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

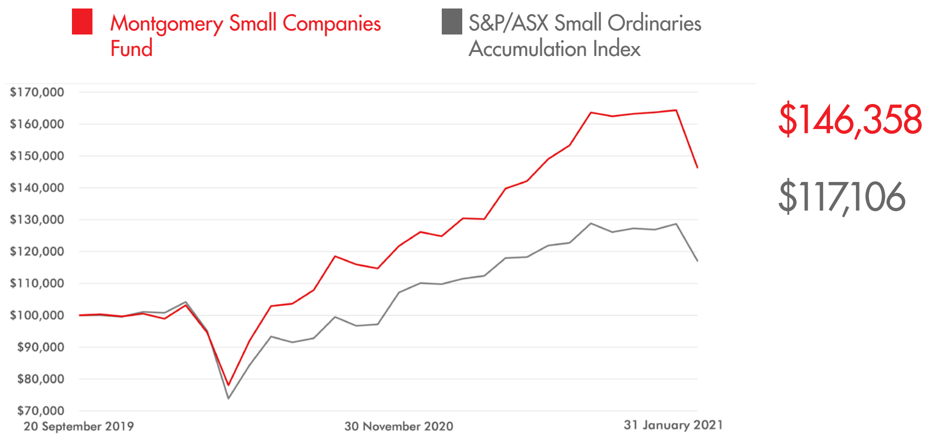
FUND SIZE
$160.8M

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 January 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%	-10.96%	**-10.96%**	-9.00%	-1.96%
3 months	0.00%	-10.33%	**-10.33%**	-7.99%	-2.34%
6 months	0.00%	-4.55%	**-4.55%**	-4.61%	0.06%
12 months	6.32%	10.94%	**17.26%**	6.65%	10.61%
2 years (p.a.)	3.75%	15.35%	**19.10%**	6.01%	13.09%
Since inception#	7.89%	38.47%	**46.36%**	17.11%	29.25%
Compound annual return (since inception)#	3.26%	14.21%	**17.47%**	6.90%	10.57%

Inception: 20 September 2019

FUND COMMENTARY

The Montgomery Small Companies Fund (the Fund) declined 10.96 per cent, net of fees, in January versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which declined by 9.00 per cent. Since inception (20 September 2019), the Fund has increased by 46.36 per cent, outperforming the benchmark by 29.25 per cent, after fees.

The largest positive contributors for January included Core Lithium (ASX:CXO), IGO Limited (ASX:IGO) and Pilbara Minerals (ASX:PLS). Despite weak global equity markets, investor appetite for the decarbonisation theme remained robust, particularly the names associated with electric vehicle battery materials. The medium-term fundamentals for lithium look really attractive, underpinned by strengthening demand from global battery manufacturers and tight supply. Industry analysts have consistently raised lithium feedstock pricing forecasts over the immediate and medium-term and continue to predict near-term supply deficits. Over time we expect a balanced market, but not until meaningful new supply arrives, which in the case of lithium feedstock materials is looking like a 2024 or beyond scenario. Both IGO and PLS are major hard rock lithium producers offering direct exposure to high lithium prices with CXO set to become Australia's next lithium producer (first production scheduled for Q4 2022).

The largest detractors from performance included BWX Limited (ASX:BWX), Megaport (ASX:MP1) and Symbio Holdings (ASX:SYM). BWX was heavily sold after the company surprised the market by announcing that its well-regarded CEO, Dave Fenlon, who has successfully led the turnaround and acquisition strategy since 2018, will be stepping down in March. As part of the leadership transition, the current Group Operating Officer, Rory Gration, will assume the CEO role. The sell off was perhaps exacerbated by the lack of an investor call to discuss the timing of the transition (considering the company recently raised capital to fund an acquisition) and the lack of earnings guidance. MP1 shares weakened on the back of a disappointing quarterly sales update which was delivered in a tough month for the tech sector. Sales were marginally weaker than market expectations with costs slightly higher, resulting in modest earnings downgrades. We view the softer sales performance during the December 2021 quarter as reflecting minor teething issues as the company transitions from a direct to an indirect sales model rather than any structural issues, with stronger momentum anticipated over the coming quarters. SYM shares retraced on no new company specific news, likely due to profit taking as investors de-risked portfolios on macro concerns. Although SYM sits within the recently out-of-favour growth bucket, the company is highly profitable, valuation is attractive (trading on 11x FY23 EBITDA which is cheap for a 20 per cent earnings grower) while the net cash balance sheet provides optionality, to say nothing of the strong growth runway SYM's Asian expansion strategy offers.

