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
$254.1M

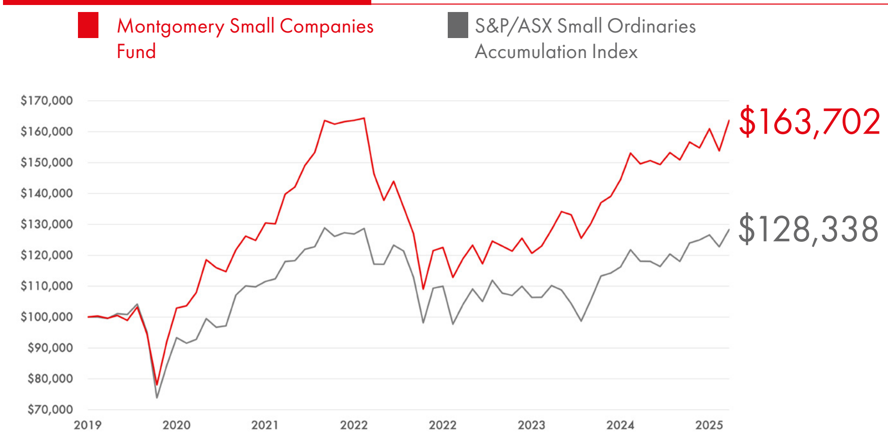
MANAGEMENT FEES AND COSTS
1.23% per annum*, which includes a management fee of 1.03% per annum.

*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 31 January 2025, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	6.45%	**6.45%**	4.59%	1.86%
3 months	0.00%	5.79%	**5.79%**	2.70%	3.09%
6 months	0.00%	6.84%	**6.84%**	6.57%	0.27%
12 months	0.19%	17.50%	**17.69%**	12.32%	5.37%
3 years (p.a.)	0.87%	2.93%	**3.80%**	3.10%	0.70%
5 years (p.a.)	2.14%	7.53%	**9.67%**	4.25%	5.42%
Since inception#	11.53%	52.17%	**63.70%**	28.34%	35.36%
Compound annual return (since inception)#	2.05%	7.57%	**9.62%**	4.76%	4.86%

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

TOP COMPLETED HOLDINGS* (TCH)

(as at 31 January 2025 showing top 5 of 50 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Life360	ASX:360	https://www.life360.com/
Gold Road Resources	ASX:GOR	https://www.goldroad.com.au/
HUB24	ASX:HUB	https://www.hub24.com.au/
Pinnacle Investment Management	ASX:PNI	https://www.pinnacleinvestment.com/
Zip Co	ASX:ZIP	https://zip.co/

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

Total equity weighting	94.25%
Total cash weighting	5.75%

TOP 3 CONTRIBUTORS AND DETRACTORS

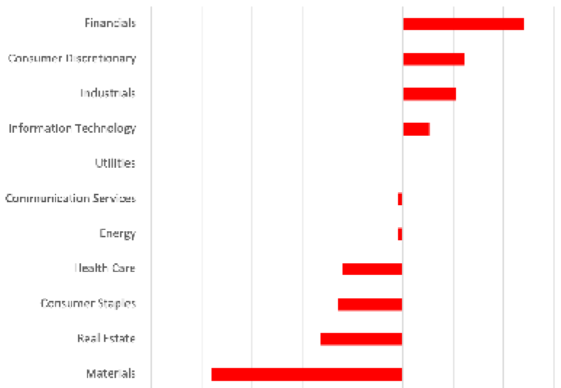
CONTRIBUTORS

Gold Road Resources	Improved operational performance drove a revaluation of the shares
HUB24	Share price rose from robust fundamentals highlighted in the quarterly report
Ingenia Communities Group	Share price increased due to a profit upgrade

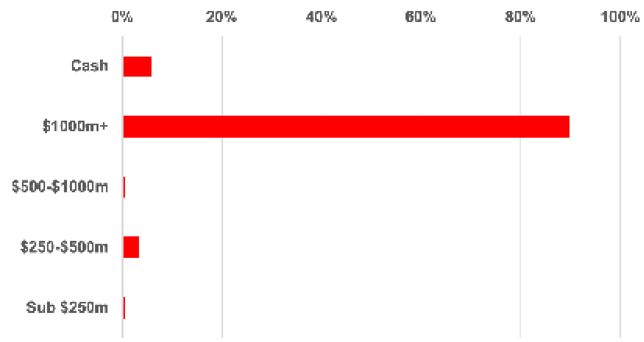
DETRACTORS

Alliance Aviation Services	Share's fell on no new news
TechnologyOne	Share price declined on no new news, the position has been exited
Zip Co	The company's quarterly result was poorly received

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

For the month of January, the Montgomery Small Companies Fund (the Fund) increased by 6.45 per cent, net of fees, versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 4.59 per cent. Since inception (20 September 2019), the Fund has increased by 63.70 per cent, outperforming the benchmark by 35.36 b per cent, after all fees and expenses.

The largest positive contributors for December included Gold Road Resources (ASX:GOR), HUB24 (ASX:HUB) and Ingenia Communities Group (ASX:INA).

