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

RECOMMENDED INVESTMENT TIMEFRAME

5 years

MINIMUM INITIAL INVESTMENT

$25,000

INCEPTION DATE

20 SEPTEMBER 2019

FUND SIZE

$155.5M

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

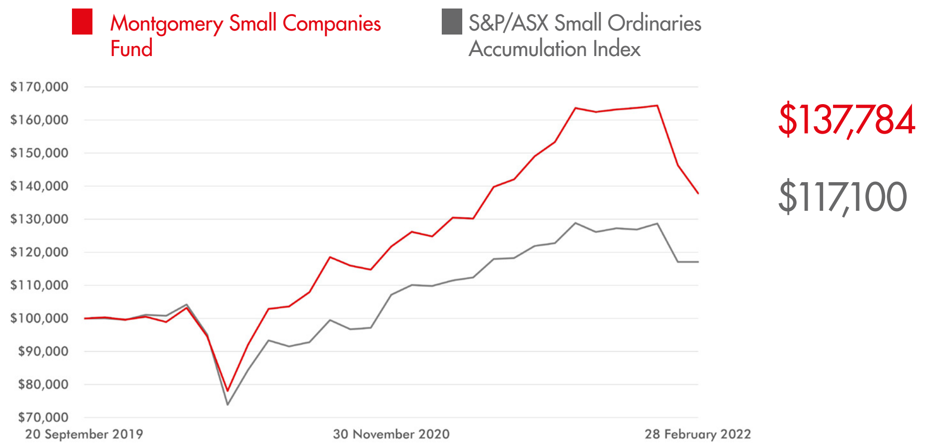
PERFORMANCE FEES

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

INVESTORS

Toby Roberts
t 02 8046 5017
e troberts@montinvest.com

ADVISERS, RESEARCHERS AND PLATFORMS

Scott Phillips (NSW)
e sphillips@montinvest.com
Dean Curnow (NSW, ACT, WA)
e dcurnow@montinvest.com
David Denby (VIC,SA)
e ddenby@montinvest.com
Michael Gollagher (QLD)
e mgollagher@montinvest.com

PORTFOLIO PERFORMANCE

(to 28 February 2022, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-5.86%	**-5.86%**	-0.01%	-5.85%
3 months	0.00%	-15.82%	**-15.82%**	-7.71%	-8.11%
6 months	0.00%	-15.80%	**-15.80%**	-9.14%	-6.66%
12 months	6.05%	-0.43%	**5.62%**	5.02%	0.60%
2 years (p.a.)	4.09%	16.62%	**20.71%**	10.93%	9.78%
Since inception#	7.89%	29.89%	**37.78%**	17.10%	20.68%
Compound annual return (since inception)#	3.16%	10.86%	**14.02%**	6.68%	7.34%

Inception: 20 September 2019

FUND COMMENTARY

The Montgomery Small Companies Fund (the Fund) declined 5.86 per cent, net of fees, in February versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which declined by 0.01 per cent. Since inception (20 September 2019), the Fund has increased by 37.78 per cent, outperforming the benchmark by 20.68 per cent, after fees.

The largest positive contributors for February included Lovisa (ASX:LOV), Ooh!Media (ASX:OML) and Silver Lake Resources (ASX:SLR). LOV shares rallied on a stronger than expected 1H22 operating result and trading update; impressive considering the significant COVID-19 impacts such as mandated store closures and supply chain disruptions. LOV remains an attractive international reopening play, complemented by a global store roll-out program which is gathering momentum. Outdoor media player OML saw its shares bounce after the CY21 result confirmed its earnings recovery continued despite the domestic Omicron wave late in the year. Encouragingly, the start to the new calendar year shows activity continues to improve, now almost back to pre-pandemic levels despite subdued airport and office segment contributions (we expect these to get better). As earnings recover, investor focus will likely turn towards the structural growth opportunity from further digitising assets and share gains wrestled from traditional media like television and print where audiences are fragmenting. SLR outperformed after the 1H22 result demonstrated better cost control, and from investors seeking gold exposure as a reaction to recent escalating geopolitical risks.

The largest detractors from performance included Alliance Aviation Services (ASX:AQZ), BWX Limited (ASX:BWX) and Praemium Limited (ASX:PPS). AQZ's 1H22 results were weak, and this was attributable to the delay of its planned aircraft deployment to support big customer Qantas' (ASX:QAN) expanded domestic flying activity. Whilst Omicron in Australia over summer was hardly new news, investors reacted to the impact it had on AQZ's first half-year earnings and sold the shares. Our view is that AQZ's management took advantage of the pandemic by buying a fleet of aircraft at cents in the dollar and will deploy those assets over the coming years. We remain comfortable AQZ will likely generate significant earnings, cash flows and dividends for shareholders. BWX was punished by investors for reporting a 1H22 result which fell short of consensus forecasts, impacted by store closures during 1Q22. Compounding the issues were a recent change of leadership (CEO transitioning to a Board role announced in January) and a very strong seasonal earnings skew towards the second half. Expectations have subsequently been reset and appear achievable to us; it is now about executing the global growth strategy and restoring investor confidence. PPS shares fell after the company produced a weaker than expected 1H22 result driven by higher costs associated with additional employees required to maintain appropriate client service levels. Higher costs were a clear negative surprise for investors, particularly considering that the company was deemed to be 'in play' following an approach from rival platform Netwealth (ASX:NWL) back in November last year. Despite suitor NWL recently talking down the prospects of a deal, we still see PPS as an attractive target, including from others in the sector.

