



# 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

\$22.8M

#### 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.

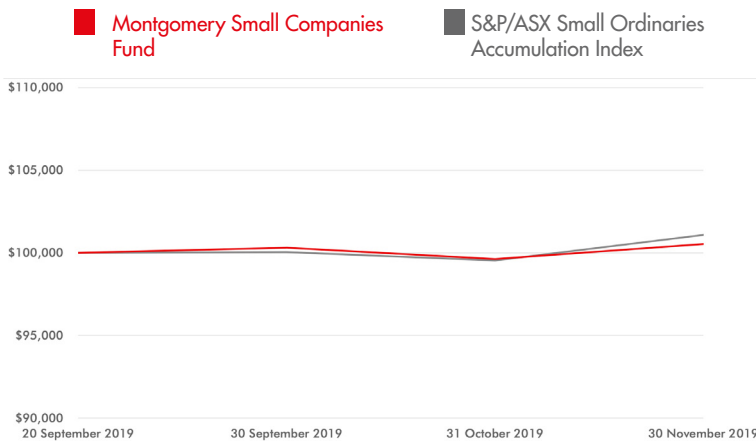
#### PERFORMANCE FEES

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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### PORTFOLIO PERFORMANCE

(to 30 November 2019, after all fees)

	INCOME	CAPITAL GROWTH	MONTGOMERY SMALL COMPANIES FUND	S&P/ASX SMALL ORDINARIES ACCUM. INDEX	OUT/UNDER PERFORMANCE
1 month	0.00%	0.90%	0.90%	1.56%	-0.66%
3 months	N/A	N/A	N/A	N/A	N/A
6 months	N/A	N/A	N/A	N/A	N/A
Since inception#	0.00%	0.53%	0.53%	1.09%	-0.56%

# Inception: 20 September 2019



**Fund Performance & Drivers**

The Montgomery Small Companies Fund (the Fund) returned 0.90 per cent, net of fees in November versus the benchmark, the S&P/ASX Small Ordinaries Accumulation index which increased by 1.56 per cent. Since inception, the Fund has returned 0.53 per cent, underperforming the benchmark by 56 basis points.

The largest positive contributors to performance included EML Payments (ASX:EML), NRW Holdings (ASX:NWH) and Pendl (ASX:PDL). EML shares rose 18 per cent on the back of the transformational and accretive PFS deal (which you can read more about on our [blog, here](#)) and a material US mall contract win. NWH acquired BGC Contracting which looks a good strategic fit, adding scale and some diversification to the group wrapped up in an earnings accretive deal. PDL delivered better than expected operational results and outlook, investors warmed to the idea that PDL's FUM flows have stabilised and earnings may have bottomed. A cheap quality business with strong balance sheet and cashflows.

The largest detractors from performance included Smartgroup (ASX:SIQ), iSentia (ASX:ISD) and AMA Group (ASX:AMA). SIQ was heavily sold off after long standing well regarded CEO Deven Billimoria announced his retirement, less than a month after 25 per cent shareholder Smart Packages sold its entire position in a market block trade. This was not a good look despite the company providing earnings guidance in-line with market expectations. ISD's Annual General Meeting (AGM) suggested that the rate of revenue decline in the business has continued unabated, in contrast to the outlook commentary provided at the August results. ISD did however

re-affirm its profit outlook. AMA shares declined on no new fundamental news, so we topped up our holdings.

**Small Cap market commentary**

November was a busy month with macro headlines dominated by conflicting status reports on the long awaited US/China trade deal (first phase at least) and the conclusion of the AGM season which delivered a deluge of trading updates (mixed overall). The thematic rotation out of the rate sensitive sectors (gold, growth & yield) into value was sustained. That said, the market continues to reward good news.

The IPO market sprung back to life in November with most deals getting away (in stark contrast to what we saw in the prior month) while secondary capital raising activity remained at elevated levels. Most raisings were to support earnings accretive acquisitions rather than to repair broken balance sheets, which is a healthy sign.

**Outlook**

Themes in the small cap market we particularly like at the moment are technology, global growers, mining services and renewables. Rate cuts appear to be lifting sentiment in the domestic housing sector and this should eventually benefit discretionary consumption (although early indications suggest households are paying down debt rather than rushing to the shops).

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)**

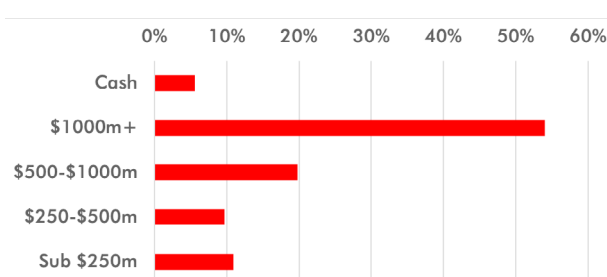
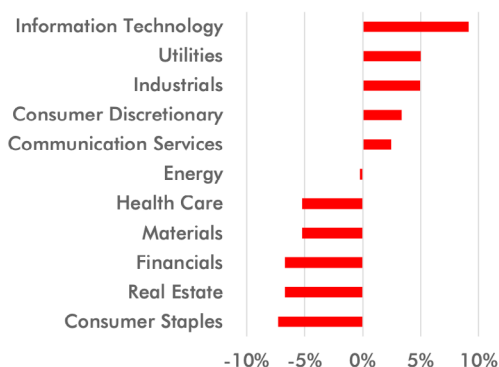
(as at 30 November 2019, in alphabetical order)

COMPANY NAME	TICKER	COMPANY WEBSITE
AMA Group	ASX:AMA	<a href="https://amagroupltd.com/">https://amagroupltd.com/</a>
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>

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

**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.

