MONTGOMERY

Montgomery Small Companies Fund

Monthly investment report

October 2026

Fund overview

The Montgomery Small Companies Fund (the Fund) invests in a portfolio of 30 to 50 Australian and New Zealand high-quality, undervalued small and emerging companies with strong growth potential.

Fund facts

Investment manager:	Montgomery Lucent Investment Management
Objective:	To outperform the benchmark over a rolling 5-year period.
Benchmark:	S&P/ASX Small Ordinaries Accumulation Index
Portfolio managers:	Gary Rollo, Dominic Rose
Investment style:	Agnostic
Investment timeframe:	5 years recommended
APIR code:	FHT3726AU

Inception:	20 September 2019
Minimum initial investment:	$25,000
Fund size:	$236.45 million
Management fees and costs:	1.20% pa*
Distributions:	Yearly
Performance fee:	17.94% outperformance of benchmark**
Unit prices:	montinvest.com/our-funds/montgomery-small-companies-fund/

*Includes the Responsible Entities fees, Montgomery Lucent's fees, custody fees, ordinary and abnormal expenses and any indirect costs. This is an estimate as expenses may vary.

**Please read the Product Disclosure Statement for details.

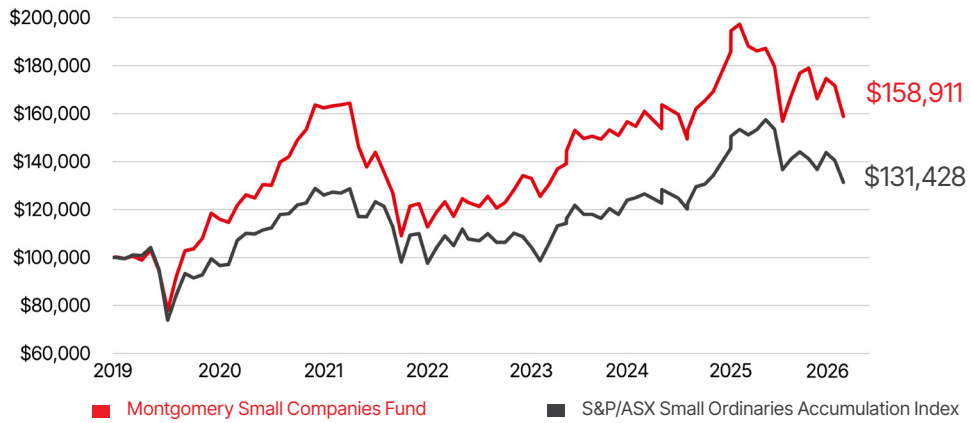
Portfolio performance (after all fees)

	1 month	3 months	6 months	12 months	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	Since inception#	Compound annual return (since inception)
Montgomery Small Companies Fund	-7.46%	-4.42%	-5.23%	-19.46%	8.18%	-0.53%	6.90%	58.91%	6.73%
S&P/ASX Small Ordinaries Accumulation Index	-6.43%	-3.89%	-6.94%	-14.36%	10.03%	0.64%	4.05%	31.43%	3.92%
Out/under performance	-1.03%	-0.53%	1.71%	-5.10%	-1.85%	-1.17%	2.85%	27.48%	2.81%

Inception: 20 September 2019, past performance is not indicative of future performance

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 and assume distributions are reinvested.

Performance



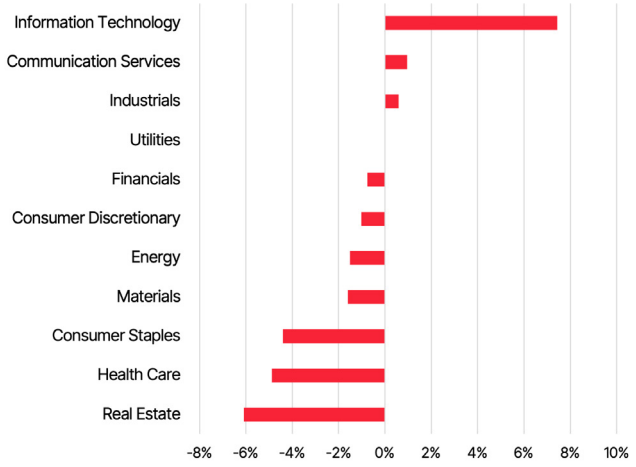
Top 5 holdings

Company name	ASX Code
Codan	CDA
Genesis Minerals	GMD
Megaport	MP1
NRW Holdings	NWH
Ventia Services Group	VNT
Cash weight	10.64%
Weighted average market capitalisation	$3.56bn

Top 3 contributors and detractors

Contributors	
Collins Foods	Shares performed strongly, supported by resilient sales and growth opportunities.
HUB24	Strong rebound driven by better-than-expected quarterly flows.
Life360	Share price recovery supported by rotation into software stocks.
Detractors	
Elevra Lithium	Shares declined sharply amid falling lithium prices and oversupply concerns.
Megaport	Shares underperformed amid profit taking and weaker AI sentiment.
NRW Holdings	Market caution towards contractors prompted profit taking.

