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
$203.3M

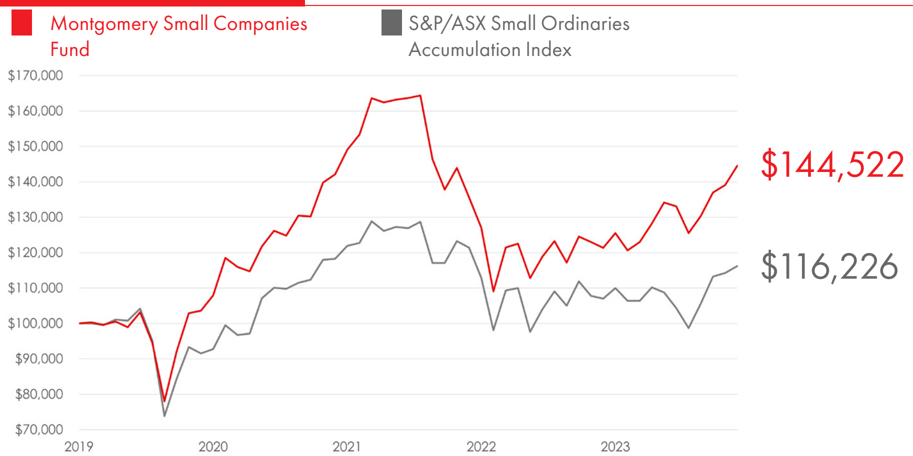
MANAGEMENT FEES AND COSTS
1.23% per annum*, which includes a management fee of 1.03% per annum.

*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 29 February 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%	3.90%	**3.90%**	1.72%	2.18%
3 months	0.00%	10.89%	**10.89%**	10.05%	0.84%
6 months	0.00%	7.73%	**7.73%**	6.88%	0.85%
12 months	0.68%	16.82%	**17.50%**	7.84%	9.66%
3 years (p.a.)	2.80%	0.67%	**3.47%**	1.39%	2.08%
Since inception#	11.29%	33.23%	**44.52%**	16.23%	28.29%
Compound annual return (since inception)#	2.44%	6.20%	**8.64%**	3.44%	5.20%

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

TOP COMPLETED HOLDINGS* (TCH)

(as at 29 February 2024 showing top 5 of 48 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Bapcor	ASX:BAP	http://www.bapcor.com.au/
Boss Energy	ASX:BOE	http://www.bossenergy.com/
HUB24	ASX:HUB	http://www.hub24.com.au/
Lovisa	ASX:LOV	http://www.lovisa.com.au/
Megaport	ASX: MP1	https://www.megaport.com/

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

Total equity weighting	95.09%
Total cash weighting	4.91%

TOP 3 CONTRIBUTORS AND DETRACTORS

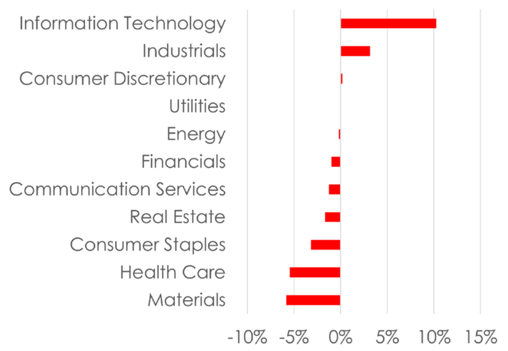
CONTRIBUTORS

Audinate	Reported a strong operational and financial result and 20-30% upgrades.
ARB Corporations	ARB beat expectations and provided better earnings as Aussie's keep spending.
Lovisa	Results brought confidence that the weakness in the global consumer isn't slowing sales, or store rollout pace or profit growth.

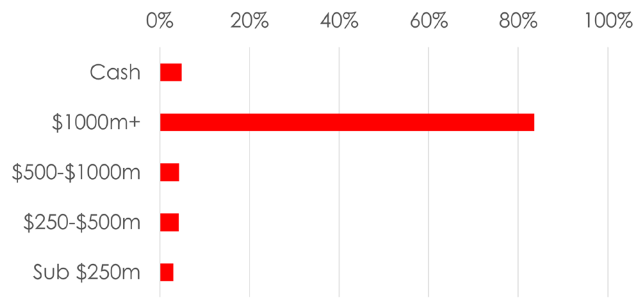
DETRACTORS

Alliance Aviation	Shares fell due to extra capex and weak management communication.
Boss Energy	Shares fell due to a decline in uranium market sentiment.
Corporate Travel Management	Reported results were weak and missed outlook.

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

The Montgomery Small Companies Fund (the Fund) increased 3.90 per cent, net of fees, in February versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 1.72 per cent. Since inception (20 September 2019), the Fund has increased by 44.52 per cent, outperforming the benchmark by 28.29 per cent, after all fees and expenses.

February is reporting season, and it can be a volatile time for market prices as a relentless deluge of new information descends on the market is a short space of time. Overall, this reporting season was better than the market expected. As a generalisation we observed corporates reporting price rises supporting positive revenue and gross margin outcomes, outpacing the effect of wage, rent and overhead cost increases delivering stronger earnings than expected.

