



# 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

\$169.2M

#### 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

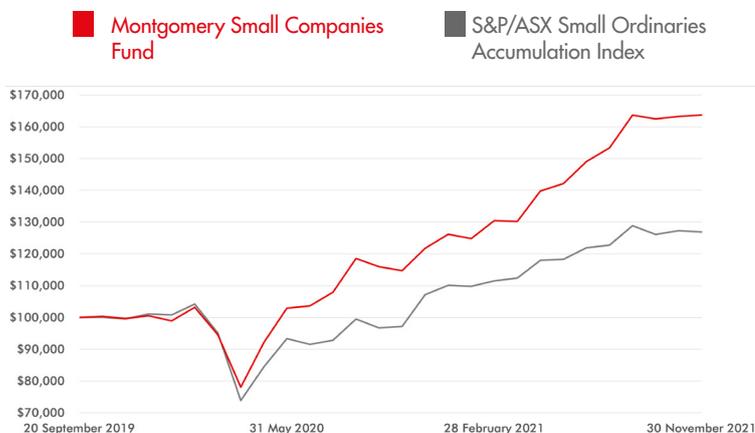
#### PERFORMANCE FEES

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/](http://www.montinvest.com/our-funds/montgomery-small-companies-fund/)

### PERFORMANCE GRAPH



### CONTACT DETAILS

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### PORTFOLIO PERFORMANCE

(to 30 November 2021, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	0.28%	<b>0.28%</b>	-0.31%	0.59%
3 months	0.00%	0.03%	<b>0.03%</b>	-1.54%	1.57%
6 months	5.55%	9.64%	<b>15.19%</b>	7.27%	7.92%
12 months	6.48%	27.97%	<b>34.45%</b>	18.44%	16.01%
2 years (p.a.)	3.85%	23.75%	<b>27.60%</b>	12.04%	15.56%
Since inception#	7.89%	55.80%	<b>63.69%</b>	26.89%	36.80%
Compound annual return (since inception)#	3.52%	21.64%	<b>25.16%</b>	11.46%	13.70%

# Inception: 20 September 2019



The Montgomery Small Companies Fund (the Fund) returned 0.28 per cent, net of fees, in November versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which declined by 0.31 per cent. Since inception (20 September 2019), the Fund has increased by 63.69 per cent, outperforming the benchmark by 36.80 per cent, after all fees and expenses.

The largest positive contributors for November included Alliance Aviation Services (ASX:AQZ), EML Payments (ASX:EML) and Megaport (ASX:MP1). AQZ shares recovered most of the prior month's losses after the company's AGM update confirmed its fleet expansion remains broadly on track (albeit slightly delayed over 1Q22) and management remains comfortable with FY22 consensus earnings estimates. Valuation continues to look attractive considering the solid medium-term growth profile of the business, in our view. EML shares surged on the back of a regulatory update which we think materially de-risks the investment case. The Central Bank of Ireland (CBI) advised it will allow EML's PFS business to sign new customers and launch new programs within (undisclosed) 'material growth restrictions', and that these volume limitations will cease after 12 months or potentially earlier subject to third-party verification that the remediation plan has been implemented. So, with the loss of PFS' license looking increasingly unlikely and the incremental compliance costs associated with the remediation plan now largely factored into market forecasts, investors can focus on the appropriate growth rate for the business and what multiple you should pay for that growth.

MP1 shares rallied on no new news, although a bullish broker initiation report couldn't have hurt. Our conviction in the equity story is premised upon MP1's unique leverage to a multi-decade global megatrend in cloud technology adoption and accelerating sales momentum as the company pivots towards an indirect sales model.

The largest detractors from performance included Corporate Travel Management (ASX:CTD), Ooh!Media (ASX:OML) and Pentanet (ASX:5GG). CTD shares sold off as investor sentiment towards the travel sector soured after breaking news of a potentially more infectious COVID-19 variant which might evade vaccines. The situation remains fluid so we de-risked our portfolio exposure, particularly towards travel stocks. OML shares weakened for similar reasons given the outdoor media sector was significantly impacted by government mandated lockdowns. Although we are alive to the risks, we think it's a bit early to conclude that further lockdowns in Australia are coming. 5GG's stock price drifted lower on no new news. Following a successful beta testing program, 5GG commercially launched its cloud gaming offering, GeForce NOW, in mid-October 2021. The company's near-term focus will be on growing awareness and converting unpaid members to full-featured paying subscribers.

