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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FHT3726AU

RECOMMENDED INVESTMENT TIMEFRAME
5 years

MINIMUM INITIAL INVESTMENT
$25,000

INCEPTION DATE
20 SEPTEMBER 2019

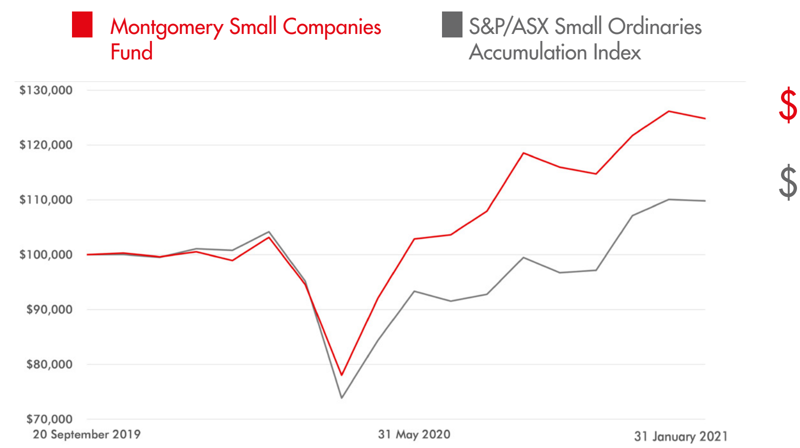
FUND SIZE
$66.5M

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 31 January 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%	-1.08%	-1.08%	-0.25%	-0.83%
3 months	0.00%	8.80%	8.80%	13.03%	-4.23%
6 months	0.00%	15.63%	15.63%	18.33%	-2.70%
12 months	0.00%	20.97%	20.97%	5.38%	15.59%
Since inception#	0.00%	24.82%	24.82%	9.80%	15.02%
Compound annual return (since inception)#	0.00%	17.62%	17.62%	7.09%	10.53%

Inception: 20 September 2019

FUND COMMENTARY

The Montgomery Small Companies Fund (the Fund) declined by 1.08 per cent, in January versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which declined by 0.25 per cent. Since inception (20 September 2019), the Fund has increased 24.82 per cent, outperforming the benchmark by over 15.0 per cent, after all fees and expenses.

The largest positive contributors for January included Bingo Industries (ASX:BIN), Sezzle Inc. (ASX:SZL) and Uniti Group (ASX:UWL). BIN shares soared after the company confirmed it had received a non-binding, indicative $3.50 per share cash bid from CPE Capital and a consortium of investors (including Macquarie Infrastructure and Real Assets MIRA). We are not surprised to see corporate interest in BIN's long-life, infrastructure assets leveraged to 'green themes' (circular economy) with timing somewhat opportunistic given the anticipated earnings recovery and optionality from developing a recycling and ecology park at Eastern Creek. SZL rallied on the back of a stronger than anticipated December 2020 quarterly update which highlighted a doubling of merchant sales and 144 per cent customer growth (to 2.2 million) compared to the prior corresponding period. UWL shares also responded positively to a strong quarterly update, with all key financial performance metrics tracking ahead of market expectations. UWL retains highly strategic infrastructure assets with solid growth potential. In a low growth, low-return world we think these scarce assets will increasingly become highly coveted by large investors with very low cost of capital and very long-term investment horizons.

The largest detractors from performance included Aeris Resources (ASX:AIS), Centuria Capital Group (ASX:CNI) and Western Areas (ASX:WSA). AIS saw profit taking after a period of strong share price outperformance. We believe AIS remains a relatively attractive play on both gold and copper with material upside potential from developing the Constellation copper discovery. CNI retraced on no new news, also following a strong run. We like CNI's property fund management business model and expect the company to be a key beneficiary of capital inflows as investors seek out yield. WSA slumped on a disappointing quarterly update which featured lower than expected production volumes and higher cash costs. This suggests delivering consistent operating performance from its two key assets as they near the end of their lives is becoming increasingly difficult. Although we like WSA's nickel exposure, we nevertheless trimmed our position based on execution risks.