Continued on the next page…

TOP COMPLETED HOLDINGS* (TCH)

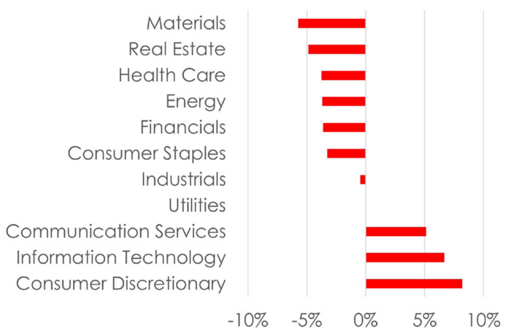
(as at 28 February 2022 showing top 5 of 49 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
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/
Seven Group Holdings	ASX:SVW	https://www.sevengroup.com.au/
Symbio Holdings	ASX:SYM	https://www.symbio.global/

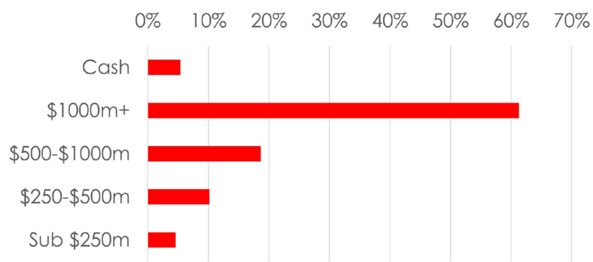
Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.

Total equity weighting	94.65%
Total cash weighting	5.35%

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.

Fund performance & reporting season commentary

February was a poor month for the Fund, easily our worst performance month since inception. Historically earnings season months (February and August) see the Fund perform well as results bring a reminder to the market of the strength of the specific fundamental value creation drivers across the stocks in our portfolio, and with that out-performance, usually, flows. Normally we see a strong ratio of winners to losers, and the extent to which we win on average significantly outweighs the share price outcome when we get it wrong. That is what we aim for, however, that's not how it played out this time around.

Some of our under-performance this month was self-inflicted, as we got more stocks wrong this reporting season than normal, including some of our value stocks that are in the portfolio at this time of the economic cycle to offer protection and upside in the type of market conditions that we see right now. Whilst our stock-picking didn't help, the biggest impact was our winners didn't get rewarded with share price performance, whilst our losers got heavily punished for minor shortcomings in earnings delivered or outlook offered.

The market punished Omicron-driven earnings misses as if the impact still lay ahead rather than in the rear-view mirror (we'd expect that to unwind). It also ran away from growth companies with cost inflation, re-pricing the earnings growth available with a bias towards fear from cost increases rather than the opportunity for growth that this investment brings.

However great balance sheets, valuation regimes and strong cash generation prospects were no defence for the retailers as they also underperformed , on the basis of fears that Australia's consumption of goods is a downward endeavour from here despite a "re-opening" of physical retail post the Omicron wave.

Signs of gravity is also emerging in the EV (Electric Vehicle) thematic stocks, an area of the market that has to-date been a one-way bet. The De-carbonisation market boom has indiscriminately created many $1 billion+ market cap EV materials stocks that involve unproven or novel resource extraction processes. These are now under-performing and fortunately we don't own them. Our portfolio exposures to the EV theme continue to do well, as we focus on proven producers monetising the current spectacular price regime for EV materials. The one outlier is CXO (Core Lithium) which is set to become Australia's next spodumene producer later in 2022, on a simple open pit ore body and process flow sheet.

The market has recently become hungry for low quality cyclical stocks (of which we thought we owned plenty, obviously not!). Fear sanctuaries (like gold) also did well given the macro headlines that have plagued the market – inflation's impact on future global interest rate regimes and the potential for the horrific Russian bombardment of Ukraine to spill-over into a broader conflict between Russia and the West.

Outlook & positioning

Geo-politics points to a sharp change in the West's appetite for dependence on Russia's energy supply, at just the same moment the Western energy complex is adjusting to the changing funding regime for carbon intensive energy projects brought about by the recent "de-carbonisation" awareness we have all observed over recent years. That is a problematic combination, with no obvious short-term fix. We expect current high energy prices to sustain, possibly for a protracted period, as well as adjustments as to how de-carbonisation of the electricity generation and intensive energy use sectors in Europe and elsewhere occurs. Perhaps unacceptable energy sources become acceptable for a little while longer or at least more so than dependence on Russian coal and gas. In the meantime, we hunt for stocks that are levered to this better energy pricing regime.

Global macro watchers will have observed that market expectations of rapid interest rate increases in the US have abated somewhat, no doubt linked to the Geo-political situation mentioned above. Whilst we continue to observe signs that the some of the forces that have contributed to the current high rates of inflation are transitory and are easing, we can also see that others are proving to be more sticky. High energy prices are going to act as a further inflationary force. Consequently, we continue to position the portfolio in more cyclical stocks, expected to benefit from these inflationary forces.

What about growth stocks? We remain invested in a crop of fast-growing, well-run value creating growth stocks of which there are plenty in small caps. The hurdle for growth stocks to get in or remain in the portfolio has risen with the change in the economic picture offering more opportunity in the cyclical areas of the market. Consequently, those that remain must continue showing strong catalysts that we expect can bring about positive valuation regime change.

Australian macro conditions will likely be dominated by re-opening post Omicron, as well as the availability of spending on services, as opposed to just goods. The Aussie consumer currently has strong employment prospects, money in the bank and cabin-fever. We are, amongst other re-opening themes, exposed to the travel stocks, where we think demand is strong as anyone who has tried to book a trip with Flight Centre (ASX:FLT) recently will testify! Whilst these are clearly reopening recovery plays, we think they are also massive market share takers in an industry that has seen significant disruption. Those tend to be strong investments over time.