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

$221.4M

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

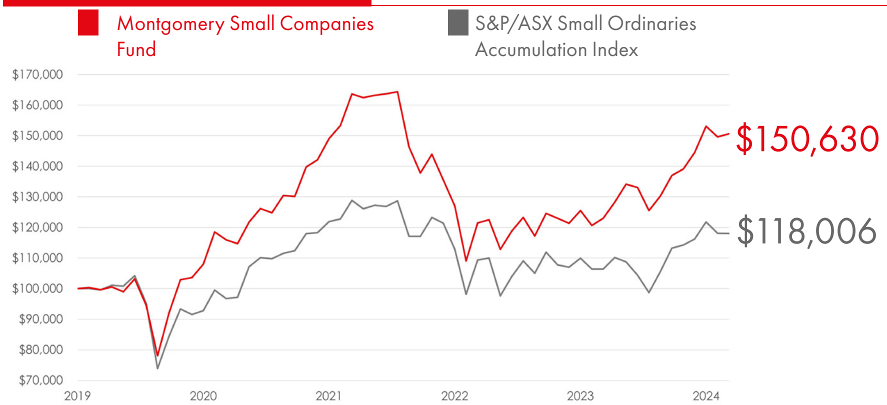
PERFORMANCE FEES

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 May 2024, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	0.67%	**0.67%**	-0.05%	0.72%
3 months	0.00%	4.23%	**4.23%**	1.53%	2.70%
6 months	0.00%	15.57%	**15.57%**	11.74%	3.83%
12 months	0.70%	24.15%	**24.85%**	10.92%	13.93%
3 years (p.a.)	2.58%	-0.62%	**1.96%**	-0.08%	2.04%
Since inception#	11.29%	39.34%	**50.63%**	18.01%	32.62%
Compound annual return (since inception)#	2.30%	6.82%	**9.12%**	3.59%	5.53%

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

TOP COMPLETED HOLDINGS* (TCH)

(as at 31 May 2024 showing top 5 of 47 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Life360	ASX:360	http://www.life360.com.au/
HUB24	ASX:HUB	http://www.hub24.com.au/
Lovisa	ASX:LOV	http://www.lovisa.com.au/
Megaport	ASX: MP1	https://www.megaport.com/
Pinnacle	ASX:PNI	https://pinnacleinvestment.com/

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

Total equity weighting	95.20%
Total cash weighting	4.80%

TOP 3 CONTRIBUTORS AND DETRACTORS

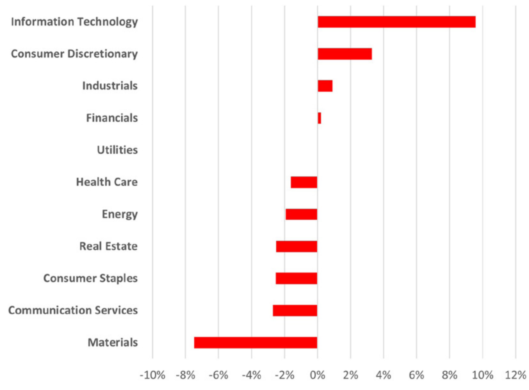
CONTRIBUTORS

GQG Partners	Shares performed well due to a strong inflow of funds under management
Life360	Share price rose from a strong earnings report
Pinnacle	Shares performed well following an announcement on their intention to launch a new global equities fund

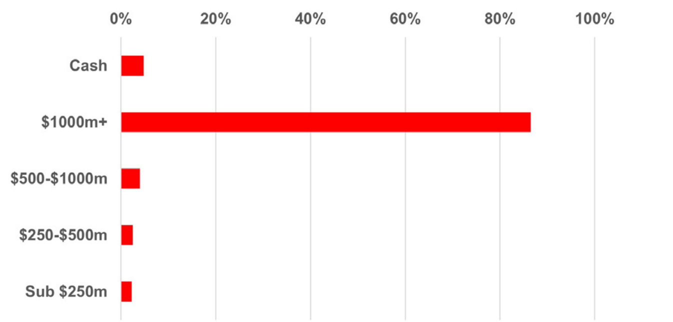
DETRACTORS

Audinate	Shares fell on no news, but inventory fluctuations might hinder growth
Bapcor	Bapcor announced an earnings downgrade
Smartgroup	Shares fell in sympathy with the weakness in Auto retailers

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

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) increased by 0.67 per cent, net of fees, in May versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which decreased by 0.05 per cent. Since inception (20 September 2019), the Fund has increased by 50.63 per cent, outperforming the benchmark by 32.62 per cent, after all fees and expenses.

