGEMENT FEE
1.23% per annum, which includes a management fee of 1.03% per annum.
Both figures are GST inclusive and net of RITC.

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 28 February 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%	4.51%	4.51%	1.55%	2.96%
3 months	0.00%	7.15%	7.15%	4.08%	3.07%
6 months	0.00%	10.05%	10.05%	12.05%	-2.00%
12 months	0.00%	37.95%	37.95%	17.18%	20.77%
Since inception#	0.00%	30.45%	30.45%	11.50%	18.95%
Compound annual return (since inception)#	0.00%	20.23%	20.23%	7.84%	12.39%

Inception: 20 September 2019

FUND COMMENTARY

The Montgomery Small Companies Fund (the Fund) returned 4.51 per cent, net of fees, in February versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 1.55 per cent. Since inception (20 September 2019), the Fund has increased 30.5 per cent, outperforming the benchmark by 19.0 per cent, after all expenses.

The largest positive contributors for February included Aeris Resources (ASX:AIS), EML Payments (ASX:EML) and Uniti Group (ASX:UWL). AIS rallied on rising investor awareness of its recently upgraded copper assets combined with the strongly rising copper price. The recently announced discovery at Constellation, part of the Tritton Copper Operations in North-West NSW, is only 45kms from existing infrastructure. We believe AIS is in the process of becoming discovered and remains an attractive play on both its gold and copper prospects. EML's shares soared after delivering a solid 1H21 operating beat against a challenging backdrop, highlighting the resilience of the core business and the strategic value of the recent Prepaid Financial Services (Ireland) Limited (PFS) acquisition. The strong sales pipeline and improving outlook enabled the company to reinstate full year earnings guidance, an encouraging sign for investors playing this recovery story.

UWL shares ran after stronger than expected 1H21 results, solid cashflows de-levering the Company's balance sheet and a positive outlook commentary from management. Investor sentiment was also buoyed by corporate activity in the sector (with telecommunications peer Vocus Group, ASX:VOC, receiving a bid from Macquarie Infrastructure and Aware Super) - a reminder of the growing appetite for strategic long-life assets in a low growth, low return world.

The largest detractors from performance included GWA Group (ASX:GWA), NRW Holdings (ASX:NWH) and Ramelius Resources (ASX:RMS). GWA was sold off despite releasing an inline 1H21 result leading to only minor adjustments to full year consensus earnings forecasts. We suspect the de-rating reflected disappointment in the mixed near-term outlook commentary, with investors potentially hoping for a more bullish tone considering the strong recent building approvals and renovation data. NWH was punished by the market for materially missing 1H21 earnings expectations with management attributing soft operating margins to larger than anticipated COVID-19 impacts, particularly around staff turnover and productivity issues in the Pilbara. Although these issues should abate somewhat as State borders reopen, near-term earnings risk remains elevated, and we decided to exit our position. RMS shares traded lower as the gold price retraced (down 5 per cent over February). The company continues to perform well operationally, managing costs and generating significant cashflows, while the strong balance sheet offers optionality.

Market commentary

Global equity markets finished February broadly up although well off intra-month highs with a late selloff driven by sharply rising Government bond yields as investors price in the risk of higher inflationary expectations associated with fiscal stimulus policies and the worldwide economic recovery. Optimism in the macro picture improved as encouraging early signs from COVID-19 vaccination programs emerged, particularly in the UK and the US, paving the way for a reopening scenario before the Northern Hemisphere summer.

