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

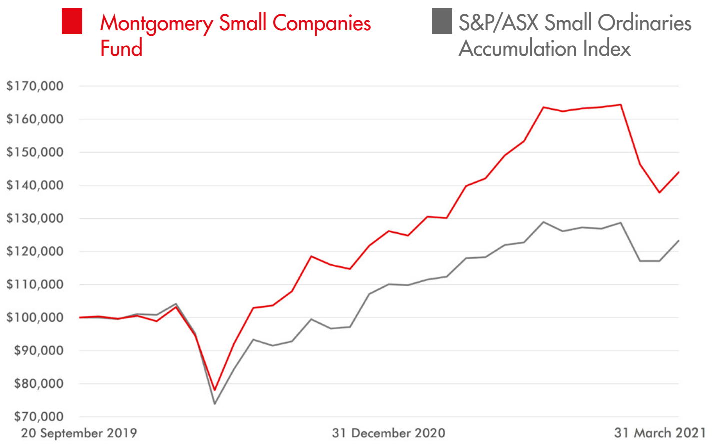
FUND SIZE
$165.8M

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



$143,940

$123,259

CONTACT DETAILS

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PORTFOLIO PERFORMANCE

(to 31 March 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%	4.47%	**4.47%**	5.26%	-0.79%
3 months	0.00%	-12.44%	**-12.44%**	-4.21%	-8.23%
6 months	0.00%	-11.38%	**-11.38%**	-2.27%	-9.11%
12 months	6.06%	4.51%	**10.57%**	9.68%	0.89%
2 years (p.a.)	4.93%	30.88%	**35.81%**	29.18%	6.63%
Since inception#	7.89%	36.05%	**43.94%**	23.26%	20.68%
Compound annual return (since inception)#	3.05%	12.45%	**15.50%**	8.63%	6.87%

Inception: 20 September 2019

FUND COMMENTARY

The Montgomery Small Companies Fund (the Fund) delivered a return of 4.47 per cent, net of fees, in March versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 5.26 per cent. Since inception (20 September 2019), the Fund has increased by 43.94 per cent, outperforming the benchmark by 20.68 per cent, after fees.

The largest positive contributors for February included Aeris Resources (ASX:AIS), EML Payments (ASX:EML) and Uniti Group (ASX:UWL). AIS shares rallied on the back of some positive preliminary drilling results at the company's Avoca Tank underground copper mine which sits within the Tritton operations. Having raised $50 million in June 2021, AIS has been focused on greenfield exploration programs around existing operations with the aim of extending the mine life and production expansion. Early signs are encouraging with significant valuation upside potential should the company successfully increase its copper resources and reserves.

EML shares rose, likely driven by investors looking to leverage rapidly rising global interest rates and with only limited options available within the Small Caps universe. At the December 2021 half-year result, EML highlighted that 100 basis points increase in global interest rates would add $14-15 million to annual EBITDA, equating to around 24 per cent of their FY22 EBITDA guidance.

UWL received a $5.00 per share cash takeover offer from a consortium comprising Morrison & Co. and Brookfield Infrastructure Group (increased from the initial $4.50 per share bid after Macquarie Infrastructure & Real Asset Holdings joined the action with a $5.00 offer).

UWL have granted the Morrison/Brookfield consortium exclusive due diligence for four weeks from 18 March 2022. It remains to be seen if a takeover bid for the company becomes contested; our view is that these are highly strategic and unique assets with long-term, inflation-protected annuity-like cashflows, coveted by institutional investors looking to capitalise their very low costs of capital.

The largest detractors from performance included Audinate Group (ASX:AD8), Accent Group (ASX:AX1) and City Chic Collective (ASX:CCX). AD8 shares weakened on investor concerns about global chip shortages which could be prolonged by the ongoing Ukraine war and the Chinese COVID-19 lockdown events. We see supply chain constraints as clouding the short-term outlook and only temporary in nature, and we are encouraged by the medium-term opportunity for the company, underpinned by strong demand for audiovisual digital networks, technology leadership and expanding the addressable market via new products like video.

Macro headwinds from rising interest rates, high petrol prices and general cost of living pressures weighed on listed discretionary retailers, including AX1, potentially offsetting some of the reopening momentum and benefits from higher gross margins. We view AX1 as relatively well-positioned to withstand these factors considering the company's younger customer demographic (less sensitive to rate rises) and the store roll-out strategy.

