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

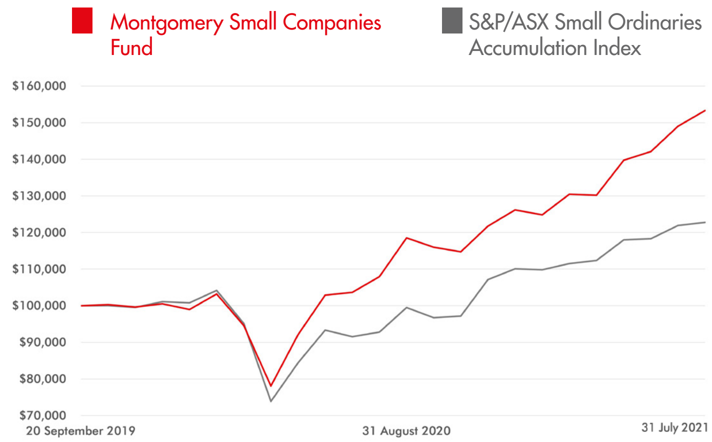
FUND SIZE
$113.0M

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



$153,338

$122,764

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 31 July 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%	2.88%	**2.88%**	0.68%	2.20%
3 months	5.65%	4.06%	**9.71%**	4.06%	5.65%
6 months	6.32%	16.53%	**22.85%**	11.80%	11.05%
12 months	7.31%	34.73%	**42.04%**	32.30%	9.74%
Since inception#	7.89%	45.45%	**53.34%**	22.76%	30.58%
Compound annual return (since inception)#	4.16%	21.65%	**25.81%**	11.65%	14.16%

Inception: 20 September 2019

FUND COMMENTARY

The Montgomery Small Companies Fund (the Fund) returned 2.88 per cent, net of fees, in July versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 0.68 per cent. Since inception (20 September 2019), the Fund has increased by 53.34 per cent, outperforming the benchmark by over 30 per cent, after all fees and expenses.

The largest positive contributors for June included Macquarie Telecom Group (ASX:MAQ), Orocobre (ASX:ORE) and Pilbara Minerals (ASX:PLS). Investors welcomed MAQ's announcement of a major data centre expansion, 'IC3 Super West', a 32MW project which will almost triple the Macquarie Park site's total IT load capacity to 50MW. The first phase of construction is targeting completion in the second half of 2023 with the expansion reflecting MAQ's confidence in the longer-term demand outlook, underpinned by structural growth in digitisation and enterprise computing migrating to the cloud. As the build will occur over stages, we estimate MAQ can fund the development from its balance sheet so all the incremental value should flow directly to existing shareholders.

ORE rallied after brokers upgraded their lithium carbonate pricing assumptions based on stronger than expected pricing outcomes achieved by the company during the June 2021 quarter and rapidly improving market conditions. The global decarbonisation thematic continues to gather momentum and post ORE's impending merger with Galaxy Resources (ASX:GXY), the combined group will be a top five global producer with its significant brine operations positioned very low on the cost curve. Growing investor enthusiasm towards the battery material feedstock produces also propelled PLS' shares higher over the month. PLS also benefited from broker forecast upgrades, driven by higher volume forecasts as well as higher spodumene price expectations. Decarbonisation is a multi-decade investment opportunity and Australia is blessed with many ways to play this theme; we maintain a solid exposure balanced against what we view as acceptable risk.

The largest detractors from performance included HUB24 (ASX:HUB), Megaprt (ASX:MP1) and Pointsbet (ASX:PBH). HUB gave back some recent share price gains after the company reported strong quarterly platform inflows but flagged continued investment in people and technology to support future growth. We would prefer to see the business deliver near-term operating leverage, however taking a view beyond simply the next profit print we can understand the strategic logic in strengthening the competitive position because there is clearly something to play for. The structural trends within the platform sector remain strong as advisers continue to migrate towards independent boutiques creating an opportunity for players like HUB to take share based on superior technology. MP1 shares also consolidated after reaching record highs in the prior month. News flow was encouraging with the company delivering a strong quarterly update, highlighting accelerating momentum across the business. MP1 has strategically repositioned its sales efforts towards third-party relationships and early signs suggest this initiative is gaining solid traction. New products also provide significant upside potential for the company.