TOP COMPLETED HOLDINGS* (TCH)

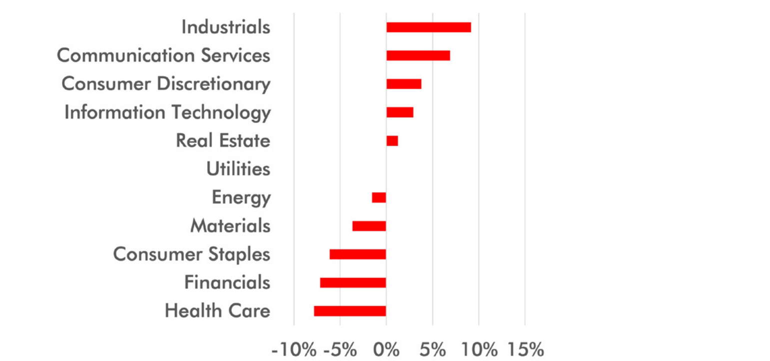
(as at 28 February 2021 showing top 5 of 50 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Alliance Aviation Services	ASX:AQZ	https://www.allianceairlines.com.au/
City Chic Collective	ASX:CCX	https://www.citychiccollective.com.au/
EML Payments	ASX:EML	https://www.emlpayments.com/
Macquarie Telecom Group	ASX:MAQ	https://macquarietelecom.com/
Uniti Group	ASX:UWL	https://unitigrouplimited.com/

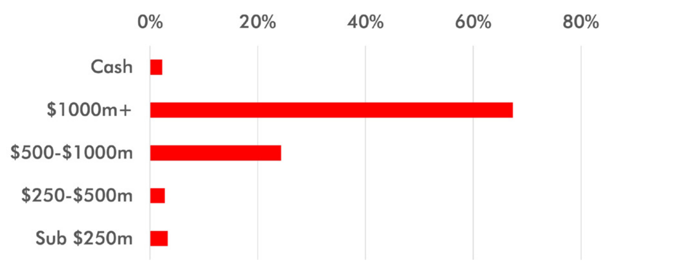
Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.

Total equity weighting	97.73%
Total cash weighting	2.27%

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



MARKET CAPITALISATION EXPOSURE



Montgomery Small Companies Fund

PLATFORMS WE ARE ON: Netwealth (IDPS and Super/Pension) uXchange BT Wrap BT Panorama HUB24 (IDPS and Super) Ausmaq Macquarie Wrap

Domestically, investor focus was firmly set on earnings season. Results came in generally better than expected and corporate Australia is in good shape. Thematically, the rate sensitive sectors such as technology and REITs underperformed while materials (particularly iron ore, copper and Electric Vehicle (EV) stocks) and reopening beneficiaries (eg. travel) outperformed. Retail and e-commerce companies delivered strong results overall, however the market took profits, redirecting incremental dollars from COVID winners towards reflation and vaccine economic re-opening opportunities.

Perspective, positioning & outlook

Our central case is that markets will observe a vaccine rollout-driven acceleration of economic activity in most Western Economies over the next 6 months. We expect that the release of pent-up demand into certain ravaged sectors specifically and a wave of relief translating to broader strength in economic activity more generally will be profound. It has been an oppressive virus regime in many ways, certainly economically, in most Western Economies for the last 12 months, and that's about to change.

Accordingly we have positioned the portfolio to benefit from these "re-openers". February performance benefitted from these stocks as reporting season shone some light on to key factors that we expect to drive value over the coming months as visibility on the detail of the recovery takes shape. The right sizing of cost structures, early expectations of pent-up demand and sufficient balance sheet strength allowing participation in this recovery were there for all to see in February results season. Our process leads us to search for and find those stocks that we assess have a better competitive position coming out of COVID, than on the way in. Those are the stocks where future profit pools will be larger and the valuation regimes accorded to better competitively positioned businesses expand.

Whilst we expect some of the heavy lifting in the portfolio to be done by these re-openers in the months ahead, portfolio structure is always a balance. We can see the market "rotating", by selling the winners and buying the losers. We continue to hold exposures to structural winners like Macquarie Telecom (ASX:MAQ), City Chic Collective (ASX:CCX) and Unity Group (ASX:UWL). Whilst these businesses weren't necessarily short-term beneficiaries of the COVID environment (a fact that may escape the sell winners brigade), as competitively advantaged businesses with their destiny in their own hands they have nevertheless performed well. Our view is they will continue to do so, as they are examples of structural winners and remain in the portfolio.