



# 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

\$233.8M

#### 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

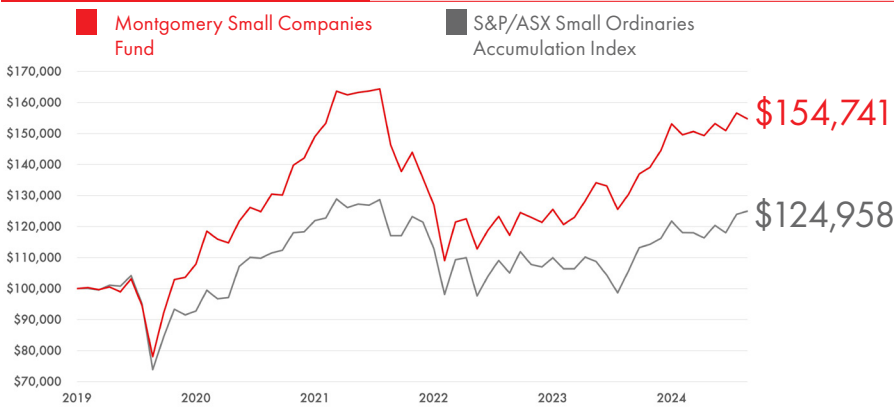
#### PERFORMANCE FEES

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 31 October 2024, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-1.20%	<b>-1.20%</b>	0.80%	-2.00%
3 months	0.00%	0.99%	<b>0.99%</b>	3.77%	-2.78%
6 months	0.18%	3.24%	<b>3.42%</b>	5.84%	-2.42%
12 months	0.21%	23.07%	<b>23.28%</b>	26.65%	-3.37%
3 years (p.a.)	0.78%	-2.54%	<b>-1.76%</b>	-0.61%	-1.15%
5 years (p.a.)	2.21%	7.00%	<b>9.21%</b>	4.65%	4.56%
Since inception#	11.53%	43.21%	<b>54.74%</b>	24.96%	29.78%
Compound annual return (since inception)#	2.16%	6.75%	<b>8.91%</b>	4.45%	4.46%

# Inception: 20 September 2019 | Past performance is not indicative of future performance



## TOP COMPLETED HOLDINGS\* (TCH)

(as at 31 October 2024 showing top 5 of 49 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Gold Road Resources	ASX:GOR	<a href="https://www.goldroad.com.au/">https://www.goldroad.com.au/</a>
HUB24	ASX:HUB	<a href="https://www.hub24.com.au/">https://www.hub24.com.au/</a>
Pinnacle Investment Management	ASX:PNI	<a href="https://www.pinnacleinvestment.com/">https://www.pinnacleinvestment.com/</a>
Vault Minerals	ASX:VAU	<a href="https://www.vaultminerals.com/">https://www.vaultminerals.com/</a>
Zip Co	ASX:ZIP	<a href="https://zip.co/">https://zip.co/</a>

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

Total equity weighting	94.37%
Total cash weighting	5.63%

## TOP 3 CONTRIBUTORS AND DETRACTORS

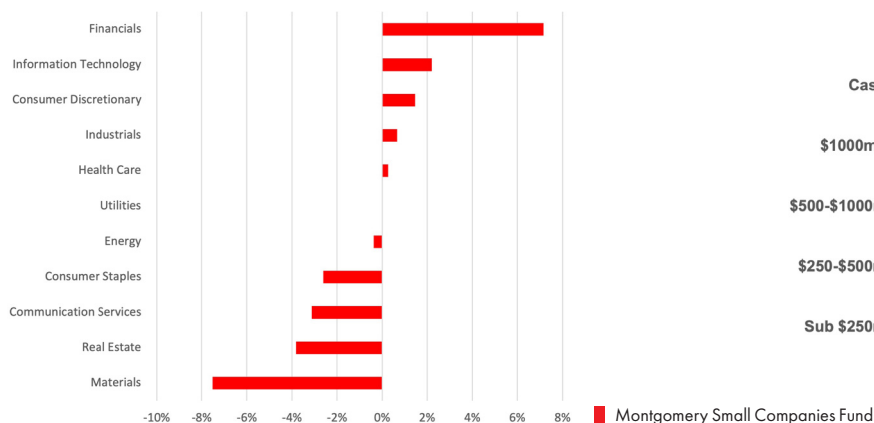
### CONTRIBUTORS

Gold Road Resources	Share price rose on gold price strength and better operational outlook
HUB24	One of the best business models benefiting from rising equity markets
Vault Minerals	Share price increased with gold price strength and solid operational performance