Continued on the next page…

TOP COMPLETED HOLDINGS* (TCH)

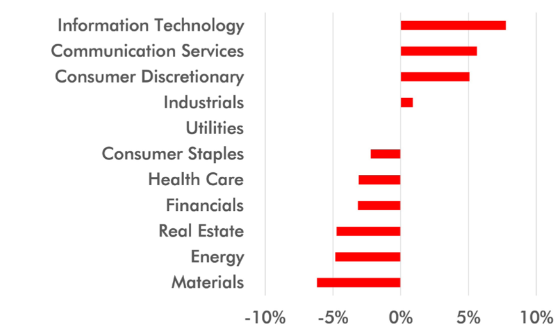
(as at 31 January 2022 showing top 5 of 47 holdings, in alphabetical order)

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

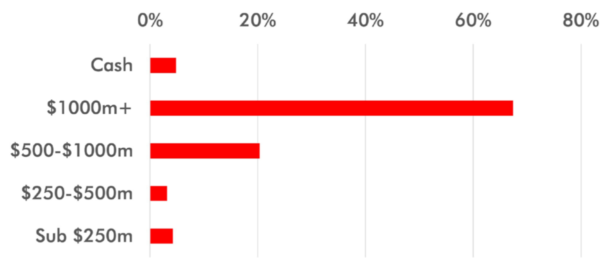
**Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.*

Total equity weighting	95.16%
Total cash weighting	4.84%

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

Market commentary

Global equity markets were rattled by the US Federal Reserve shifting towards a much more hawkish monetary policy stance in January to combat runaway inflation and reflecting the stronger economic backdrop. Rate sensitive stocks such as technology, growth and REITs led the sell-off with energy and decarbonisation names outperforming. Risk-off sentiment was compounded by near-term corporate earnings concerns heading into results season due to ongoing COVID-19 impacts on global supply chains and discretionary consumption patterns. Domestically, numerous retailers warned that trading has been disrupted by the wave of Omicron infections from late-December onwards while many other businesses complained about scarce labour availability and rising costs across the board. Although Omicron's impact is expected to quickly pass, issues such as supply chain impacts, labour availability and cost uncertainty remain unquantified concerns.

Outlook

Globally Western Economies, including here in Australia, are now at the start of a rising interest rate cycle to address the increasing inflationary forces delivered through the huge stimulus actions taken to support economies during the pandemic. Conversely, China, our largest trading partner, is in rate cutting mode as it seeks to support its economy after initiating a slowdown in its property sector last year. China's economically constructive policy settings may indeed help cushion Australia to some extent.

Nevertheless, we expect continued equity market volatility as investors come to grips with the likely pace and extent of the interest rate hikes required as Western Central Banks attempt to deliver sustainable economic conditions consistent with their mandates, usually around price stability (2 per cent inflation) and broadly full employment. We don't pretend to have all the macro answers but we do know that to deliver those outcomes growth will need to be delivered too (stability and growth sound good to us!). There is of course uncertainty associated with a transition such as this, hence the expected volatility, and you can expect us to take advantage of that as it arrives.

Domestically, the RBA has signalled that its interest rate outlook too has changed, with rate rises being "plausible in 2022" versus "not until 2024" previously, albeit Governor Lowe's assessment is that the case for rate rises in Australia is less clear than overseas and is likely further out, a view the data in Australia relative to elsewhere currently supports. The Federal Government's plans to re-open Australia to immigration should help restore the true long-term balance of inflationary forces here in Australia.

Changing inflationary expatiations has also brought about a change in investors' perceptions of the relative attractiveness of the earnings growth opportunities in structural growth stocks versus the lower/less certain growth available in certain cyclical sectors. Whilst the earnings power in these cyclical stocks is lower and less certain, it is generally cheaper (as it should be) but it is also likely available now in the presence of these inflationary factors. This gives rise to a 'rotation' out of higher priced but higher quality growth stocks and into the cyclicals. We are making such moves too, meaning that our growth stocks have got to work harder to remain in the portfolio and not all of them will make the cut, and some new cyclicals will likely take their place. We aim to make the most of the opportunities this rotation throws up for us, just as we have with the other macro challenges we have worked through over the last two years. Don't fight the Fed.

From a COVID-19 point of view, Omicron's peak has most likely passed, and healthcare capability has been maintained. This time there has been far fewer restrictions and lockdowns, as the world including Australia learns to live with the virus. The impact period was also relatively short, and the disruption much more modest. No doubt there will be more COVID-19 challenges ahead, but it appears economically at least we are getting better at handling them. We remain optimistic about the fortunes of re-opening stocks and that shift in spend from goods to services.

Company fundamentals get an update in the upcoming February results season, and already we have had several market warnings to Omicron's earnings impact, alongside supply chain disruptions and rising costs. In many cases that is hardly new news, yet the market to date has marked companies down abruptly for such admissions. We take each case on its merits, as we tend to view Omicron demand weakness or associated cost pressures as relatively short-lived, thus adding to holdings in selected retailers, for example, that have seen already weak share prices further punished. We expect further opportunities through results season.