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

$156.7M

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

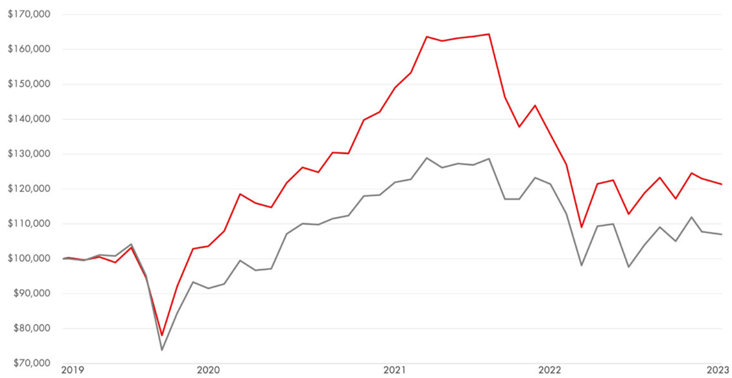
PERFORMANCE FEES

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 March 2023, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-1.33%	**-1.33%**	-0.72%	-0.61%
3 months	0.00%	3.54%	**3.54%**	1.88%	1.66%
6 months	0.00%	7.57%	**7.57%**	9.55%	-1.98%
12 months	1.92%	-17.61%	**-15.69%**	-13.19%	-2.50%
3 years (p.a.)	4.30%	11.56%	**15.86%**	13.15%	2.71%
Since inception#	10.51%	10.85%	**21.36%**	7.00%	14.36%
Compound annual return (since inception)#	2.87%	2.77%	**5.64%**	1.94%	3.70%

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

TOP COMPLETED HOLDINGS* (TCH)

(as at 31 March 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/
Johns Lyng Group	ASX:JLG	https://johnslyng.com.au/
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	92.42%
Total cash weighting	7.58%

TOP 3 CONTRIBUTORS AND DETRACTORS

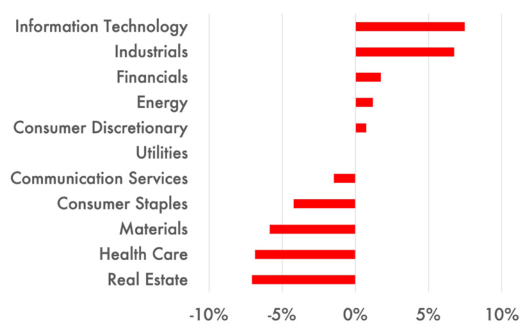
CONTRIBUTORS

Aeris Resources	Recovers from prior month under-performance
ImpediMed	Game changing NCCN Cancer survivorship standard of care inclusion
Ramelius Resources	Gold rally lifts the company's free cash flow expectations

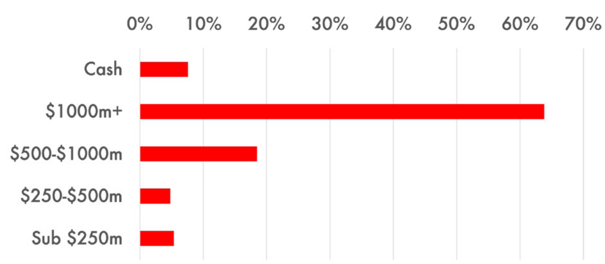
DETRACTORS

AUB Group	No company specific news, profit taking given strong recent performance
Pinnacle Investment Management	Weak markets = weak industry fund flows = weak share price
Praemium	Weak markets = weak industry fund flows = weak share price

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



MARKET CAPITALISATION EXPOSURE



Montgomery Small Companies Fund

CONTACT DETAILS

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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

The Montgomery Small Companies Fund (the Fund) declined 1.33 per cent, net of fees, in March versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which declined by 0.72 per cent. Since inception (20 September 2019), the Fund has increased by 21.36 per cent, outperforming the benchmark by 14.36 per cent, after fees and expenses.