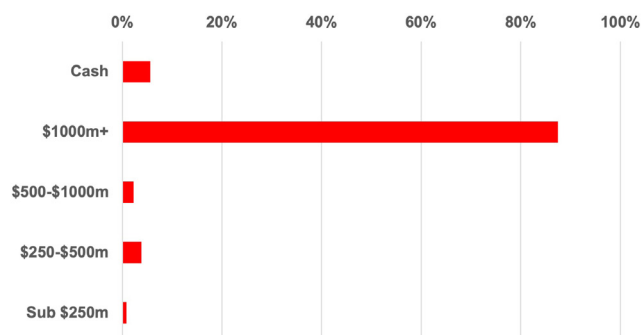
### DETRACTORS

Lovisa	Shares fell giving back last month's gains on no new news
Polynovo	Share price fell with the oil price weakness
Web Travel Group	Share price slid due to profit and growth outlook warning

## GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



## MARKET CAPITALISATION EXPOSURE



## CONTACT DETAILS

### INVESTORS

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### ADVISERS, RESEARCHERS AND PLATFORMS

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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.



For the month of October, the Montgomery Small Companies Fund (the Fund) declined by 1.20 per cent, net of fees, versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 0.80 per cent. Since inception (20 September 2019), the Fund has increased by 54.74 per cent, outperforming the benchmark by 29.78 per cent, after all fees and expenses.

Global equities broadly sold off during October as investors focused on the November U.S. election and digested renewed bond market volatility; interest rate cut expectations were pushed out on stronger economic data, as well as the potential for a Trump victory to lead to higher inflation (corporate tax cuts, stronger U.S. economy etc). Domestic economic data confirmed a stronger- than-anticipated labour market, which continues to present challenges for the Reserve Bank of Australia, along with the impact of elevated government spending.

The largest positive contributors for October included Gold Road Resources (ASX:GOR), HUB24 (ASX:HUB) and Vault Minerals (ASX:VAU).

Gold Road Resources is a mid-tier Australian gold producer which owns 50 per cent of the Gruyere gold mine (Gold Fields owns the remaining 50 per cent) located in Western Australia, as well as a major shareholding (c.17 per cent) in De Grey Mining (ASX:DEG), owner of the Mallina Gold Project (also located in Western Australia). This calendar year has been operationally challenging for Gold Road Resources as the joint venture seeks to materially ramp up mining production; and maintaining CY24 production guidance at the September 2024 quarterly was welcomed by investors. Whilst some heavy lifting will be required in the December 2024 quarter to meet production guidance, the stock price remains cheap relative to sector peers and the company continues to generate very strong cashflows at prevailing high commodity prices.

The share price for HUB24, the challenger wealth platform, keeps printing record highs as investors reward the strong earnings growth profile which is underpinned by buoyant equity market conditions, market share gains and structural tailwinds. During the month, the company reported strong September 2024 quarterly net flows, which came in ahead of market expectations and led to modest consensus earnings upgrades. Although valuation has re-rated over the past year, we remain attracted to the strong earnings power of the business.

Vault Minerals, formerly RED 5 and post the Silverlake Resources acquisition, is one of the select few 400,000 oz p.a. gold producers on the ASX. The September 2024 quarterly suggests that the company remains on track to achieve its FY25 sales and cost guidance which were reaffirmed by management. We see Vault Minerals as continuing to represent strong leverage to the high gold price environment with valuation appeal, trading cheaper than sector peers.

The largest detractors from performance included Lovisa (ASX:LOV), Polynovo (ASX:PNV) and Web Travel Group (ASX:WEB).

Fast fashion jeweller Lovisa's share price slumped during the month, giving back all of last month's strong gains and then some. We suspect this month's selling reflects investor concerns about the pace of the global store rollout which has been tracking below last year (we expect an update at the annual general meeting (AGM) scheduled for 22 November 2024), as well as news that the former CEO is launching a competing offering. Whilst a store roll-out strategy can be lumpy over the short-term, we still see significant growth potential for the company over the medium-term horizon.

PolyNovo is a medical technology company which develops and commercialises a synthetic resorbable matrix designed for wound and burn care. The shares have been on a strong run over the past year with investors taking some profits during the month on no new news.

By no means an overnight success story, the company is now demonstrating very strong revenue growth driven by customer acquisition, geographic expansion and market share gains, all underpinned by its superior technology. This strong topline growth profile, coupled with very high gross margins and slower cost investment, has seen PolyNovo deliver a maiden post-tax profit result in FY24, with consensus forecasting continued strong growth over the medium-term.

Web Travel Group's shares have had a torrid time since the company spun out its online travel agency business, Webjet Group (ASX:WJL), in September to focus on the global hotel bed intermediary market opportunity. Soft European trading conditions (Euro Championship, Paris Olympics and a large German tour operator going bust) were first flagged at the August AGM with management anticipating weaker revenue margins for 1H25 and recovering in 2H25. However, the October trading update warned that European margins remained subdued, further impacted by customer overrides and increased competition. This has shifted the investor debate from temporary margin impacts to potentially structurally lower margins in Europe due to a more intense competitive landscape. Although valuation is screening attractive, increased earnings uncertainty led us to materially reduce our holding.