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TOP COMPLETED HOLDINGS\* (TCH)

(as at 30 November 2021 showing top 5 of 48 holdings, in alphabetical order)

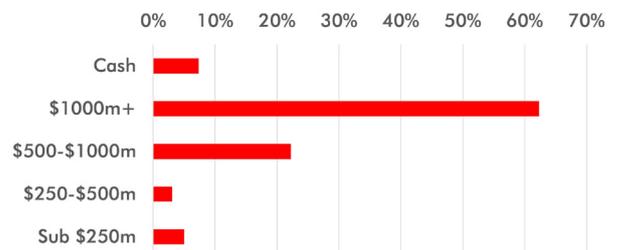
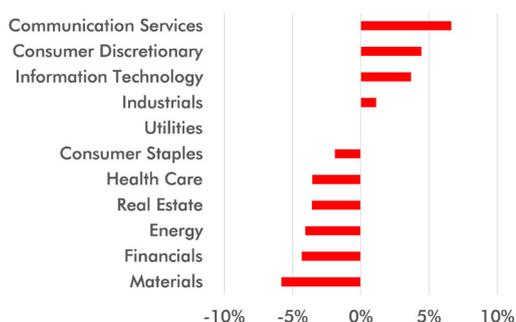
COMPANY NAME	TICKER	COMPANY WEBSITE
Alliance Aviation Services	ASX:AQZ	<a href="https://www.allianceairlines.com.au/">https://www.allianceairlines.com.au/</a>
City Chic Collective	ASX:CCX	<a href="https://www.citychiccollective.com.au/">https://www.citychiccollective.com.au/</a>
Ingenia Communities Group	ASX:INA	<a href="https://www.ingeniacommunities.com.au/">https://www.ingeniacommunities.com.au/</a>
Macquarie Telecom Group	ASX:MAQ	<a href="https://macquarietelecom.com/">https://macquarietelecom.com/</a>
Megaport	ASX:MP1	<a href="https://www.megaport.com/">https://www.megaport.com/</a>

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

Total equity weighting	92.63%
Total cash weighting	7.37%

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK

MARKET CAPITALISATION EXPOSURE



Montgomery Small Companies Fund

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

# 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) Target Market Determination (TMD) 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.

## Market commentary

Global equity markets declined in November, selling off towards the end of the month due to the discovery of the Omicron COVID-19 variant and more hawkish comments from the Federal Reserve around the expected bond taper timeline. It will likely take scientists a few weeks to work out how effective existing vaccines are against the new mutant strain. Countries around the world reacted to the enhanced virus uncertainty by reimposing various travel restrictions and requirements, impacting travel stocks and reopening names more broadly.

Domestically, economic data continues to show that the Australian economy is bouncing back from lockdowns quicker than expected which bodes well for the consumer sector heading into Christmas trading.

## Outlook

The near-term outlook we feel will be dominated by the growing understanding of the likely impact of the Omicron variant on our collective COVID-19 defences. If it proves to be more transmissible yet less deadly relative to previous strains then it's likely going to be perceived as a positive step down the virus evolutionary road, closer to the sustainable "living with it" exit. If not then we will have to deal with that too. In addition, markets have a decision on the inflation question coming now that Fed Chairman Powell has removed "transitory" as an acceptable description for the inflation outlook.

These are considerable externalities to navigate, but our view continues to be that the portfolio will be well served by finding companies with their growth and value creation opportunity that is largely independent from the prevailing economic conditions and not dependent on the timing of a COVID-19 re-opening. We are fortunate that our investment universe in small caps has many such choices, and whilst we will likely feel the impact of market gyrations in the short term, whether up or down, we remain confident in the ability of the Fund to create value, as it has done before, as we transit our way through the next set of macro uncertainties.

