



# 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

\$143.4M

#### 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

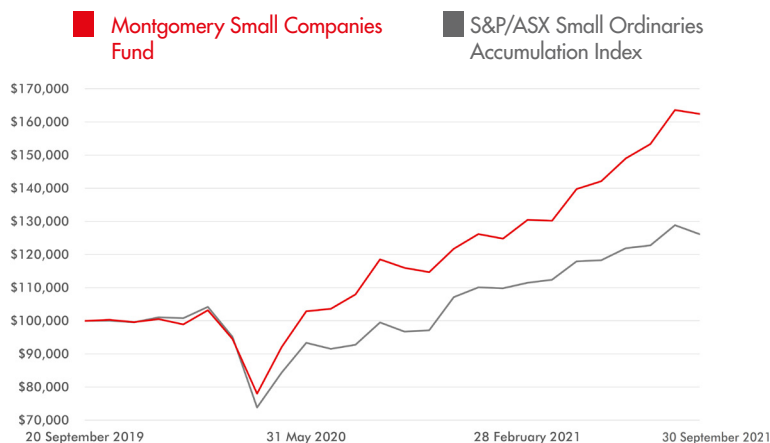
#### PERFORMANCE FEES

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

### PERFORMANCE GRAPH



### CONTACT DETAILS

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### PORTFOLIO PERFORMANCE

(to 30 September 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%	-0.74%	<b>-0.74%</b>	-2.14%	1.40%
3 months	0.00%	8.98%	<b>8.98%</b>	3.44%	5.54%
6 months	6.06%	18.71%	<b>24.77%</b>	12.23%	12.54%
12 months	6.80%	33.26%	<b>40.06%</b>	30.41%	9.65%
2 years (p.a.)	3.86%	23.39%	<b>27.25%</b>	12.28%	14.97%
Since inception#	7.89%	54.54%	<b>62.43%</b>	26.12%	36.31%
Compound annual return (since inception)#	3.81%	23.20%	<b>27.01%</b>	12.12%	14.89%

# Inception: 20 September 2019



The Montgomery Small Companies Fund (the Fund) declined by 0.74 per cent, net of fees, in September versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which declined by 2.14 per cent. Since inception (20 September 2019), the Fund has increased by 62.43 per cent, outperforming the benchmark by 36.31 per cent, after all fees and expenses.

The largest positive contributors for September included Pentanet (ASX:5GG), Core Lithium (ASX:CXO) and IDP Education (ASX:IEL). 5GG shares rallied after the company confirmed that it remains on track for an October national commercial launch of the highly anticipated GeForce NOW cloud gaming platform. Cloud gaming represents a new subscription-based model for the gaming community, delivering access to high quality graphics intense gaming experience without the need for a high cost dedicated gaming computer on your desk. 5GG is kicking off that market model in Australia having partnered with one of the world's leading graphic chip producers, NVIDIA Corporation (NASDAQ:NVDA), to host and sell its GeForce NOW gaming experience that NVIDIA has successfully launched in other major markets.

September saw several important milestones reached for CXO's wholly owned Finnis Lithium Project located in the Northern Territory including awarding mining services agreements and Board approval to proceed with construction. The evolving supply-demand balance for battery materials continues to support a robust medium-term outlook, and CXO is set to become Australia's next Spodumene (lithium feedstock) producer with first production scheduled for Q4 2022.

IEL shares rose on improving investor confidence around reopening stories more broadly, underpinned by encouraging vaccination rates which provide a pathway towards an easing of mobility restrictions. As international borders gradually reopen, IEL's student placement business should quickly rebound with strong potential for market share gains considering the company's digital capabilities and the significantly weakened competitive landscape.

