



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 "lifecyle 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

PORTFOLIO MANAGERS

Gary Rollo
Dominic Rose

RECOMMENDED INVESTMENT TIMEFRAME

5 years

MINIMUM INITIAL INVESTMENT

\$25,000

INCEPTION DATE

20 SEPTEMBER 2019

FUND SIZE

\$159.3M

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

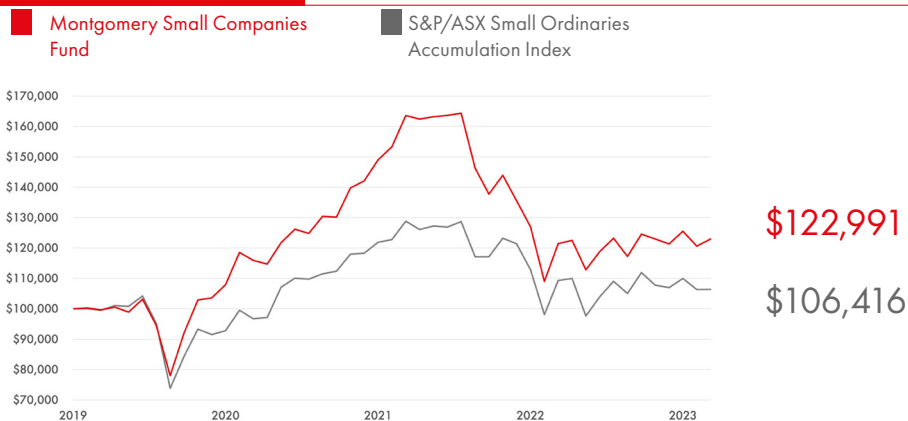
PERFORMANCE FEES

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 30 June 2023, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.70%	1.25%	1.95%	0.03%	1.92%
3 months	0.69%	0.65%	1.34%	-0.54%	1.88%
6 months	0.72%	4.21%	4.93%	1.32%	3.61%
12 months	0.75%	12.04%	12.79%	8.45%	4.34%
3 years (p.a.)	3.51%	2.37%	5.88%	5.16%	0.72%
Since inception#	11.29%	11.70%	22.99%	6.42%	16.57%
Compound annual return (since inception)#	2.87%	2.76%	5.63%	1.66%	3.97%

Inception: 20 September 2019

Past performance is not indicative of future performance



TOP COMPLETED HOLDINGS* (TCH)

(as at 30 June 2023 showing top 5 of 50 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
AUB Group	ASX:AUB	https://www.aubgroup.com.au/
Bapcor	ASX:BAP	https://www.bapcor.com.au/
Macquarie Technology Group	ASX:MAQ	https://macquarietechnologygroup.com/
National Storage REIT	ASX:NSR	https://www.nationalstorageinvest.com.au
Seven Group Holdings	ASX:SVW	https://www.sevengroup.com.au/

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

Total equity weighting 94.59%

Total cash weighting 5.41%

TOP 3 CONTRIBUTORS AND DETRACTORS

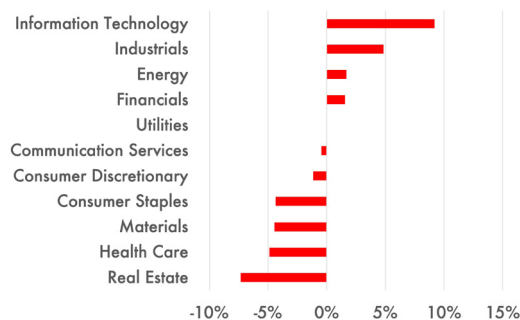
CONTRIBUTORS

AUB Group	Shares rallied on positive broker reports
ImpediMed	Shares gained on building payor momentum
Macquarie Technology Group	Shares rallied after capital raising

DETRACTORS

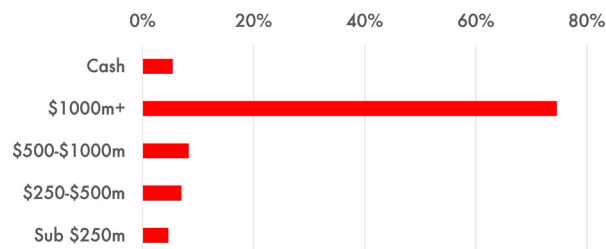
Alliance Aviation	Shares fell on peer downgrade
Gold Road Resources	Shares fell after production downgrade
Johns Lyng Group	Shares fell despite earnings upgrade

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



■ Montgomery Small Companies Fund

MARKET CAPITALISATION EXPOSURE



CONTACT DETAILS

INVESTORS

Toby Roberts
t 02 8046 5017
e troberts@montinvest.com

David Buckland
t 02 8046 5004
e dbuckland@montinvest.com

ADVISERS, RESEARCHERS AND PLATFORMS

Scott Phillips
States – National
m 0417 529 890
e sphillips@montinvest.com

David Denby
States – VIC, SA & TAS
m 0455 086 484
e ddenby@montinvest.com

Michael Gollagher
States – QLD
m 0409 771 306
e mgollagher@montinvest.com

Dean Curnow
States – NSW, ACT & WA
m 0405 033 849
e dcurnow@montinvest.com

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 ⊕ FirstWrap ⊕ AMP North ⊕ MLC 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. The PDS and Target Market Determination (TMD) are 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.