Continued on the next page…

TOP COMPLETED HOLDINGS* (TCH)

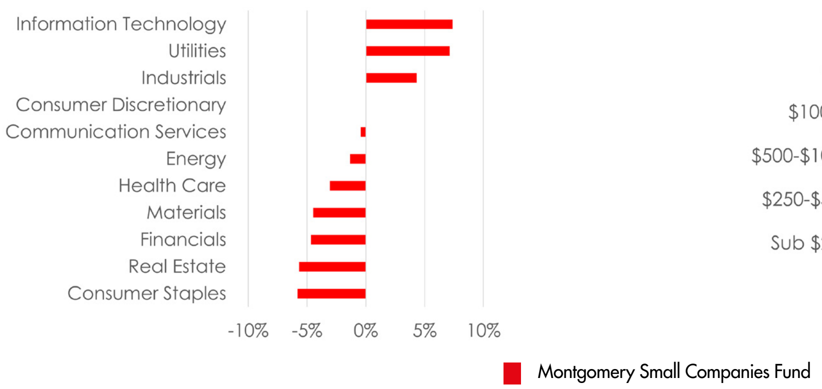
(as at 31 March 2022 showing top 5 of 49 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Alliance Aviation Services	ASX:AQZ	https://www.allianceairlines.com.au/
Macquarie Telecom Group	ASX:MAQ	https://macquarietelecom.com/
Megaport	ASX:MP1	https://www.megaport.com/
Symbio Holdings	ASX:SYM	https://www.symbio.global/
Uniti Group	ASX:UWL	https://unitigrouplimited.com/

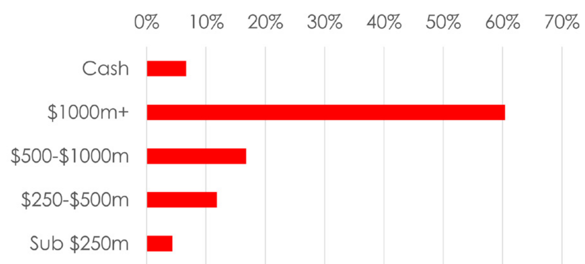
**Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.*

Total equity weighting	93.36%
Total cash weighting	6.64%

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



MARKET CAPITALISATION EXPOSURE



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

CCX shares were also not immune to souring investor sentiment towards discretionary consumption patterns as the global macro backdrop softened (interest rates and fuel). Higher inventory levels required to counter supply chain disruptions and grow new regions have also dented confidence in the near-term CCX equity story. We back management's strategy to invest in stock since competitors continue to face shortages which suggests demand remains solid and market share is there for the taking for retailers with stock to sell. CCX is going after a large, underserviced market and has multiple growth levers (product and geographic expansion) which should help cushion any blows from a softer macro environment.

Outlook and positioning

The US Federal Reserve got its much-anticipated interest-raising cycle started in March with a rate increase in its Federal Funds Target Rate to 50 basis points. Its updated dot-plot provides insight on their longer-term interest rate expectations that are targeting a journey towards 300 basis points. Currently, market pricing expects we will be almost two-thirds of the way there by the end of 2022 and fully there in 2023. The general perception is that the Fed remains behind the curve with short-term rates at 50 basis points against inflation prints in the high single digits. The unexpected Chinese COVID shutdowns and Russian War are adding to inflation drivers and to fears of larger near-term interest rate increases being on the cards. Australia's RBA has also started its journey preparing the markets for rate increases, with Governor Lowe suggesting the Bank is no longer patient in its appetite for rate rises and indicating June as the first rate rise post the forthcoming Federal Election scheduled for 21 May. At a company level, every management team we speak to talks about their efforts to manage rising costs, and particularly coming wage inflation.

Activity in the Fund has been centred around those stocks that can be net beneficiaries from inflation forces, with a focus on areas where there is a more structural argument that rising prices will stay the course for longer. For instance, we can see sectors where the costs are rising the fastest are often prevalent where there has been known under-investment to develop sustainable resilient capacity, from Lithium, to Oil and the supply chains for food and consumer goods. Consequently, demand increases driven by economic recovery and de-carbonisation, or supply-side shocks are falling onto brittle under-prepared capacity with inflationary consequences. And so, we continue to make investments in those areas.

The portfolio has enjoyed its de-carbonisation exposure, participating in the boom in Electric Vehicle (EV) material feedstock prices, primarily Lithium. Whilst we could not tell you where the Lithium spot price will go tomorrow, we believe the easy money has been made in this sector. The Fund's exposures are now almost exclusively in producers monetising high prices. The benchmark does not have a single producer, yet most developers have multi-billion dollar valuations. The Fund has increased its exposure to other energy related stocks as it's dawning on the world that we need greater energy security to help us get to the point of de-carbonisation, and Uranium it seems, to diversify its energy sources away from unfriendly nations whilst delivering carbon-free energy long into the future.