The largest detractors from performance included Aeris Resources (ASX:AIS), Mineral Resources (ASX:MIN) and Praemium (ASX:PPS). AIS shares fell on no new news, most likely reflecting investors taking profits in resource stocks and de-risking portfolio positions on broader China macro concerns. We took advantage of weaker prices to add to our holding. While we don't try to call short-term macro moves, we remain convicted in the medium-term outlook for copper, and AIS's ability to extend its mine life and with it an improved valuation regime that should apply to AIS's shares. MIN shares suffered for similar macro reasons, with the iron ore price spectacularly falling, albeit from giddy heights. We also topped up our MIN position; it is a quality operator with significant growth potential in iron ore and lithium production. PPS sold off after a strong run. Technology stocks did very well in the prior month and many were sold off to fund a rotation into reopening names during September. We think PPS remains in play with the potential sale of the subscale UK operation a near-term catalyst for the stock.

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TOP COMPLETED HOLDINGS\* (TCH)

(as at 30 September 2021 showing top 5 of 49 holdings, in alphabetical order)

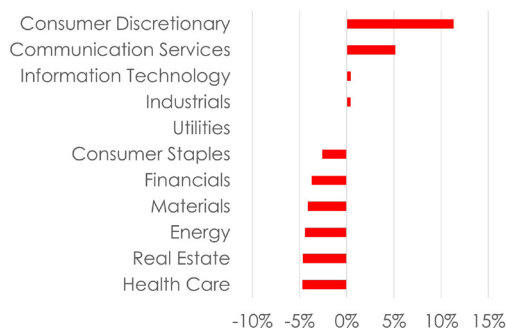
COMPANY NAME	TICKER	COMPANY WEBSITE
Alliance Aviation Services	ASX:AQZ	<a href="https://www.allianceairlines.com.au/">https://www.allianceairlines.com.au/</a>
Corporate Travel Management	ASX:CTD	<a href="https://www.travelctm.com/">https://www.travelctm.com/</a>
EML Payments	ASX:EML	<a href="https://www.emlpayments.com/">https://www.emlpayments.com/</a>
Macquarie Telecom	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.

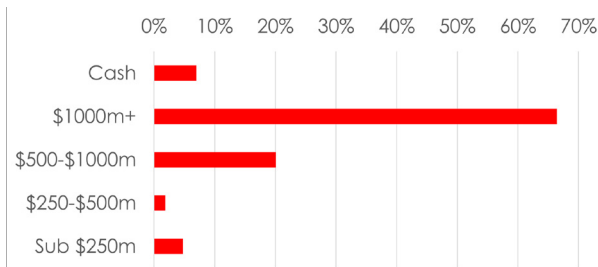
Total equity weighting 93.07%

Total cash weighting 6.93%

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 equities generally weakened during September as investors weighed up several developing factors, including concerns of slowing global economic growth due to the delta variant, potential global contagion from the distressed debt situation from Chinese property developer Evergrande Group, ongoing global supply chain disruptions and input cost inflation, and hawkish Federal Reserve commentary which saw an increase in bond yields. Despite concerns around delta, travel stocks and other reopening stories outperformed thematically, supported by easing international border restrictions, particularly the important trans-Atlantic route. Domestically, the market focus remains on reopening of the Australian economy with some optimism building on the back of the rapidly rising vaccination rate, particularly in New South Wales with Victoria a few weeks behind. And the global supply chain challenges may just play into the hands of Aussie retailers who find themselves well stocked ahead of the seasonally strong December quarter trading period.

## Outlook

We are looking forward to the day when we can write up a monthly report without referencing COVID-19. That is not far away we think. Over the next 3 months it will become clear that Australia will emerge from its various staged State lockdowns with one of the highest vaccinated populations on the planet, and one of the best positioned health systems to cope with expected case surges on re-opening. From protracted lockdowns will emerge cashed-up consumers very likely in our view to make up for lost time. Especially our younger age cohorts, who appear to be much more heavily vaccinated than their international peers. If Australia can't get back to "normal" quickly then where else can? We head into this period bullish on stocks exposed to domestic re-opening, across what we think are many different areas of the economy that will be positively impacted including travel, holidays, retail, media and services. We have added more of these exposures through the lockdown months to complement our overseas re-openers, making room by selling some of our structural growers that have done particularly well. That is the aim, to find the best risk-adjusted undervalued opportunities, where the drivers of change and earnings power has upcoming catalysts to become apparent enough to drive that shift in valuation we are looking for to deliver performance for our investors.

