



# 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

\$19.0M

#### 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.

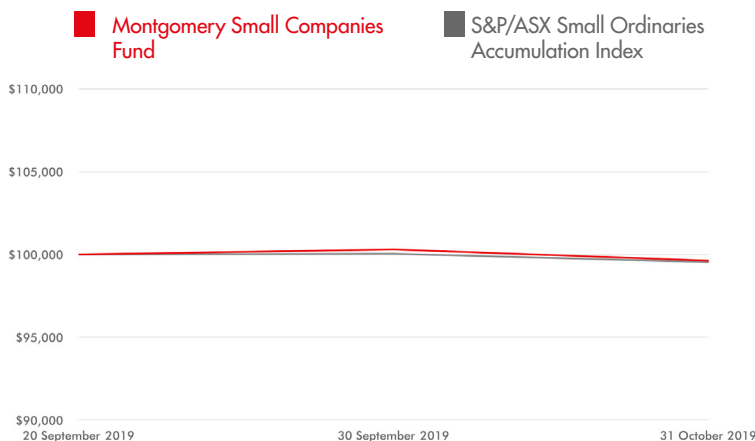
#### PERFORMANCE FEES

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 31 October 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%	-0.68%	-0.68%	-0.50%	-0.18%
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%	-0.37%	-0.37%	-0.46%	0.09%



Fund Performance & Drivers

The Montgomery Small Companies Fund (The Fund) declined by 0.68 per cent in October versus the benchmark, the S&P/ASX Small Ordinaries Accumulation Index which fell by 0.50 per cent. Since inception The Fund has declined by 0.37 per cent net of fees, outperforming the benchmark by 0.09 per cent.

The largest positive contributors to performance included Bigtincan (ASX:BTH), IDP Education (ASX:IEL) and IMDEX (ASX:IMD). BTH provided an upbeat first quarter update, re-enforcing its growth credentials with FY20 organic revenue growth guidance for 30-40 per cent with recent acquisitions providing further upside potential.

IEL rallied back strongly after the heavy post results sell-off in August, management confirming at the October AGM that FY20 has begun with 'great momentum'. IMD performed well during the month after reporting a record first quarter at the AGM and growing market confidence in the potential of IMD's new product pipeline.

The largest detractors from performance included Contact Energy (ASX:CEN), EML Payments (ASX:EML) and Southern Cross Media (ASX:SXL). CEN sold off on news that Rio Tinto has initiated a strategic review of its Tiwai Point aluminium smelter which, if shuttered, could materially reduce overall power demand in New Zealand and therefore wholesale power prices. EML's share price consolidated in October on no new news and post a strong recent run - we see multiple near-term catalysts for the company so remain invested. SXL disappointed the market with an earnings downgrade citing a weak radio and regional television advertising market during the first quarter. We had expected radio to prove more resilient, however we quickly exited the stock preferring

to re-visit at a later date rather than hold and run the risk of a deteriorating outlook.

Small Cap market commentary

Investors appeared to continue their rotation from recent strong performing growth & yield stocks into some apparently neglected value stocks, despite the ebbing economic pulse evident across many cyclical sectors (retail, housing, media). Annual General Meeting season has started and so far delivered a number of earnings downgrades (notably Costa Group, Bega, GWA and Southern Cross Media).

The IPO market looks closed for now with a number of high profile deals pulled on quality and valuation concerns (Latitude, PropertyGuru, MPC Kinetic, Retail Zoo). However, secondary capital raisings have been generally well supported by the market (AMA, Kathmandu, Sea Link, Atomos) – a trend we expect to continue.

Outlook

We see lots of opportunity across the small cap market, specifically there is good value in mining services which are beneficiaries of a potentially improved global trade environment. We are also watching the domestic economic pulse, to detect signs of life post significant stimulus from recent rate cuts and regulatory change, but recent data here has been patchy. 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.

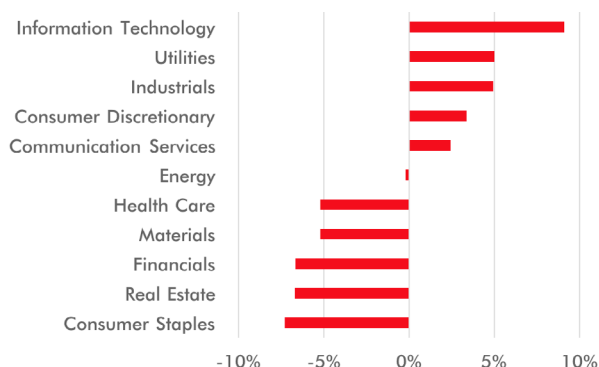
TOP COMPLETED HOLDINGS\* (TCH)

(as at 31 October 2019, in alphabetical order)

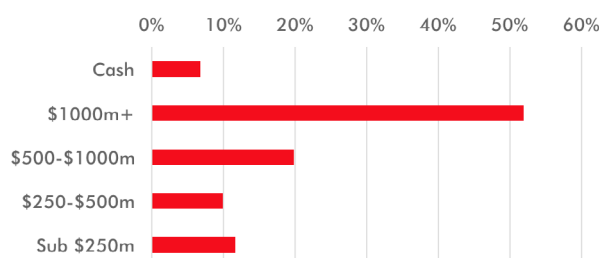
COMPANY NAME	TICKER	COMPANY WEBSITE
IDP Education	ASX:IEL	<a href="https://www.idp.com/australia/">https://www.idp.com/australia/</a>
Infigen Energy	ASX:IFN	<a href="https://www.infigenenergy.com">https://www.infigenenergy.com</a>
Kogan	ASX:KGN	<a href="https://www.kogan.com/au/">https://www.kogan.com/au/</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.

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.