The largest positive contributors for March included Aeris Resources (ASX:AIS), ImpediMed (ASX:IPD) and Ramelius Resources (ASX:RMS). Stronger underlying copper prices propelled AIS shares higher, recovering much of the prior month's sell-off which was largely caused by lower commodity price assumptions incorporated into managements' revised FY23 earnings guidance. We remain attracted to AIS as a leveraged-play on an improving medium-term outlook for copper, its growing production potential and a background of growing demand driven by decarbonisation and constrained supply. IPD shares rallied on the back of the U.S. National Cancer Council Network (NCCN) revising its survivorship guidelines to reflect BIS (bioimpedance spectroscopy – IPD has the only FDA approved product based on this technology) as the only objective measurement tool for Lymphedema in cancer patients. Guideline inclusion should accelerate commercial adoption of IPD's Sozo product, broaden its application beyond breast cancer and increase reimbursement potential. This could be a game changer for the medical device company. RMS shares bounced on improved investor sentiment towards gold, spurred on by lower US treasury bond yields and concerns about the events in the global banking system; more on that below. Importantly, higher grade ore feedstock at RMS drives higher gold output into a backdrop of higher gold price and lower Australian dollar (versus the U.S dollar) should convert to strong cashflows for the gold miner. Cashflows count.

The largest detractors from performance included AUB Group (ASX:AUB), Pinnacle Investment Management Group (ASX:PNI), and Praemium (ASX:PPS). AUB is a defensive grower, its management have delivered on and upgraded its earnings outlook and as a result has been a strong share price outperformer. Stocks fitting that profile have seen some selling recently, as investors have taken short term decisions to sell selected winners and re-allocate to other stocks in their portfolio. We think AUB has plenty of growth potential left. PNI is a fund distribution business, it has a strong market position and is a growth business, but its share price can suffer as markets experience volatility and that volatility acts as a headwind to fund flow accumulation – in the short term. PNI provides the portfolio with strong leverage to rising markets given the company's strategy of investing through the cycle, namely by expanding their product offering and distribution capabilities. When markets eventually recover (we don't know when but do know they will at some point), PNI will have more products to sell and more people selling them and that's good for the business. Similarly, PPS is a funds administration platform, again with a strong competitive position and is a growing business and like PNI it is also exposed to market fund flows, and like PNI its share price also suffered this month. Like PNI we'd expect PPS to do well in more stable markets.

March saw five takeovers events in the Small Ords – Estia Health (ASX:EHE), Healius (ASX:HLS), InvoCare (ASX:IVC), Liontown Resources (ASX:LTR) and United Malt Group (ASX:UMG) – none of which the fund owned. These events saw the stocks involved rise anywhere from 15 per cent to 90 per cent in the month. Collectively we estimate these events added at least 150 basis points to Index performance. Takeovers happen, but that's an unusually high volume and impact effect in such a short period.

Macro, outlook and positioning

Markets were volatile during the month as they re-calibrated the impact of Western central banks rate rises to combat inflation. Evidence of "system breakage", the unintended consequences of rapidly rising rates arrived with depositor runs on liquidity fears at some U.S. regional banks. This has given markets scope to re-consider the likely future trajectory of U.S. interest rates. What was priced as more rate rises has become we might already be there. U.S. Fed Funds futures now price U.S. interest rate cuts starting later this year, and markets are now wary that recent lack of confidence in the U.S. banking sector – a problem already addressed by the Fed – could manifest into a credit availability problem. Wariness persists, positively that possibly acts as a handbrake for inflation in the U.S. economy, but it also reduces the Fed's monetary policy optionality too.

Here in Australia our RBA has already signalled it wants to see the impact of ten rate rises aggregating to 3.50 per cent in under 12 months on the consumption habits of our rate sensitive mortgagee base and the broader economy. The RBA is seeking to find a balance that reduces the upside risks to inflation and downside risk to growth. There are limits how much stress the RBA can place on mortgage holders without creating a breakage event in housing and it looks clear that we may now be approaching those limits.

The Fund continues to be positioned with a higher allocation to defensive growth assets, particularly those businesses where earnings have a lower economic linkage, preferably with pricing power and also with some flexibility in managing costs. Our resource exposure remains positively exposed to Base Metals and Energy, as we believe those stocks offer strong value optionality with likely supply side constraints, and good medium term demand growth (Example De-carbonisation and China reopening, respectively). We continue to be underweight domestic consumption related stocks as we wait to see the impact of RBA's work to tame Australian inflation on still strong Australian consumption data where early signs of moderation are now with us.