The Montgomery Small Companies Fund (the Fund) returned 1.95 per cent, net of fees, in June versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 0.03 per cent. Since inception (20 September 2019), the Fund has increased by 22.99 per cent, outperforming the benchmark by 16.57 per cent, after fees and expenses.

The largest positive contributors for June included AUB Group (ASX:AUB), ImpediMed (ASX:IPD) and Macquarie Technology Group (ASX:MAQ). AUB shares rallied on no new company specific news with investors likely encouraged by several broker reports highlighting continued strength in global insurance premiums. We still see value in AUB with the robust growth outlook and balance sheet optionality.

IPD shares responded positively to building momentum in private payor coverage with four of the largest health systems in Michigan (covering more than 80 per cent of the State's insured population) updating their medical policies during the month for reimbursement coverage of IPD's SOZO platform for lymphoedema testing. Within three months of bioimpedance spectroscopy (BIS) inclusion into the NCCN Guidelines for Cancer Survivorship, IPD has reached critical mass for reimbursement coverage in its first target State with management continuing to project nearly half of all U.S. private payors to publish coverage by the end of 2023 and nearly all by the end of FY24. The future demand picture appears to be forming nicely, key will be internal execution from here.

MAQ shares traded well after the company raised \$160 million in fresh equity via an institutional placement to strengthen its balance sheet and provide funding flexibility, positioning the company to fully fund its Sydney datacentre campus expansion. FY23 earnings guidance was confirmed while potentially greater liquidity in the shares post the equity raise should help unwind the material valuation discount to global listed peers.

The largest detractors from performance included Alliance Aviation (ASX:AQZ), Gold Road Resources (ASX:GOR) and Johns Lyng Group (ASX:JLG). AQZ shares drifted lower on no new news, however airline Regional Express (ASX:REX) issued a material profit warning citing a shortage of pilots and engineers causing significant reductions in flight schedules. AQZ is an earnings growth story we expect to play out over FY24 and FY25 as the 60 aircraft that management acquired at attractive prices during the aviation sector's period of COVID distress now get put to work and we wait to see the earnings power that should become evident in the business during that period.

GOR shares sold off after the company warned that 2023 gold production will likely fall short of guidance (c.6 per cent miss) due to drill and blast issues experienced during the June 2023 quarter, exacerbated by bad weather. Operational challenges stemming from labour shortages and inclement weather have plagued the domestic mining sector over the past year and remain a near-term risk to the earnings outlook. However, the longer-term valuation impact should be immaterial with ore mined delayed rather than lost.

JLG upgraded FY23 its earnings guidance, however this was not enough to satisfy investors who were looking for more from the company. In addition, the earnings upgrade was from the CAT (catastrophe) area of the business which is viewed by the market as lower quality compared to the more reliable Business as Usual (BAU) segment.

Macro, outlook and positioning

Global equity markets rallied in June, as economic data and corporate earnings remained relatively resilient in the face of much higher interest rates, offering hope in a soft-landing scenario. Economists continue to debate the probability and exact timing of a potential global recession. The expected lagged impact of higher official cash rates given the stickiness of inflation and stubbornly tight labour markets implies possibility that further rate hikes may be required. However, the narrative has shifted towards "just a couple more from here" and that the hiking cycle may be close to the end... the next battle will be arguing about when we see cuts.

The domestic macro backdrop, specifically retail sales data and trading updates from certain discretionary retailers, suggest that we are now seeing a marked slowdown in the household sector with a resumption of immigration providing some offset. Retailers have flagged a significant drop off in domestic discretionary consumption during the June 2023 Quarter as higher interest rates and cost of living pressures bite into household budgets. Domestic corporates have become increasingly cautious on their near-term earnings outlook, faced with demand uncertainty coupled with rising costs (particularly labour, rents and power).

Goodbye FY23, Hello FY24

We enter the new financial year with an overweight to growth stocks, specifically those that have taken steps to cut costs, focus on profits and cashflows whilst preserving optionality for future growth when the conditions allow. We aim to take advantage of the material compression of growth stock valuations we have seen in the past 18 months. We remain cautious on consumer related areas of the market as we can see the obvious demand pressures ahead, but don't believe we can accurately approximate the potential earnings and stock valuation impact on many stocks in this area of the market.

FY23 was a reasonable year for the Fund and our investors, delivering 12.79 per cent returns, net of all fees, with an excess return of 4.34 per cent above our benchmark, whilst not accepting a level of risk that is materially different to that of the market. We thank you for your support and look forward to working hard for you in FY24 and beyond.

With the conclusion of the financial year the Fund paid a distribution of 0.7777 cents per unit. Accordingly, after ending FY23 with a unit price of \$1.1354, we commence FY24 with a unit price of \$1.1276.

