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

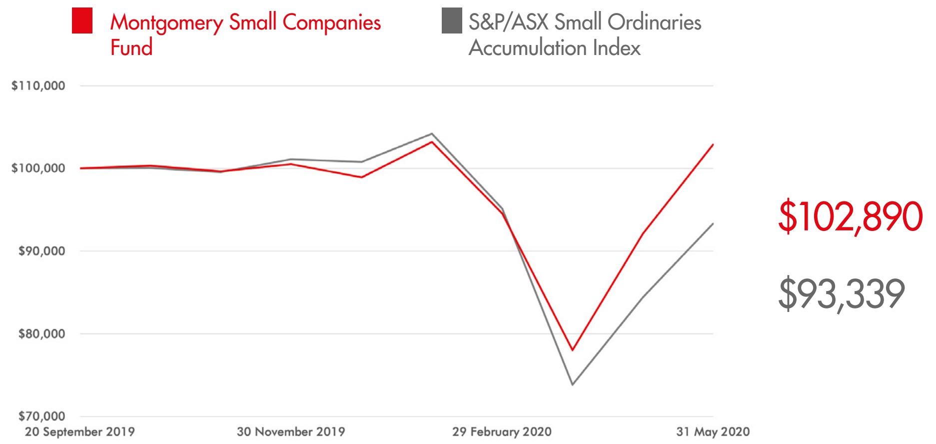
FUND SIZE
$32.9M

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 31 May 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%	11.74%	11.74%	10.59%	1.15%
3 months	0.00%	8.81%	8.81%	-1.91%	10.72%
6 months	0.00%	2.35%	2.35%	-7.66%	10.01%
Since inception#	0.00%	2.89%	2.89%	-6.66%	9.55%

Inception: 20 September 2019

FUND COMMENTARY

The Montgomery Small Companies Fund (the Fund) returned 11.74 per cent, net of fees in May versus the benchmark, the S&P/ASX Small Ordinaries Accumulation index, which increased by 10.59 per cent. Since inception (20 September 2019), the Fund has increased 2.89 per cent, outperforming the benchmark by 9.55 per cent, after all expenses.

The largest positive contributors to performance included EML Payments (ASX:EML), Macquarie Telecom (ASX:MAQ) and Pointsbet (ASX:PBH). EML released a positive trading update, highlighting that despite the significant impact from widespread global mall closures, the Group remained cashflow positive over March and April. This was accompanied by an improved outlook, underpinned by a gradual reopening of economies around the world. MAQ's share price continued to rally as investors sought low risk, quality growth stocks with demonstrable resilience to COVID-19 economic pressures. MAQ, with its datacentre-dense earnings streams, fits that bill, and its whole valuation still remains very cheap relative to peers. Gary Rollo also appeared on a video with AFL legend Chris Judd (just what does Gary know about AFL…) highlighting our investment thesis and can be viewed on our website here. PBH surged on the back of a positive trading update and on growing expectations of a resumption of global professional sports.

The largest detractors from performance included Cooper Energy (ASX:COE), Infigen Energy (ASX:IFN), and Ingham's (ASX:ING). COE shares came off due to completion delays at the Orbost gas plant as commissioning partner, APA, irons out (hopefully) final performance issues; we remain confident these issues will be resolved. IFN retraced after a business update outlined plans to prudently slow the pace of the growth strategy until wholesale electricity market conditions, impacted by COVID-19 lockdowns improve. Valuation remains strong for an overlooked quality stable compounding business with good growth prospects when conditions change. ING shares softened as the company pointed to operational challenges associated with the sharp channel shifts caused by COVID-19 disruptions. We decided to exit our relatively small position in the stock.