Sector weights relative to benchmark



Fund commentary

The Montgomery Small Companies Fund (the Fund) returned -7.46 per cent (net of fees) in October, underperforming the benchmark which returned -6.43 per cent. Since inception, the Fund has delivered a total return of 58.91 per cent (6.73 per cent p.a.), outperforming the benchmark's 31.43 per cent (3.92 per cent p.a.).

Key contributors

Collins Foods (ASX:CKF) +11.9 per cent

Shares of KFC operator Collins Foods surged on no new news, supported by a broader rotation into unloved cyclical stocks. Investors remain encouraged by the company's resilient sales trend and growth opportunities from extended store hours and menu expansion outlined at its September Annual General Meeting.

HUB24 (ASX:HUB) +14.9 per cent

HUB24 rebounded sharply on a quarterly flow update which beat pessimistic expectations, lifting a share price weighed down since the May Budget. Despite ongoing headwinds facing platform inflows, current trading levels suggest the market has already factored in a slowdown.

Life360 (ASX:360) +11.1 per cent

Life360 shares bounced during the month, potentially benefiting from investors rotating out of the artificial intelligence (AI) trade and back into some of the less crowded software names.

Key detractors

Elevra Lithium (ASX:ELV) -43.5 per cent

Elevra Lithium shares plummeted as global benchmark prices in China dropped nearly 25 per cent during the month. Investor anxiety appears to be growing over a potential market surplus, driven by restarting mine production and softening global demand.

Megaport (ASX:MP1) -14.7 per cent

Megaport shares saw profit taking against deteriorating global AI sentiment. We argue Megaport remains particularly well placed within an environment of continued growing demand for compute yet potentially constrained supply due to funding, power and community concerns around datacentre construction.

NRW Holdings (ASX:NWH) -22.0 per cent

Profit taking also drove NRW Holding's shares lower this month, reflecting cautious market sentiment around resources and AI capex contractors. However, NRW Holding's fundamentals remain strong, supported by a resilient order book and a diversified project pipeline.

Outlook

Global equities faced selling pressure in October, weighed down by escalating Middle East tensions, oil-driven inflation risks that threaten higher interest rates, and the escalating funding costs of the AI capital expenditure cycle. While resilient US earnings suggest underlying economic strength, sentiment around the AI trade cooled. Demand for compute remains robust, however investors are increasingly concerned about hyperscaler capex and cash flows during this build-out phase. Additionally, hedge funds repositioned ahead of the US mid-term elections amid heightened geopolitical uncertainty.

As widely expected, the US Federal Reserve held interest rates steady during the month. Strong economic growth, sticky inflation and elevated energy prices underpins market expectations for a hike at the next meeting in early December.

On the domestic front, a hot inflation reading prompted the Reserve Bank of Australia to deliver its fifth interest rate hike in early November. Despite nationwide house prices dropping by double digits since the May Budget and slowing economic growth, high energy costs and supply-side capacity constraints continue to keep inflation uncomfortably above the target range.

Small cap equities fell 6.43 per cent in October, led by a steep 14.0 per cent sell-off in small resources and a 2.9 per cent decline in small industrials. Driven by a risk-off sentiment, investors rotated out of macroeconomic-sensitive sectors such as tech and materials in favour of less crowded pockets, including consumer, financials, and real estate investment trusts (REITs).

While geopolitical and macroeconomic uncertainties persist, we view Australian small caps as oversold. Current GFC-like valuations reflect a far worse earnings scenario than we expect. Furthermore, robust balance sheets provide both a buffer against further weakness and tactical flexibility for growth. We continue to actively manage our portfolio shape to best navigate ongoing market volatility while positioning for an eventual recovery in risk appetite.

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Platform availability

- Asgard
- BT Panorama
- CFS Edge
- DASH
- HUB24
- Macquarie Wrap
- Mason Stevens
- Insignia eXpand
- Netwealth
- North
- Praemium
- Powerwrap

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Recommended

Lonsec Research
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Genium
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