



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

\$159.4M

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

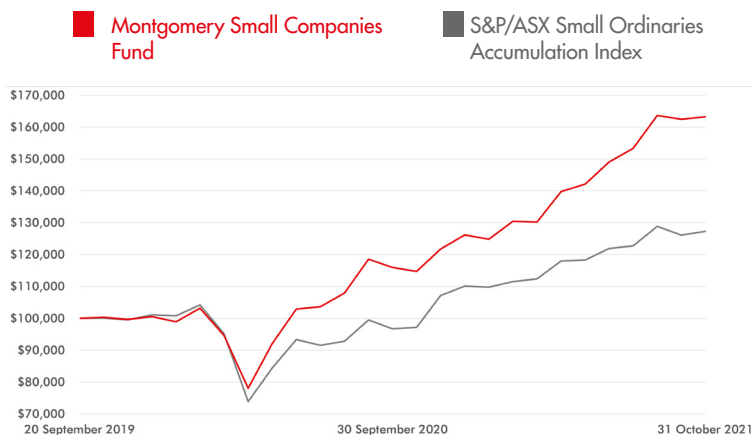
PERFORMANCE FEES

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/

PERFORMANCE GRAPH



CONTACT DETAILS

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PORTFOLIO PERFORMANCE

(to 31 October 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%	0.49%	0.49%	0.92%	-0.43%
3 months	0.00%	6.45%	6.45%	3.68%	2.77%
6 months	5.65%	11.13%	16.78%	7.88%	8.90%
12 months	6.88%	35.40%	42.28%	31.01%	11.27%
2 years (p.a.)	3.88%	24.11%	27.99%	13.08%	14.91%
Since inception#	7.89%	55.33%	63.22%	27.28%	35.94%
Compound annual return (since inception)#	3.66%	22.43%	26.09%	12.09%	14.00%

Inception: 20 September 2019



The Montgomery Small Companies Fund (the Fund) returned 0.49 per cent, net of fees, in October versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 0.92 per cent. Since inception (20 September 2019), the Fund has increased by 63.22 per cent, outperforming the benchmark by 35.94 per cent, after all fees and expenses.

The largest positive contributors for October included Accent Group (ASX:AX1), Core Lithium (ASX:CXO) and Imdex (ASX:IMD). Rapid vaccination rates in New South Wales and Victoria have pulled forward the end of lockdowns, improving investor sentiment towards domestic reopeners including AX1. We see AX1 as well placed to benefit from anticipated strong pent-up demand for fashion sneakers as Australia's youth head back out over the warmer months with strong upside potential from the recent Glue Store acquisition. Importantly, management have retained its new store rollout program which supports a solid medium-term growth profile. CXO's share price continued to surge higher having approved construction of its Northern Territory Finiss Lithium Project in the prior month. Momentum within the global decarbonisation theme keeps building and CXO represents an attractive play considering the company is set to become Australia's next Spodumene (lithium feedstock) producer with first production scheduled for Q4 2022.

IMD delivered a stronger than expected 1Q FY22 trading update at the Annual General Meeting which drove broker consensus earnings upgrades in the order of 10 per cent.

First quarter revenue grew 41 per cent on the prior period and 13 per cent compared to 4Q FY21, with all regions firing. Industry fundamentals remain strong, underpinned by robust commodity prices and healthy exploration budgets, while ongoing supply chain pressures and rig availability constraints are likely to elongate the investment cycle. Further, the company has a deep pipeline of new products to be commercialised over the coming years which significantly expands their addressable market. Pleasingly, IMD is increasingly being viewed as a mining technology company rather than just a mere service provider.

The largest detractors from performance included Alliance Aviation Services (ASX:AQZ), EML Payments (ASX:EML) and Pental Group (ASX:PDL). AQZ shares weakened on investor concerns about domestic lockdowns potentially delaying the timing of the new fleet deployment program with QANTAS. Whilst near-term earnings risk exists, our view is these issues are temporary in nature with the deployment schedule marginally delayed. We don't believe strategic demand for AQZ's narrow bodied aircraft has waned given the significant efficiency benefits on offer. EML was sold off after the company provided an update on correspondence with the Central Bank of Ireland (CBI) relating to the ongoing remediation program for Prepaid Financial Services' (PFS) European operations.

