



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%.

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RECOMMENDED INVESTMENT TIMEFRAME

5 years

MINIMUM INITIAL INVESTMENT

\$25,000

INCEPTION DATE

20 SEPTEMBER 2019

FUND SIZE

\$26.4M

MANAGEMENT FEE

1.23% per annum, which includes a management fee of 1.03% per annum. Both figures are GST inclusive and net of RITC.

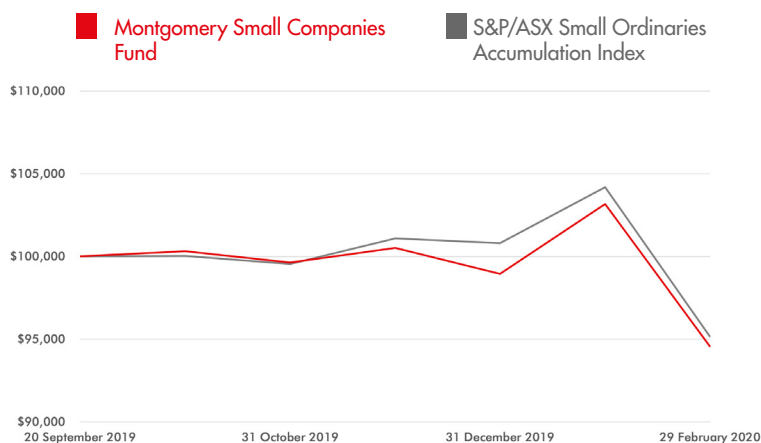
PERFORMANCE FEES

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 29 February 2020, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	-8.35%	-8.35%	-8.68%	0.33%
3 months	0.00%	-5.94%	-5.94%	-5.87%	-0.07%
6 months	N/A	N/A	N/A	N/A	N/A
Since inception#	0.00%	-5.44%	-5.44%	-4.84%	-0.60%

Inception: 20 September 2019



FUND COMMENTARY

The Montgomery Small Companies Fund (the Fund) declined 8.35 per cent, net of fees in February versus the benchmark, the S&P/ASX Small Ordinaries Accumulation index which declined by 8.68 per cent. Since inception, the Fund has fallen 5.44 per cent, underperforming the benchmark by 0.60 per cent.

The largest positive contributors to performance included Adairs (ASX:ADH), IDP Education (ASX:IEL) and NEXTDC (ASX:NXT). ADH delivered a solid interim result accompanied with a positive trading update, driving broker consensus upgrades. Highlights were accelerating online sales growth in Q2 and early positive signs from the newly acquired Mocka e-commerce business. We continue to view the valuation as attractive for the growth. IEL's 1H20 result materially beat market expectations, driven by strong growth in all key regions, share gains and benefiting from digital investment. However, we decided to take profits and exit our position due to increased near-term risks associated with potential Coronavirus impacts on international student flows. NXT's first half result showcased strong underlying demand, tight cost control & delivery of the late S2 data centre development. The market appears to be warming to our view of NXT as an undervalued structural growth stock.

The largest detractors from performance included EML Payments (ASX:EML), Infigen Energy (ASX:IFN) and NRW Holdings (ASX:NWH). EML was perhaps a victim of its own recent success whereby an in-line result wasn't enough to appease the momentum traders who subsequently sold out and moved on to the next best thing. We believe EML is cheap for the strength of the structural growth on offer and see fundamental catalysts ahead. IFN's share price suffered from indigestion following the sell down by a substantial holder (Brookfield) via a block trade. We remain attracted to the decarbonisation thematic and see upside risk to consensus estimates from stronger growth in demand for

renewables and a firmer than expected future carbon price – this looks a nice defensive exposure with growth options. NWH's 1H20 result was strong and the opportunity pipeline healthy. However, the market sold NWH along with mining services sector peers in the broader risk-off trade near month end.

Market commentary

What was looking like a good reporting season for our portfolio companies was overshadowed by the sharp global selloff in equities over the course of the final week of the month as investors responded to news that Coronavirus had spread beyond China's borders. The selling was broad-based with relatively defensive sectors, like consumer staples, healthcare, utilities and gold, faring not much better than the overall market. On results, we were pleased with how our investments performed and outlooks with the vast majority meeting or beating expectations.

Outlook

The equity market is bracing for a global macroeconomic slowdown caused by the Coronavirus outbreak, whilst assessing the various stimulus efforts from Governments and Central banks aimed at supporting near term economic activity.

Our response has been to remove those stocks with first order exposures, stocks exposed to travel or education for example. Consequently, the fund exited the month with 16.9 per cent cash. We will be looking to take advantage of cheaper prices in stocks we like over the near term, although acknowledge that we are unlikely to get our timing perfect and that we are in a period of volatility whilst uncertainty around the extent of the impact from COVID-19 drives markets.

TOP COMPLETED HOLDINGS* (TCH)

(as at 29 February 2020 showing top 5 of 39 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
EML Payments	ASX:EML	https://www.emlpayments.com/
Infigen Energy	ASX:IFN	https://www.infigenenergy.com/
Macquarie Telecom Group	ASX:MAQ	https://macquarietelecom.com/
National Storage	ASX:NSR	https://nationalstorage.com.au/
NEXTDC	ASX:NXT	https://www.nextdc.com/

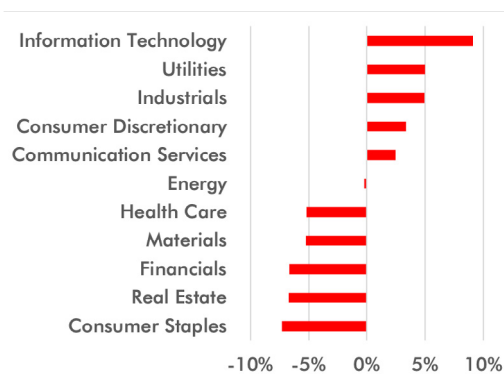
*Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.

Total equity weighting 83.13%

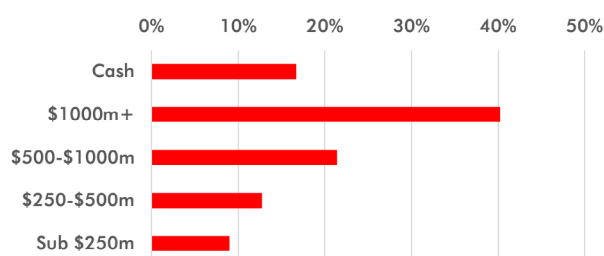
Total cash weighting 16.87%

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK

MARKET CAPITALISATION EXPOSURE



■ Montgomery Small Companies Fund



PLATFORMS WE ARE ON: N/A

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. 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.

