



# 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

\$28.5M

#### 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.

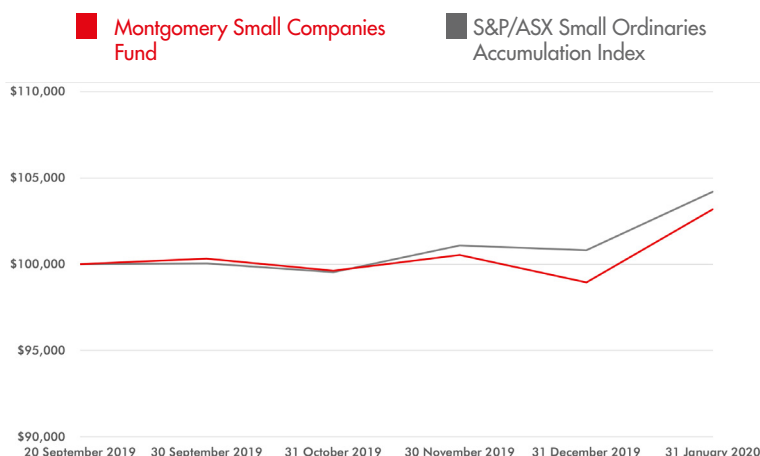
#### PERFORMANCE FEES

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

### PERFORMANCE GRAPH



### CONTACT DETAILS

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#### ADVISERS, RESEARCHERS AND PLATFORMS

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### PORTFOLIO PERFORMANCE

(to 31 January 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%	4.29%	4.29%	3.38%	0.91%
3 months	0.00%	3.56%	3.56%	4.69%	-1.13%
6 months	N/A	N/A	N/A	N/A	N/A
Since inception#	0.00%	3.18%	3.18%	4.20%	-1.02%

# Inception: 20 September 2019



## FUND COMMENTARY

The Montgomery Small Companies Fund (the Fund) returned 4.29 per cent, net of fees in January versus the benchmark, the S&P/ASX Small Ordinaries Accumulation index which increased by 3.38 per cent. Since inception, the Fund has returned 3.18 per cent, underperforming the benchmark by 1.02 per cent.

The largest positive contributors to performance included EML Payments (ASX:EML), Bigtincan (ASX:BTH) and Infigen Energy (ASX:IFN). EML gained on broker earnings upgrades driven by two recent contract wins (NSW Health & The Home Office UK). BTH rallied following a stronger than expected quarterly update (2Q cash receipts up 102 per cent year over year) and a material new contract win (DXC Technology Services). IFN also delivered a quarterly report ahead of market expectations - we think investors are starting to appreciate IFN as a cheap play on a strong theme...decarbonisation.

The largest detractors from performance included Kogan.com (ASX:KGN), Nearmap (ASX:NEA) and Webjet (ASX:WEB). KGN surprised the market with a soft 2Q trading update, leading to consensus earnings downgrades and a sharp selloff in the share price. Increased competition in TVs and weaker air conditioner sales were largely to blame. KGN's marketplace and new verticals continue to offer significant upside potential, however near-term earnings may remain volatile while the business transitions.

NEA also warned that 2Q had missed its targets due to three large enterprise churn/downgrade events in the US. With the market's attention now firmly focused on the higher than previously anticipated cash burn and weakened funding structure, we decided to exit our relatively small position.

WEB fell alongside travel sector peers on Coronavirus risks. Although near-term risks remain, we view valuation as attractive for the growth and have recently added to our position.

### Small Cap market commentary

Investors cheered on the start of the new calendar year and the signing of the Phase One US-China trade deal by putting money to work in equities, driving up the Small Ords to an intra-month high of 6 per cent. However, sentiment soured towards the back end of January with stocks pulling back on fears relating to the unknown global impacts of the deadly Coronavirus.

More than 20 small cap companies issued negative trading updates during the month of January with most citing persistently challenging conditions within the domestic economy.

### Outlook

The small cap market remains ripe with opportunity and we expect the February results season to throw out lots of investment ideas for us to work up and potentially prosecute. The domestic economic pulse appears relatively soft, but not terrible, with the case for further stimulus perhaps strengthening after the recent bushfires and the Coronavirus outbreak. Lower for longer interest rates should continue to support robust equity valuations.

The bulk of the portfolio is positioned in small cap growth stocks that we think can grow independently of the prevailing macro backdrop, as we prefer (under-researched) businesses with their destiny in their own hands.

## TOP COMPLETED HOLDINGS\* (TCH)

(as at 31 January 2020 showing top 5 of 45 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
EML Payments	ASX:EML	<a href="https://www.emlpayments.com/">https://www.emlpayments.com/</a>
IDP Education	ASX:IEL	<a href="https://www.idp.com/australia/">https://www.idp.com/australia/</a>
Infigen Energy	ASX:IFN	<a href="https://www.infigenenergy.com/">https://www.infigenenergy.com/</a>
NEXTDC	ASX:NXT	<a href="https://www.nextdc.com/">https://www.nextdc.com/</a>
Seven Group Holdings	ASX:SVW	<a href="https://sevengroup.com.au/">https://sevengroup.com.au/</a>

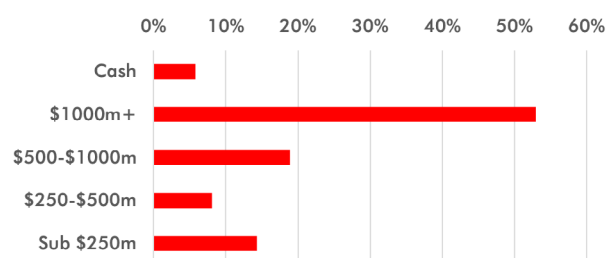
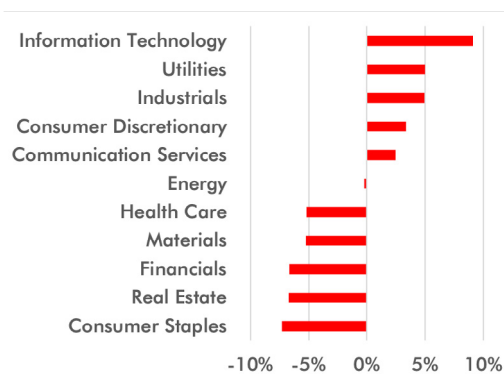
\*Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.

Total equity weighting 94.14%

Total cash weighting 5.86%

## 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.

