



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 "lifecyle 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%.

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FHT3726AU

PORTFOLIO MANAGERS

Gary Rollo
Dominic Rose

RECOMMENDED INVESTMENT TIMEFRAME

5 years

MINIMUM INITIAL INVESTMENT

\$25,000

INCEPTION DATE

20 SEPTEMBER 2019

FUND SIZE

\$172.3M

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

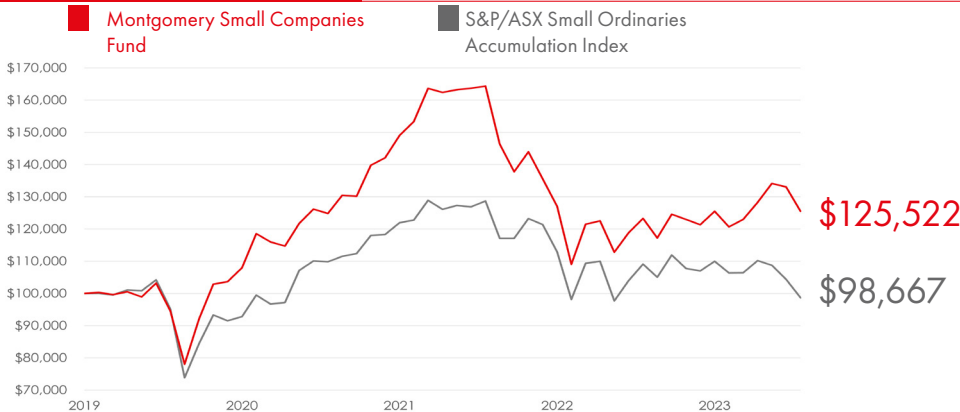
PERFORMANCE FEES

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 October 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%	-5.67%	-5.67%	-5.45%	-0.22%
3 months	0.00%	-2.13%	-2.13%	-10.45%	8.32%
6 months	0.67%	-0.67%	0.00%	-10.28%	10.28%
12 months	0.71%	4.92%	5.63%	-5.10%	10.73%
3 years (p.a.)	3.18%	-0.14%	3.04%	0.52%	2.52%
Since inception#	11.29%	14.23%	25.52%	-1.33%	26.85%
Compound annual return (since inception)#	2.63%	3.05%	5.68%	-0.33%	6.01%

Inception: 20 September 2019

Past performance is not indicative of future performance



TOP COMPLETED HOLDINGS* (TCH)

(as at 31 October 2023 showing top 5 of 48 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Bapcor	ASX:BAP	https://www.bapcor.com.au/
Boss Energy	ASX:BOE	http://www.bossenergy.com/
HUB24	ASX:HUB	http://www.hub24.com.au/
Seven Group Holdings Ltd	ASX:SVW	https://sevengroup.com.au/
Smartgroup Corporation Ltd	ASX:SIQ	https://www.smartgroup.com.au/

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

Total equity weighting 93.07%

Total cash weighting 6.93%

TOP 3 CONTRIBUTORS AND DETRACTORS

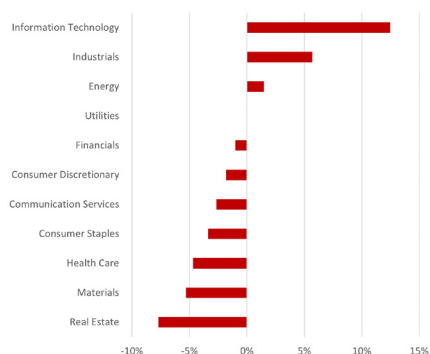
CONTRIBUTORS

Gold Road	Geopolitics and macro settings drive gold price and in turn gold stocks
RED5	Geopolitics and macro settings drive gold price and in turn gold stocks
Ramelius Resources	Geopolitics and macro settings drive gold price and in turn gold stocks