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TOP COMPLETED HOLDINGS* (TCH)

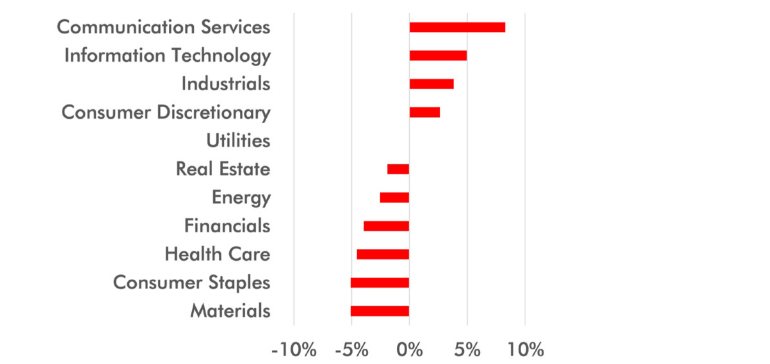
(as at 31 July 2021 showing top 5 of 50 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Aeris Resources	ASX:AIS	https://www.aerisresources.com.au/
Alliance Aviation Services	ASX:AQZ	https://www.allianceairlines.com.au/
Corporate Travel Management	ASX:CTD	https://www.travelctm.com/
Macquarie Telecom Group	ASX:MAQ	https://macquarietelecom.com/
Megaport	ASX:MP1	https://www.megaport.com/

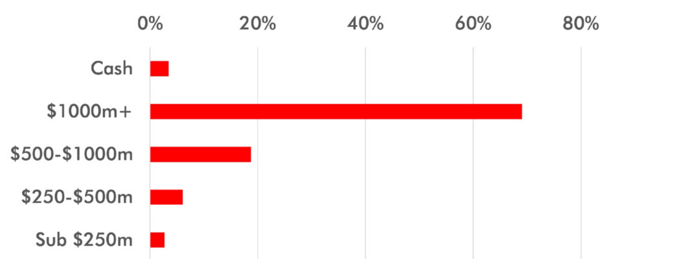
**Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.*

Total equity weighting	96.54%
Total cash weighting	3.46%

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

PBH sold off on no new news. Late in the month, the company raised $400 million to fund further client acquisition, predominantly within the large North American sports betting and iGaming market which is progressively legalising. We participated in the capital raise. Although PBH remains a relatively small player and continues to burn cash, management have executed well and we remain attracted to the thematic – a once in a generation market formation event.

Market commentary

Global equities largely looked past higher than expected inflation data and rising delta variant infections to post further gains in July, supported by strong quarterly earnings reports and a sharp decline in bond yields. Despite lots of market chatter about reaching peak growth, peak liquidity, peak everything, stocks tend to follow corporate earnings and most equity strategists we follow uphold a positive outlook for earnings growth, suggesting the bull market keeps on keeping on. Domestically, the near-term picture has rapidly deteriorated as a number of major capital cities went into lockdown to combat rising COVID-19 cases. Vaccination rates in Australia remain low and the NSW outbreak (and all the others) reminds us all that vaccines offer a route back to a life without restrictions. The good news is that complacency is no longer an option, and the political narrative is shifting…from eradication to learning to live with the virus. On the back of the recent lockdowns, investors broadly rotated from domestic opening-up stories back into stay-at-home winners. The other major notable market dynamic in July was the strength in resources, particularly Electric Vehicle (EV) battery material feedstock producers; decarbonisation continues to gain global momentum.

Outlook

Results season is upon us, and as you'd expect we have prepared for what we think is coming our way. Our preparations shifted somewhat as the domestic delta variant lockdown risks deepened. That said, results are going to be good, there is little debate about that. It's been a goldilocks period for many businesses, particularly those exposed to domestic goods consumption. However, results are backwards looking…it's the forward-looking statements that are important. When it comes to outlook commentary, we expect a cautious tone from management teams of those companies which benefited most in FY21 from stimulus driven demand, but who are now facing near-term uncertainty around activity levels due to lockdowns, and this time with less direct stimulus in the system and less support on labour related expenses (Jobkeeper). Cost-inflation will be another headwind for businesses to navigate. With this in mind, we have strategically positioned the portfolio towards stocks exposed to overseas consumption and positive re-opening scenarios. So we prefer overseas retail and travel related plays, alongside a healthy selection of structural growth stocks and stocks levered to resources that are inputs into the EV feedstock supply chain as decarbonisation decisions drive demand.