Market commentary

Global equities were volatile in January, selling off late in the month after a relatively strong start to the calendar year. Investors initially looked beyond worsening worldwide COVID-19 infections and widespread lockdowns as the vaccine rollout ramps up, proving hope for the economic recovery scenario. The new Biden Administration's US$1.9 trillion stimulus package was also welcomed with the pathway made marginally easier after the Democrats narrowly took control of the Senate. Domestically, the economy continues to recover well ahead of market expectations. This was recently confirmed by strong data points across key macro indicators, such as jobs, retail trade, auto sales, home prices, residential building approvals, home loans and exports. Despite pandemic driven border closures and lockdowns in our three most populous states, Australia truly remains 'the lucky country.'

TOP COMPLETED HOLDINGS* (TCH)

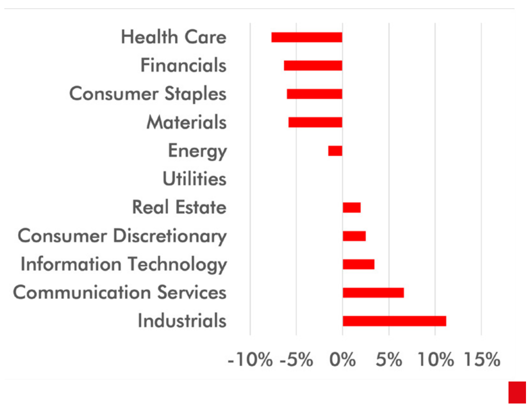
(as at 31 January 2021 showing top 5 of 51 holdings, in alphabetical order)

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/
Ingenia Communities Group	ASX:INA	https://www.ingeniacommunities.com.au/
Macquarie Telecom Group	ASX:MAQ	https://macquarietelecom.com/
Uniti Group	ASX:UWL	https://unitigrouplimited.com/

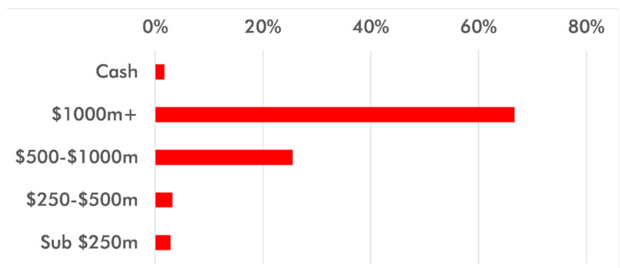
Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.

Total equity weighting	98.27%
Total cash weighting	1.73%

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



MARKET CAPITALISATION EXPOSURE



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

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) 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.

Perspective, positioning and outlook

We are approaching a potential COVID-19 sentiment tipping point in ravaged and oppressed Western Economies. The UK vaccine rollout appears on track to achieve first shot coverage of front-line workers and vulnerable population cohorts on or around 15 February; the US is not far behind. The tipping point is nearly here, it's visible and is a game changer from a certainty of economic activity in those markets. Not to mention a relief. Here in Australia it's hard to understand how much this has curtailed life, liberty and economic activity, but we will now see. And we expect the next quarter of news to be dominated by reopening, and the next year in markets to have this as an economic backdrop.

Fund positioning remains a balance, on the one hand we continue to pursue owning companies that are competitively advantaged market share takers (the structural winners), whilst making the most of shorter term or more cyclical opportunities that leverage that re-opening event described above. Today the Fund remains well positioned in select technology names, especially those seeking to exploit the change in technology economics that Cloud brings. We are also looking to benefit from those re-opening scenarios. In sectors where demand has been suppressed, we seek to own those businesses that have improved their competitive position through that COVID-19 demand suppression period to make the most of the pent-up demand driven activity spring-back we expect. We also own businesses that are benefitting from the burgeoning stimulus or second order effects of that – areas like select resources or battery Electric Vehicle (EV) feedstock food chain reflecting the change in market demand due to the change in subsidy/stimulus/support now evident in Western markets. In the short term, earnings season is almost upon us, we expect results to be good and guidance to be better, driven by some of the themes we are looking to exploit in the portfolio.

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