



# 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

\$180.8M

#### 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

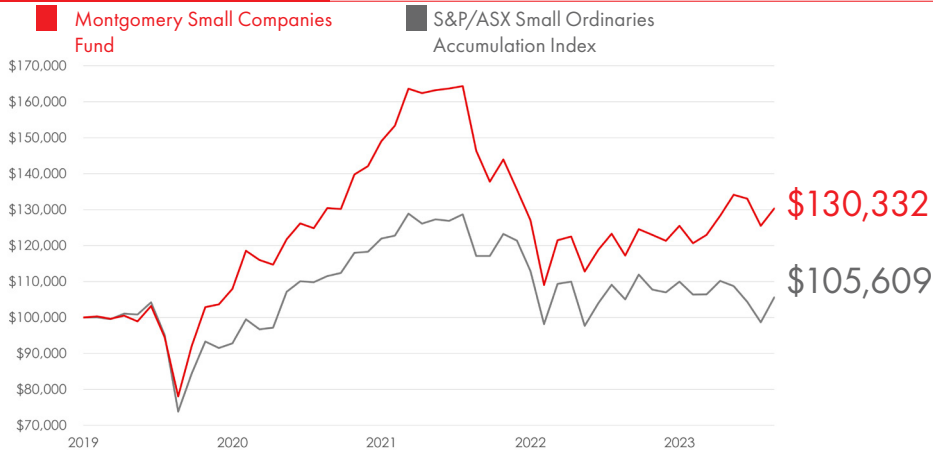
#### PERFORMANCE FEES

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

### PERFORMANCE GRAPH



### PORTFOLIO PERFORMANCE

(to 30 November 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%	3.83%	<b>3.83%</b>	7.04%	-3.21%
3 months	0.00%	-2.85%	<b>-2.85%</b>	-2.88%	0.03%
6 months	0.70%	7.33%	<b>8.03%</b>	-0.73%	8.76%
12 months	0.68%	5.05%	<b>5.73%</b>	-3.19%	8.92%
3 years (p.a.)	3.00%	-0.70%	<b>2.30%</b>	-0.48%	2.78%
Since inception#	11.29%	19.04%	<b>30.33%</b>	5.61%	24.72%
Compound annual return (since inception)#	2.58%	3.94%	<b>6.52%</b>	1.31%	5.21%

# Inception: 20 September 2019

Past performance is not indicative of future performance



## TOP COMPLETED HOLDINGS\* (TCH)

(as at 30 November 2023 showing top 5 of 49 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Aussie Broadband	ASX:ABB	<a href="http://www.aussiebroadband.com.au/">http://www.aussiebroadband.com.au/</a>
Bapcor	ASX:BAP	<a href="http://www.bapcor.com.au/">http://www.bapcor.com.au/</a>
HUB24	ASX:HUB	<a href="http://www.hub24.com.au/">http://www.hub24.com.au/</a>
IPH	ASX:IPH	<a href="http://www.iphld.com.au/">http://www.iphld.com.au/</a>
Seven Group Holdings	ASX:SVW	<a href="http://www.sevengroup.com.au/">http://www.sevengroup.com.au/</a>

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

Total equity weighting 94.71%

Total cash weighting 5.29%

## TOP 3 CONTRIBUTORS AND DETRACTORS

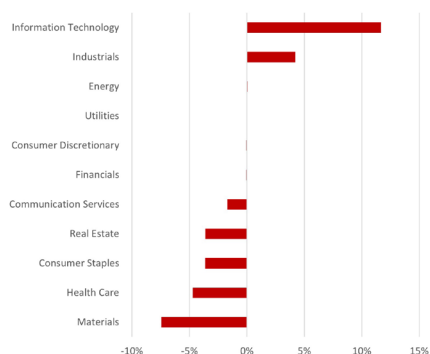
### CONTRIBUTORS

Seven Group Holdings	Share price increased on upgraded earnings expectations at the AGM
Audinate Group	Share price rallied with growth stocks
HUB24	Performed well around strategy day