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TOP COMPLETED HOLDINGS* (TCH)

(as at 31 October 2021 showing top 5 of 49 holdings, in alphabetical order)

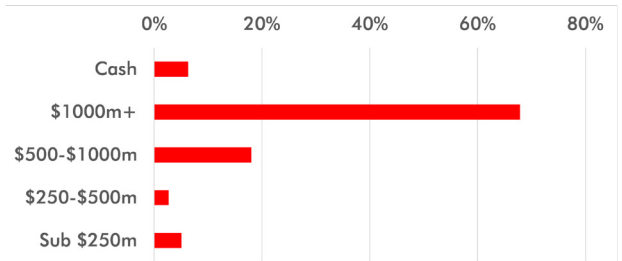
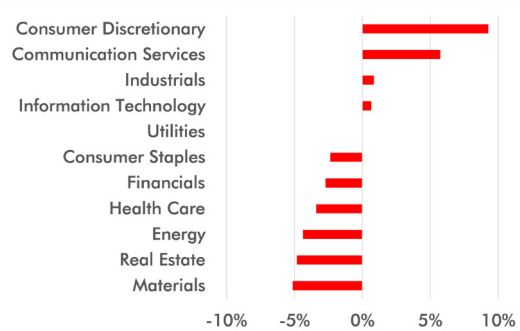
COMPANY NAME	TICKER	COMPANY WEBSITE
City Chic Collective	ASX:CCX	https://www.citychiccollective.com.au/
EML Payments	ASX:EML	https://www.emlpayments.com/
Macquarie Telecom	ASX:MAQ	https://macquarietelecom.com/
Megaport	ASX:MP1	https://www.megaport.com/
Seven Group Holdings	ASX:SVW	https://www.sevengroup.com.au/

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

Total equity weighting	93.67%
Total cash weighting	6.33%

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.

Specifically, the company flagged that the Irish Regulator has advised PFS' proposed growth targets are higher than it would like to see. From what we understand the remediation process involves negotiation and this update forms part of that. What has become clear is that compliance costs will be higher and revenue growth somewhat lower than first envisaged, however we feel the material share price fall more than reflects this. So we used this opportunity to top up our position.

PDL disappointed the market with softer than expected September quarterly flows, particularly across the institutional business and the newly acquired TSW. We thought the share price reaction was way overdone considering underlying manager performance remains strong and the relatively minor adjustment to consensus forecasts, leading us to take advantage of cheap prices.

Market commentary

Global equities rallied in October with the US markets reaching new heights on the back of stronger than forecast corporate earnings (historically high beat rate) which eased market fears of slowing growth and supply chain/inflationary headwinds. Domestically, the big development was the rapid vaccination rates achieved in the locked down states of New South Wales and Victoria which enabled a quicker than planned reopening of these economies. AGM trading updates were also relatively well received by the market with investors for the most part willing to look past the negative impacts of lockdowns on the September quarter trading and towards the future which appears quite bright. Demand signals remain strong and many corporates have retained capacity to support a rapid recovery. October was also quite a busy month for mergers and acquisitions plus IPOs which is perhaps unsurprising considering the low interest rate environment. With regard to IPOs, we looked at many but only participated in a select few deals...we hope to talk more about some of these in the near-future.

Outlook

With the market now discounting a recovery from COVID-19 we are grateful that our investment opportunity set is Small Caps. Small Caps offer the opportunity to due diligence stock specific factors that matter much more to their expected future valuation regime than relying on the difficult to call big macro factors that tend to represent much more of the drivers for stock price movements in larger cap companies.

The economic forces that have enabled the COVID-19 recovery have driven the market in one direction over the past 19 months, and have been a powerful force behind the positive market level returns we have seen. On top of these market returns the Fund has delivered considerable out-performance as we have sought, via stock-picking, to make the most of the recovery scenario before us. We think that stock-picking ability, in an investment universe which harbours the opportunity for stock specific factors that can drive returns, will become a bigger factor in the returns available from here. In other words, it's back to a more normal investment backdrop from here.

Overall, the Fund is positioned in stocks with tailwinds to themes that endure beyond a COVID-19 recovery, or are set to benefit from the yet to become apparent re-casting of COVID-19 ravaged industry verticals in a manner that will look quite different to their state pre-pandemic. Both categories offer the opportunity to invest in businesses with strong market share taking potential. It is the competitive advantage factors embedded in the business that we can due diligence to ascertain that potential to grow the market share on offer that we believe that will lead the stock prices of these businesses to outperform the market.