Market commentary

Markets continued to rise through May as investors chose to look through the weak backward-looking economic data, appearing to draw the important distinction that this is not a normal economic slowdown, but one driven by government mandated economic lockdowns, rather than the normal cyclical issues. Correspondingly, markets have now taken the position of focusing on the prospects for improving near-term conditions as these restrictions ease and economies reopen for business. Cyclical sectors outperformed their defensive counterparts; discretionary retail, financials and resources were the clear standouts. Nonetheless, some businesses' capital structures have been challenged due to the lockdowns and capital raisings have continued, albeit at a more moderate level compared with April's emergency level spike. Our company contact levels remained high during May, with our brains well and truly "zoomed out" most days - a relatively consistent message from our investment universe was that the bottom has been seen and May trading had sequentially improved with a further recovery anticipated in June. We see the same picture from the real-time economic data from many sources. Fiscal stimulus has provided a much-needed boost; although questions do remain as to how our domestic economy fares once these policies unwind, typically from October.

Outlook

Equities have rebounded strongly from their March lows, so it is unsurprising that the market narrative has pivoted towards what shape (or alphabet letter) recovery has been implicitly priced in by prevailing share prices. We will leave the star gazing to others - we much prefer to spend our time searching for undiscovered small caps with strong growth potential, trading at attractive prices, and in our view, there are plenty of opportunities.

Our portfolio shape today reflects the best risk-adjusted opportunities that we see in front of us; comprising a strong core of stocks expected to do well in the aftermath of COVID-19, structural growers leveraged to accelerating global mega-trends, and a select group of cyclicals with leading competitive positions and improving prospects. We exited May with 9.7 per cent cash, preserving some dry powder to take advantage of the many discounted capital raisings and individual stock opportunities arising in what remain volatile markets. As mentioned last month, we are staying flexible, holding onto our strong growth core but taking risk on our own terms where we find the opportunities are best.

TOP COMPLETED HOLDINGS* (TCH)

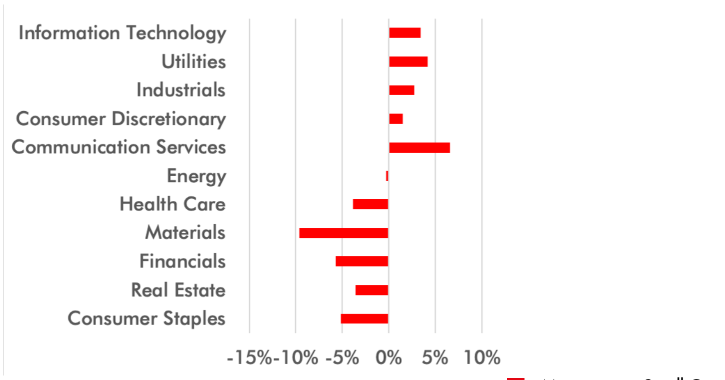
(as at 31 May 2020 showing top 5 of 48 holdings, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
Appen	ASX:APX	https://appen.com/
EML Payments	ASX:EML	https://www.emlpayments.com/
Macquarie Telecom Group	ASX:MAQ	https://macquarietelecom.com/
Megaport	ASX:MP1	https://www.megaport.com/
National Storage REIT	ASX:NSR	http://www.nationalstorageinvest.com.au/

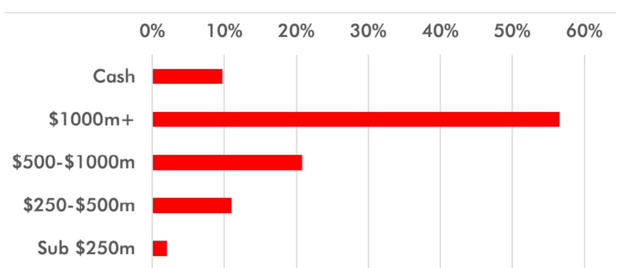
Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.

Total equity weighting	90.32%
Total cash weighting	9.68%

GICS SECTOR WEIGHTS RELATIVE TO THE BENCHMARK



MARKET CAPITALISATION EXPOSURE



PLATFORMS WE ARE ON: Netwealth (IDPS and Super/Pension)

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