



# 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

\$238.1M

#### 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

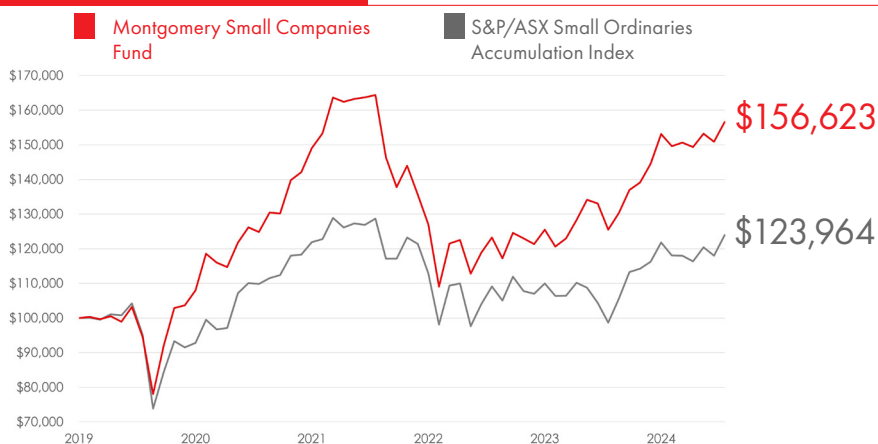
#### PERFORMANCE FEES

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 September 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%	3.80%	<b>3.80%</b>	5.06%	-1.26%
3 months	0.00%	4.87%	<b>4.87%</b>	6.53%	-1.66%
6 months	0.17%	2.13%	<b>2.30%</b>	1.78%	0.52%
12 months	0.20%	17.50%	<b>17.70%</b>	18.79%	-1.09%
3 years (p.a.)	0.78%	-1.99%	<b>-1.21%</b>	-0.57%	-0.64%
5 years (p.a.)	2.20%	7.12%	<b>9.32%</b>	4.38%	4.94%
Since inception#	11.53%	45.09%	<b>56.62%</b>	23.96%	32.66%
Compound annual return (since inception)#	2.19%	7.14%	<b>9.33%</b>	4.36%	4.97%

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



## TOP COMPLETED HOLDINGS\* (TCH)

(as at 30 September 2024 showing top 5 of 48 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
ARB Corporation	ASX:ARB	<a href="https://www.arb.com.au/">https://www.arb.com.au/</a>
GQG Partners	ASX:GQG	<a href="https://gqg.com/">https://gqg.com/</a>
HUB24	ASX:HUB	<a href="https://www.hub24.com.au/">https://www.hub24.com.au/</a>
Lovisa	ASX:LOV	<a href="https://www.lovisa.com.au/">https://www.lovisa.com.au/</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	93.76%
Total cash weighting	6.24%

## TOP 3 CONTRIBUTORS AND DETRACTORS

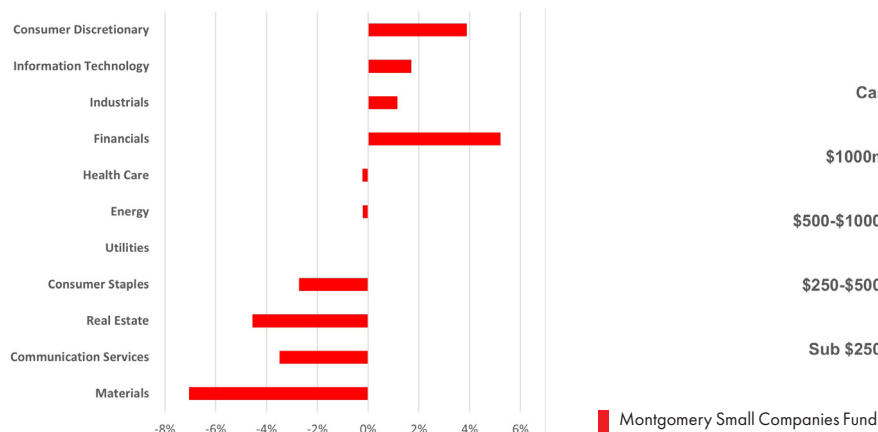
### CONTRIBUTORS

Lovisa	Share price bounced following weak August share price
Sandfire Resources	Share price increased as it was added to the ASX100
Zip Co	Share price rose as the company's growth outlook is being appreciated

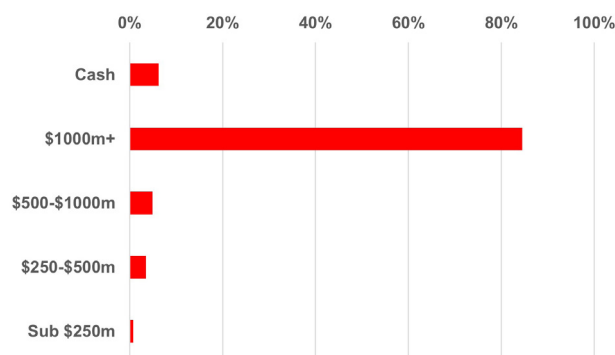
### DETRACTORS

Light & Wonder	Share price fell as a court ruling went against Light & Wonder
Karoon	Share price fell with the oil price weakness
Vault Minerals	Shares weak despite gold strength and Fed cutting begins

## GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



## MARKET CAPITALISATION EXPOSURE



## CONTACT DETAILS

### INVESTORS

<b>Toby Roberts</b> t 02 8046 5017 e troberts@montinvest.com	<b>David Buckland</b> t 02 8046 5004 e dbuckland@montinvest.com
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### ADVISERS, RESEARCHERS AND PLATFORMS

<b>Scott Phillips</b> States – National m 0417 529 890 e sphillips@montinvest.com	<b>David Denby</b> States – VIC, SA & TAS m 0455 086 484 e ddenby@montinvest.com	<b>Michael Gollagher</b> States – QLD m 0409 771 306 e mgollagher@montinvest.com	<b>Dean Curnow</b> States – NSW, ACT & WA m 0405 033 849 e dcurnow@montinvest.com
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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 September, the Montgomery Small Companies Fund (the Fund) increased 3.80 per cent, net of fees, versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which increased by 5.06 per cent. Since inception (20 September 2019), the Fund has increased by 56.62 per cent, outperforming the benchmark by 32.66 per cent, after all fees and expenses.