DETRACTORS

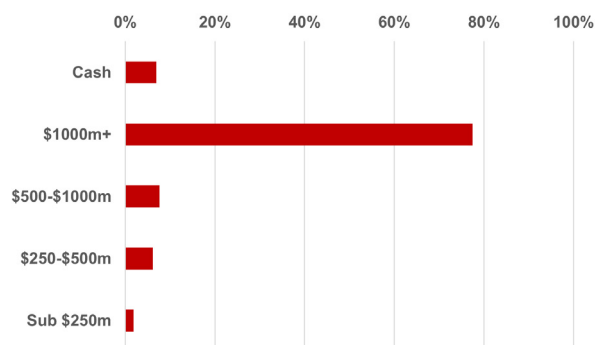
Bapcor	Slower top line growth dampens near term earnings
Megaport	Strong performer falls back as no more near-term upgrades
Seven Group	Recent strong performer declines on no new news

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



■ Montgomery Small Companies Fund

MARKET CAPITALISATION EXPOSURE



CONTACT DETAILS

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PLATFORMS WE ARE ON: Netwealth (IDPS and Super/Pension) ⊕ WealthO2/uXchange ⊕ BT Wrap ⊕ BT Panorama ⊕ HUB24 (IDPS and Super) ⊕ Ausmaq ⊕ Macquarie Wrap ⊕ Asgard ⊕ Proemium IDPS ⊕ Mason Stevens ⊕ FirstWrap ⊕ AMP North ⊕ MLC 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. 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) declined 5.67 per cent, net of fees, in October versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which declined by 5.45 per cent. Since inception (20 September 2019), the Fund has increased by 25.52 per cent, outperforming the benchmark by 26.85 per cent, after fees and expenses.

The largest positive contributors to the portfolio this month were all gold stocks – geopolitical events and macro data amplified risks and the gold price and U.S. dollar strength were reflected in the equity prices of all gold stocks in the month. Our stock exposures here helped to offset what was a poor month for Industrials stocks in the market, highlighting the benefits of a balanced portfolio approach. The three top contributors this month were Gold Road (ASX:GOR), Ramelius Resources (ASX:RMS) and RED5 (ASX:RED), all reported quarterly production, albeit it wasn't the stock specific operational performance that delivered their relative share price outperformance in the period, it was the aforementioned macro backdrop. Nevertheless, operational performance and free cash flow generation in all these businesses tracked well in the September 2023 quarter and leaves the stocks positioned to deliver throughout the rest of the year.

The largest detractors from performance all come from the Industrials (non-resources) part of the portfolio and included Bapcor (ASX:BAP), Megaport (ASX:MP1) and Seven Group (ASX:SVW). Bapcor's AGM indicated weakening growth at both its retail and trade autoparts distribution businesses year to date in FY24 and Bapcor's shares sold off a whopping 21 per cent in the month in response. Whilst Bapcor is exposed to a slowing consumer, we think that its core business will prove very resilient as it distributes parts consumed in maintaining an aging car fleet driving an increasing volume of kms. Maintenance of your car can only be pushed out or extended to a limited extent, before those maintenance items need to be completed. We used the price weakness to top up our holdings. Megaport's recent strong outperformance came to an abrupt halt post its 1Q quarterly report. Here Megaport's financials came in better than expected, but some of the operational metrics that analysts track, specifically around new sales growth, were soft and despite new management previously setting expectations that its sales strategy shouldn't be anticipated to take effect until 4Q24 Megaport's shares sold off some 19 per cent in the month. Seven Group underperformed on no new news, although its strong outperformance for the 3 months prior probably put a target on the stock's back in a month where the market was down 5 per cent. The market mindset in October was simply to sell and this was unforgiving.

Small caps have materially under-performed large caps here in Australia over the past 18 months. Our observations suggest that this is a global phenomenon, driven by a move to lower risk assets from potential uncertain macroeconomic outcomes from the rapid rise in interest rates to restrictive territory globally. Whilst we don't know when these forces will ease or change, what we do know is that economic settings don't remain in restrictive territory forever, and we do think that the "set-up" in small caps looks good.

For example we observe that there has been a significant valuation de-rating in the cohort of small cap growth equities, and whilst that de-rating also occurred in the corresponding cohort of large cap growers, we find it has occurred to a much lesser extent and that valuation regimes there are consistent with those observed pre-COVID, whilst in small caps that growth cohort trades at a significant discount to its pre-COVID observed valuation regime. Our job is to take advantage of this "set up" whilst finding those stock specific stories whose fundamentals do well irrespective of the macro, as we know over time that stock prices follow earnings.

