



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

RECOMMENDED INVESTMENT TIMEFRAME

5 years

MINIMUM INITIAL INVESTMENT

\$25,000

INCEPTION DATE

20 SEPTEMBER 2019

FUND SIZE

\$58.4M

MANAGEMENT FEE

1.23% per annum, which includes a management fee of 1.03% per annum. Both figures are GST inclusive and net of RITC.

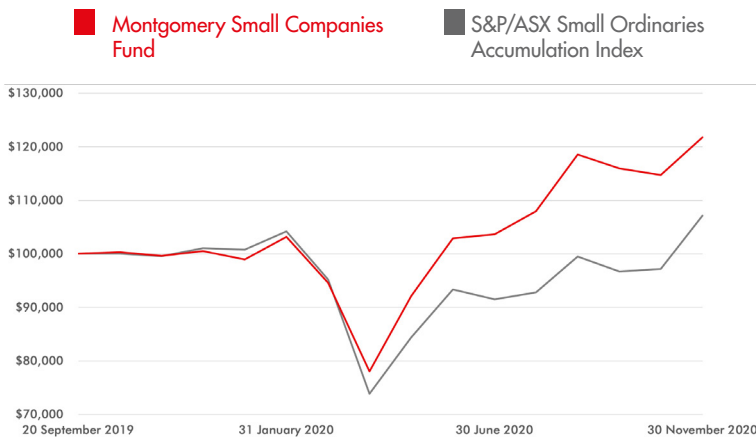
PERFORMANCE FEES

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



CONTACT DETAILS

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PORTFOLIO PERFORMANCE

(to 30 November 2020, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	6.12%	6.12%	10.27%	-4.15%
3 months	0.00%	2.70%	2.70%	7.66%	-4.96%
6 months	0.00%	18.32%	18.32%	14.78%	3.54%
12 months	0.00%	21.10%	21.10%	5.98%	15.12%
Since inception#	0.00%	21.74%	21.74%	7.13%	14.61%
Compound annual return (since inception)#	0.00%	17.87%	17.87%	5.93%	11.94%

Inception: 20 September 2019



The Montgomery Small Companies Fund (the Fund) returned 6.12 per cent, net of fees in November versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 10.27 per cent. Since inception (20 September 2019), the Fund has increased 21.74 per cent, outperforming the benchmark by over 14.5 per cent, after all expenses.

The largest positive contributors for November included Corporate Travel Management (ASX:CTD), NRW Holdings (ASX:NWH) and Webjet (ASX:WEB). The arrival of better than expected vaccine news drove a strong surge in COVID-19 impacted stocks, such as CTD and WEB in the travel sector, supporting an earnings recovery scenario as travel barriers are removed and demand returns over the foreseeable future. Both businesses appear well positioned to take meaningful market share as they exploit their technology rich models against weakened competitors. NWH rallied after announcing an off-market takeover offer for listed engineering firm, Primero Group (ASX:PGX), valued at around \$100 million and 5x FY21 EV/EBITDA pre-synergies. We like this transaction which fits within NWH's diversification strategy into mining technologies.

The largest detractors from performance included Adairs (ASX:ADH), Marley Spoon (ASX:MMM) and Bapcor (ASX:BAP). All three had been COVID-19 winners and as such became sources of profits over the month as the market rotated towards economic reopening stories. Although we acknowledge that their growth rates will inevitably moderate, we remain attracted to both ADH and BAP given their strong market positions, multiple growth levers and attractive valuations. We decided to exit our relatively small position in MMM, taking profits and reinvesting in better opportunities elsewhere.

Market commentary

November was an extraordinarily strong month for global equities, sparked by encouraging vaccine news and a welcomed US election outcome

(markets like the scenario where there will be limited effective policy change due to gridlocked Senate). Highly effective vaccines from three of the leading developers sets a clearer path to an economic reopening, resulting in an aggressive rotation from 'stay at home' COVID-19 winners towards 'out and about' recovery stocks. Consequently, cyclical and "value" stocks materially outperformed during the month, along with EV battery inputs (lithium, rare earths etc) which are set to benefit from favourable "green" stimulus support in Europe and a potentially more climate friendly regime in the US. Domestically, the economy appears to have recovered much quicker than expected, while state borders are beginning to reopen with the COVID-19 situation now well under control. Frenzied IPO market activity concluded with a fizzle. Although lots of deals got up, a few big ones were pulled at the last minute as investors, perhaps fatigued, became increasingly disseminating.