Sector wise technology was the big winner, with consumer and REITs following on behind, resources continued its trend to be the biggest underperforming sector in the month. Growth outperformed value, and we saw plenty of signs that investors are re-rating upwards the valuation regimes for quality small cap growers post results.

Notably, and importantly, small caps outperformed large caps. At last! That's the first reporting season month in the past 5, the first since August 2021, that small caps beat large caps. In the 26 months since January 2022, large caps have beaten smalls in 18 of those months with smalls ahead in just 8. In the last 6 months it's a 3-3 draw, in the last quarter (3 months) smalls are 2-1 ahead, not that we are counting... Are things turning for small caps? We think the macro concerns of the past two years have dissipated significantly and that smalls have some performance catching up to do. Since January 2022 large caps have beaten small caps by 25.3 per cent. Historically that is a large performance gap, and we think some of that is now starting to close.

The largest positive contributors for February included Audinate (ASX:AD8), ARB Corp (ASX:ARB), and Lovisa (ASX:LOV). Networking technology company Audinate's operational performance and financial results were strong, revenue is growing faster and the business is showing good operating leverage driving earnings ahead of expectations. Consensus earnings estimates lifted by around 20-30 per cent across the forecast horizon (Fiscal 24/25/26). Audinate's product strategy enables the shift from analogue to digital in its core Audio market, each incremental product release makes it easier to deploy, support & manage audio networks for its clients and Audinate are seeing strong growth as a result. Audinate are pursuing growth in video with a strategy of leveraging off their market leading technology position in audio and it too is bearing fruit, offering investors the opportunity to invest in a multi-year structural growth story.

Auto after-market player ARB's results beat expectations, continuing a long-term track record of profitable growth. The Australian consumer's love affair with ARB's famous offroad products continue even in the face of a weakening consumer backdrop although the return of new vehicle supply, previously constrained for key models such as Ford Ranger, Toyota's HiLux and Land Cruiser, definitely assisted. Overseas markets were tougher as ARB faced weaker New Zealand conditions post the election driving regulatory change and the impact of distribution channel changes in the U.S. However, these issues look to be behind the business, and we see international export markets as a huge opportunity for ARB.

Lovisa is in the portfolio because we believe the opportunity of bringing fashionable but affordable jewellery to global consumers is large and Lovisa has a great business model for a fast global rollout to exploit that. Results brought confidence that the backdrop of weakness in the global consumer isn't slowing sales, or store rollout pace or profit growth at Lovisa. With reassurance provided, the share price surged.

The largest detractors from performance included Alliance Aviation (ASX:AQZ), Boss Energy (ASX:BOE) and Corporate Travel Management (ASX:CTD).

Alliance Aviation's 1H24 financial results came in as expected, and accompanied an update on expected capex for the next tranche of 30 e-190 aircraft in Alliance Aviation's committed expansion program. The aircraft were previously expected to cost A$250-275 million and will now come in at A$100 million or so more, as the condition of the engines is now expected to have materially less flight cycles on them than previously assumed. In addition Alliance Aviation's auditors noted that as of the date of the accounts Alliance Aviation hadn't arranged for the incremental funding to pay for these assets, a decidedly unprofessional look, especially since Alliance Aviation's balance sheet appears to have plenty of scope to carry any extra debt, if required, to meet these capex commits over the next couple of years. In our view Alliance Aviation management missed the mark with their results communication and this contributed to the share declines.

Uranium developer Boss Energy is one of the more volatile stocks in the portfolio, buoyed or otherwise by sentiment toward the Uranium thematic. This month it appears sentiment for that thematic ebbed (for no apparent reason) as opposed to a reflection of the fundamentals contained in its 1H24 results report. Boss Energy's balance sheet is strong, it reported progress on its Honeymoon project as arrived at imminent production on time and budget. The key externality of Term Uranium price supply demand drivers continues to shape nicely. There is nothing material to see here in our view, and we increased our position during the share price weakness.

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Sometimes a stock reports results that bear no resemblance to what is expected, it happens from time to time, and Corporate Travel Management's results were that kind of report this time around. The results were just poor with a lot of key value drivers in the wrong position or heading in the wrong direction. It was a surprise for us and the market. Corporate Travel Management's U.S. clients "ran out of budget due to high airfares approaching the year end" and this led to a sudden and material underperformance of this growth business unit late in 1H24. Australia wasn't shooting the lights out either with execution problems for its biggest Aussie customer – Government agencies. Lastly, Corporate Travel Management's UK government business, driven by administering accommodation for a UK government refugee program came in way under management expectations. Refugees have become a political issue in the UK and government activity here has been dramatically cut. Corporate Travel Management is a growth business, with a competitive advantage facing off against a large market opportunity, but execution was really poor and didn't match any of managements messaging or performance of sector peers. The stock now trades at a material discount to the market multiple, let alone a premium for its growth optionality.

We feel reporting season months, and the period that immediately follows, are periods where the Fund collects the value for the efforts in stock selection from the months before. It's usually a period where the stock specifics matter as opposed to the macro narrative that can dominate from time to time. In the end, stock prices generally can be said to follow earnings and growth expectations, and if we get those right and we tend to get more stocks right than wrong, we believe the Fund should be well placed to outperform.