Gold Road Resources shares had another strong month; last month it was Northern Star's (NST:ASX) bid for De Grey Mining (ASX:DEG) where Gold Road Resources holds a 17.3 per cent stake of the undeveloped Hemi mining project. This month's share price performance was driven by a supportive gold price backdrop and a better operational performance at the Gruyere mine (Gold Road Resources has a 50 per cent stake in the mine operated by listed South African Mining House Gold Fields). Gruyere's update for the December 2024 quarter showed improving operational metrics, from a subdued base, as the mine started to hit its straps post a period of bad luck (weather) as well as weak execution. The quarterly report indicated that Gruyere is back on track to deliver production gold oz and do so at reasonable cost expectations which at today's gold price in Australian Dollar terms means strong margins and cashflows. Gold Road Resources' Gruyere asset offers a longer mine life than average for a gold miner in the Small Ords, and a relatively more straightforward mining operation. We believe this will lead to greater visibility of lower-risk, higher-margin gold exposure, accompanied by an improved valuation framework that accurately reflects these strengths.

HUB24's shares rallied strongly in late January post the release of its quarterly update showing stronger than expected funds under administration (FUA) and re-iterating its F26 FUA growth targets. HUB24 is a structural growth story, benefitting from the move of Wealth/Financial advisers towards independence, meaning HUB24 takes market share in a growing market. The company also provides strong leverage to equity market flows which are harder to predict and can present short-term volatility, although the set-up looks attractive right now (investors coming back to markets now that recession risk has reduced). Its latest report highlighted the inherent upside potential driven by a combination of market growth exposure and positioning.

Retirement village developer and operator Ingenia Communities Group's share price lift of 25.5 per cent in January put it on the Fund's winner list for the month. Ingenia Communities Group upgraded its revenue and earnings outlook for fiscal 2025 on the back of stronger than expected home settlements, better cost control generally and in addition cost benefits from closing down its sub-scale fund management business. We like the business as it provides the Fund with exposure to a structural tailwind – the monetisation of the wealth embedded in residential housing held by older Australians as they look to sell the family home and use this capital to downsize to a retirement home with attendant high-quality lifestyle and retirement community services. Ingenia Communities Group is in growth mode, it's a scale player with some great assets that have a strong growth outlook but have a history of being inefficiently run. New CEO John Carfi has been brought in to examine the portfolio, sharpen the focus, prioritise profitable growth but cut costs and lift returns. January's profit upgrade is a step in the right direction, with portfolio simplification lowering costs and lifting near term earnings. And we think, there's more to come.

The largest detractors from performance included, Alliance Aviation Services (ASX:AQZ), TechnologyOne (ASX:TNE) and ZIP Co (ASX:ZIP).

January is a quiet month for Australian equity markets, and sometimes stocks can be on the loser list without a specific event occurring to put them there. Alliance Aviation Services and TechnologyOne are examples of this, falling 7 per cent and 1 per cent respectively in the month versus a market which increased by 4.6 per cent. Alliance Aviation Services has been a solid portfolio under-performer over the past year, as the market has become focused on the impact of the high capex spend that effectively triples Alliance Aviation Services' capacity, rather than excited by the earnings growth that the extra capacity will bring as the new aircraft get put to work. Capital expenditures and Alliance Aviation Services' balance sheet leverage are expected to peak this year, with net debt reaching its highest point in FY26. Beyond that, strong free cash flow from operational assets will deliver reduced debt. We estimate that leverage (Net Debt to EBITDA) peaks at just over 2, which we see as acceptable given Alliance Aviation Services' balance sheet is strongly asset backed and as we have observed, the business has adequate funding at reasonable costs with which to finance its capacity expansion. There's been no news that drove Alliance Aviation Services' shares to be in the loser circle in January, and their results are due in early February where we expect continued earnings growth (as more and more of the new fleet gets put to work), and rising investment spend to pay for the capacity expansion.

TechnologyOne has been a strong performer for the Fund since we initiated the latest position in 2022. It's a structural growth story, that offers strong visibility on its growth drivers, and clips along at a healthy 15+ per cent earnings growth pace. A consistent grower at that cadence is scarce and has seen the company graduate from a fast-growth small cap to large cap as it made its way into the ASX 100 Index last year. We took the view that TechnologyOne's growth characteristics and certainty was even more scarce to ASX 100 investors, and that the company's valuation regime would become more expensive as large cap investors in Australia tend to pay up for high-quality growers, given the investment landscape there is dominated by large banks (which have low, if any growth) and large resources (cyclical if any growth). TechnologyOne's earnings have grown almost 40 per cent since we bought it, and its valuation regime has doubled (from 35x P/E to 74x today). We sure love those large cap investors sense of value! TechnologyOne has been good to us, it's a quality business with a strong future, but it's time to move on to the next one and the Fund has recently exited its position.

We got zapped by ZIP Co at the back end of the month, and in hindsight, the set-up into ZIP Co's December 2024 quarterly operational metric release had many of the hallmarks of short-term transitory under-performance in place. The duration of investor patience in fast growth stocks where share prices have done exceptionally well is like an elastic band. The better the share price does, the more tension in the band. And small errors lead to sore fingers. In ZIP Co's case, 2024 had been a banner year with the share price up 366 per cent (and that's after the shares were down 13 per cent in December). ZIP Co's quarterly metrics looked good to us, albeit a couple of items there deserved some attention and discussion. It is these small items that raised concerns which, with no public call there was somewhat of a vacuum of explanation and insights that left room for sentiment to have an over-bearing influence on the share price in the short run. ZIP Co's management team will present their full first-half results in mid-February.

In these results, we anticipate greater clarity on key areas of focus: Australian revenue to transaction value margins (Australian grew faster than expected, and revenue lags transactions) & ZIP Co's ability to balance fast growth with the risk of credit losses in the U.S. market (very doable, and we expect insights from ZIP Co's U.S. peers' quarterly reports to show the U.S. growth opportunity is in good health). Overall, we believe the market will recognise that ZIP Co's growth equity story remains strong and intact.