Perspective, positioning and outlook

Normally we'd be pleased with a six per cent return in a single month, however against a 10 per cent lift in the benchmark index it doesn't feel quite so good, and suggests we had too much positioned on the wrong side of the massive market rotation event that occurred as stocks made large one-off share price moves to discount the new vaccinated world outlook. Those readers of recent monthly reports will note we have been steadily repositioning the portfolio in anticipation of a vaccine whilst weighing up the risk that a vaccine arrival event may have taken longer than planned (if at all). That said, the Fund has profited handsomely from its COVID-19 posture and now we look forward, and as you'd expect we have been actively adjusting the portfolio exposure this month to address the opportunities that we now see ahead.

Continued on the next page...

TOP COMPLETED HOLDINGS* (TCH)

(as at 30 November 2020 showing top 5 of 49 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
EML Payments	ASX:EML	https://www.emlpayments.com/
Ingenia Communities Group	ASX:INA	https://www.ingeniacommunities.com.au/
Macquarie Telecom Group	ASX:MAQ	https://macquarietelecom.com/
Tyro Payments	ASX:TYR	https://www.tyro.com/
Webjet Limited	ASX:WEB	https://www.webjet.com.au/

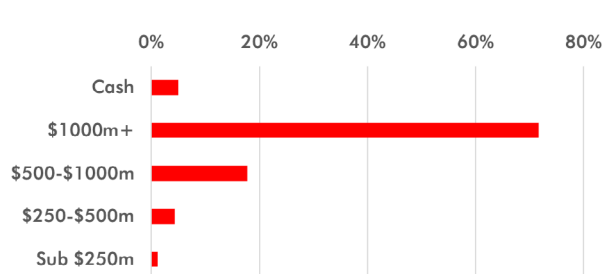
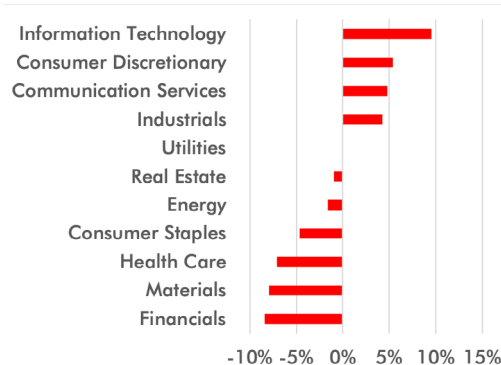
*Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.

Total equity weighting 94.98%

Total cash weighting 5.02%

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK

MARKET CAPITALISATION EXPOSURE



Montgomery Small Companies Fund

PLATFORMS WE ARE ON: Netwealth (IDPS and Super/Pension) uXchange BT Wrap BT Panorama HUB24 (IDPS and Super) Ausmaq Macquarie 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. 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.

Our portfolio continues to hold a core of structural growth stocks that have their destiny in their own hands, and are not dependant on the economic pulse of the moment. However, in response to the positive vaccine developments we have further increased exposure to what we call 'dirty growth' – those are businesses that through no fault of their own were heavily impacted by the pandemic but we know are competitively advantaged and thus well positioned to take market share in sectors as demand rapidly recovers. Sectors in this camp span travel, international education, childcare, domestic housing and REITs (in retail and office). We also considered the time was right to add to the portfolio's holdings in the battery materials space in the month, as this is a sector where we believe fundamentals may have bottomed and are set to improve on the back of Europe's "green" COVID stimulus measures. This is an attractive long term theme in our view (Electric Vehicles/Sustainability/Renewables) and Australia's epic positioning as a globally recognised feedstock producer via our listed lithium and rare earth miners means that we have plenty of opportunity to benefit from a global megatrend of decarbonisation that we now think is in train for the foreseeable future.