The U.S. Federal Reserve cut rates 50 basis points on 18 September, signalling that the fight against inflation there is mostly done, and rates now need to fall to a less restrictive level before too much damage is done to the Labour market, which remains in good health but has been showing signs of weakening. The other big macro news of the month was the rate of deterioration in China's economic data, and the subsequent pledges made by China's leaders to support the economy, specifically aimed at stabilising the deteriorating property market to restore confidence and grow internal consumption. The market response was most dramatic in the small resource sector, which at its lows was down almost 10 per cent in the month, responding to the weak Chinese data, but then recovering 18.2 per cent on the Fed rate cuts followed by Chinese stimulus news as investors repositioned from a bearish to a positive outlook scenario in a matter of days.

The largest positive contributors for September included Lovisa (ASX:LOV), Sandfire Resources (ASX:SFR) and Zip Co (ASX:ZIP).

Fast fashion jeweller Lovisa's share price performed well in the month, as it bounced back from last month's weakness. Investors digested the slower-than-hoped-for trends in its rapid global store roll-out program. Lovisa's retail offering is proven in multiple markets (46 at last count) and has a large global addressable market with which to take its small store floorplate, selling low ticket price but high margin (c.80 per cent) product. Lovisa retains strong growth optionality and perhaps the market chose to focus on that rather than the knee-jerk reaction to the store count being 1 per cent lower than hoped.

Sandfire Resources is a pureplay copper miner with producing assets in Botswana and Spain. The Fund has been invested in Sandfire Resources since early November 2022, and this month, Sandfire Resources entered the ASX100. This is an example of what we are looking for: small caps that have the potential to become large caps, allowing the Fund to harvest the value creation of that journey – from small to big. Whilst the large cap ASX100 Index has plenty of copper exposure, like BHP and Rio Tinto, there are no pureplays that large cap fund managers can seek to express clean (non-Iron Ore or other commodity exposure alongside), other than Sandfire Resources. And we think that makes Sandfire Resources an attractive asset as many of these investors look to gain exposure to the de-carbonisation theme that copper exposure offers, without taking on the purpose defeating exposures to other carbon intensive commodities (Iron ore, for example) inside these conglomerate businesses at the same time.

Zip Co's share price has been on a tear so far this calendar year as the market appreciates that the company has now transitioned from survivor to thriver. The August results confirmed that the heavy lifting to re-position Zip Co from loss-making growth in many markets to profitable growth in just Australia and the U.S. is now complete. This leaves Zip Co with plenty of profitable growth optionality ahead, but crucially with the means to fund it internally rather than depend on the equity market funding losses in the pursuit of short-term growth. Whilst September brought no new news, a combination of the market taking time to digest Zip Co's results of late August and improved U.S. economic outcomes – Zip Co's major growth drivers are in the U.S. market – spurred the shares on for another solid month of gains.

The largest detractors from performance included Light & Wonder (ASX:LNW), Karoon (ASX:KAR) and Vault (ASX:VAU).

Light & Wonder's shares fell 17.6 per cent in the month on news that a U.S. court has granted competitor Aristocrat (ASX:ALL) a preliminary injunction relating to Light & Wonder's Dragon Train game. Aristocrat had sought the injunction on the basis that it believed its intellectual property (IP) built with its own Dragon Link game had been used in the "manufacture" of Light & Wonder's Dragon Train game, including specifically that former Aristocrat employees now at Light & Wonder had contributed to the development. The U.S. judge agreed, and Light & Wonder's shares reacted with a large share price fall. For context, Light & Wonder expects Dragon Train linked F25 profits would have amounted to less than 5 per cent of the total. Investors clearly believe that the growth opportunity amounted to more than that. Light & Wonder has many more games in its portfolio that offer strong growth, and despite the injunction here, it has the opportunity to remedy the parts of the Dragon Train IP where the injunction applies and, over time, put Dragon Train back into the market.

Karoon is an oil and gas producer, and its shares fell in September on global oil price weakness. Oil prices fell on weakening market demand outlook – including China's dramatically softening economic data – and the threat of rising supply as previously agreed to Organization of the Petroleum Exporting Countries (OPEC) supply cuts are nearing their expected end, if those cuts are not extended. During September, we saw China start to respond to its deteriorating economic outlook, introducing stimulus, and we saw the global oil price respond, and with it, Karoon's shares, albeit not enough to prevent them from declining 9.5 per cent in the month. Operationally, there was minor new news regarding Karoon's Gulf of Mexico oil and gas production being impacted by Hurricane Helene. Production was safely shut-in, and subsequently re-started after what was a significant storm event in South-East U.S.

Vault Minerals (ASX:VAU) is the renamed RED5; its share price was down 4.4 per cent for the month but once again made the loser list for the month on no new news. The U.S. and Australian dollar gold price hit all-time highs in September (as it did in July and August). Gold has historically been seen as offering inflation protection, and the gold price is now performing as interest rates peak, and the cutting cycle begins in the U.S. with its Federal Reserve cutting interest rates by 50 basis points in September. Vault Minerals' shares should have performed well given this backdrop, but it wasn't alone, with many gold equities declining for the month despite the gold price reaching record highs.