### DETRACTORS

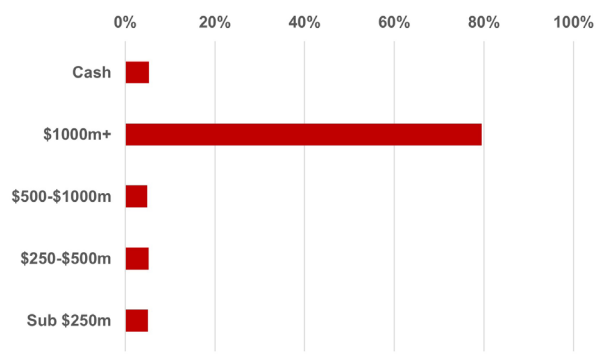
Karoon Energy	Weakened due to capital raise indigestion
Praemium	Weak management delivered cost upgrade and earnings downgrade
EML Payments	The AGM didn't deliver news which was hoped for

## GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



■ Montgomery Small Companies Fund

## MARKET CAPITALISATION EXPOSURE



## CONTACT DETAILS

### INVESTORS

**Toby Roberts**  
t 02 8046 5017  
e troberts@montinvest.com

**David Buckland**  
t 02 8046 5004  
e dbuckland@montinvest.com

### ADVISERS, RESEARCHERS AND PLATFORMS

**Scott Phillips**  
States – National  
m 0417 529 890  
e sphillips@montinvest.com

**David Denby**  
States – VIC, SA & TAS  
m 0455 086 484  
e ddenby@montinvest.com

**Michael Gollagher**  
States – QLD  
m 0409 771 306  
e mgollagher@montinvest.com

**Dean Curnow**  
States – NSW, ACT & WA  
m 0405 033 849  
e dcurnow@montinvest.com

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 3.83 per cent, net of fees, in November versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 7.04 per cent. Since inception (20 September 2019), the Fund has increased by 30.33 per cent, outperforming the benchmark by 24.72 per cent, after all fees and expenses.

The everything rally happened in the month, with the index up over 7 per cent. It was generally powered by stocks that had underperformed most of the year. Our portfolio didn't keep pace, holding many stocks that had done well so far this year, driving the 13 per cent or so relative outperformance meant that we gave some of that back, bringing year-to-date portfolio outperformance back to 10 per cent by the end of November.

The largest positive contributors for November included Seven Group Holdings (ASX:SVW), Audinate (ASX:AD8) and HUB24 (ASX:HUB). Seven Group Holdings' businesses are well positioned to deliver and at its AGM management lifted earnings expectations for the year and the share price increased almost 16 per cent in the month. Audinate is in our view a structural winner with many strong idiosyncratic characteristics, but it wasn't those that drove the stock price performance in the month as there was no new news. Instead, it was the market's desire to pay more for longer duration higher growth stocks, driven by the fall in market expectations for longer term bond yields. HUB24's shares performed strongly running into its investor strategy day, and whilst they softened a bit afterwards, the stock still outperformed the market in the month.

The largest detractors from performance included Karoon Energy (ASX:KAR), Praemium (ASX:PPS) and EML Payments (ASX:EML), all of which were driven by stock specific events. Karoon Energy raised capital to acquire an asset, the size of which was larger than the market had anticipated and this capital raise event caused some share price indigestion in the period. Both Praemium and EML Payments are small positions in the Fund. Praemium delivered an earning downgrade as management bungled the commitment to manage the business such that revenue would grow faster than cost, instead delivering the opposite. Praemium is now being regarded by investors as being a decent franchise in a great market with bad management, all wrapped up in a cash generative business with a very low multiple. EML Payments' F'23 results, released in August, included an outlook to liberate the value out of its combined parts by restructuring out the bad and shining light on the good. At its recent AGM update there was no new news which the market didn't like and the stock sold off.

Writing the November monthly update brings into sight the beginning of the new year. We've been using that as an excuse to dust off our crystal ball and search through our stock specific opportunity list looking for those stocks that the market may take a clean look at now that 2023 has almost come to a close, and if they do, whether they will see a new perspective. How will the Australian consumer fare in 2024, should we be looking at the retailers with a kinder eye? How will real estate investment trusts (REITs) asset valuation regimes be viewed against the expected trajectory for interest rates in 2024? Are there more undiscovered or under-appreciated growth stocks that can shine in 2024? What about resources, and which commodity and stocks are going to work? Where are the winners? It's a fertile opportunity set, with a backdrop against what we think is a good "set up" for small caps in general, as we wrote about in our October monthly. In the end, over the long run, it's about identifying the stock specific characteristics that deliver out-performance, the well positioned businesses, in good markets with management that can deliver.