The largest positive contributors for May included GQG Partners (ASX:GQG), Life360 (ASX:360), and Pinnacle (ASX:PNI).

GQG Partners is a global equity fund manager, its key competitive advantage is strongly performing products (quality investment team) coupled with strong distribution that efficiently brings that product to customers. The market for global equities is very large, providing a large growth opportunity for GQG Partners' scalable business. Importantly as GQG Partners' investment team has delivered performance, it has continued to grow its distribution capability, which has a symbiotic resonant effect on the key profit driver for the business – growth in assets under management. GQG Partners is cheap, offers a strong yield, is growing fast and its share price performed well on the back of its monthly funds under management update.

Life360 has been in the winner's ring for the past few months as the market observes growth in Life360's core business, and growth optionality being prosecuted in a new business formation event in advertising. Both were evident in Life360's results release in the month and the shares performed well as a result. The growth trajectory at Life360 looks strong as the advertising opportunity is expected to emerge as a significant low-cost to develop but high profit margin business that monetises the company's extensive free user base over the next few years.

Pinnacle is a global investment fund distribution business, its share price performed well in May as it announced that it intends to launch a new global equities fund managed by the well-credentialed former (recently resigned) Royal London Asset Management investment team. This is an important validation that Pinnacle's investments to pursue international opportunities are starting to pay off. Pinnacle has invested in its distribution capabilities, strengthening client relationships, providing talented fund manager's that it's looking to recruit to its growing stable with increasing confidence that Pinnacle has the ability to connect them with the capital required to grow their businesses and Pinnacle's at the same time.

The largest detractors from performance included Audinate (ASX:AD8), Bapcor (ASX:BAP) and Smartgroup (ASX:SIQ).

Audinate's management must be wondering what it has done wrong. The business delivered stronger than expected results in February 2024, and the stock shot up 50 per cent as a result. However, it's been a one-way trend since then, with the market concentrating on Audinate's ability to maintain its strong growth trajectory as the semiconductor supply shortages and inventory hoarding events of recent years, which had previously supported growth, return to more normal conditions. Additionally, in late-May, Audiante's well-respected CFO announced his resignation. His highly capable contribution to investor dialogue around the stock will be missed.

Bapcor has recently faced challenges, appearing in the loser's circle over the past few months. The company is dealing with management changes, implementing a strategy to harvest synergies from past acquisitions, and contending with a weak Australian consumer market in its retail business.

Bapcor's June 2024 half-year update showed weaker trading in its retail business and weaker margins in its wholesale business, resulting in earnings downgrades. Investors have marked the shares down further as a CEO elect backflipped on his decision to join, leaving Bapcor in further management limbo. Bapcor is a robust franchise currently undervalued due to what are likely temporary issues, though it is testing our patience.

Smartgroup shares were punished due to evidence of weak trading conditions, highlighted by a series of profit warnings from listed auto retailers. Investors fear these issues will also affect Smartgroup's novated lease business. In our view, the clash between Australia's per capita recession and the positive revenue event from order book run-off at auto dealers could only have one outcome, which is why we don't own any auto dealer stocks.

The Smartgroup equity story is driven by the introduction of EV supply into Australia, a process that has been slower compared to other global markets. Smartgroup has numerous relationships with government and corporate sectors in Australia. While their interest in promoting traditional internal combustion engine (ICE) cars has been low, presenting a green initiative to an Australian corporate board or government dramatically changes their appetite. Novated leases, supported by the current EV stimulus, present strong economic benefits, suggesting that Smartgroup won't experience the same demand decline as other auto retailers. Let's see how this unfolds.