

If you are in any doubt about the contents of this Supplementary Prospectus you should consult a person authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and units in collective investment schemes.

This Supplementary Prospectus has been issued by Montanaro Smaller Companies plc (the “Company”) which is responsible for its contents. To the best of the Company’s knowledge, the information contained in this Supplementary Prospectus is in accordance with the facts and this Supplementary Prospectus contains no omission likely to affect the validity of the information.

**Montanaro Better World Fund
Montanaro European Income Fund
Montanaro European Focus Fund
Montanaro European Smaller Companies Fund
Montanaro Global Innovation Fund
Montanaro Global Select Fund
Montanaro UK Income Fund**

each a “Fund” and together the “Funds”

(The Funds are sub-funds of the Company established under the laws of Ireland. The Company is an EEA UCITS scheme which is recognised under Part 6 of The Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019, as may be amended, for the purposes of part 17 of the Financial Services and Markets Act 2000, as amended.)

SUPPLEMENTARY PROSPECTUS FOR POTENTIAL INVESTORS IN THE UK

This Supplementary Prospectus dated 15 October 2024 forms part of, and should be read in conjunction with, the Prospectus dated 15 October 2024 and, unless otherwise stated, capitalised terms in this Supplementary Prospectus have the same meaning as in the Prospectus.

Nothing in this Supplementary Prospectus or the Prospectus should be construed as advice on the merits of an investment in the Fund.

FACILITIES AND INFORMATION IN THE UK

The Company is an open-ended umbrella variable capital investment company with segregated liability between sub-funds, incorporated in Ireland as a public limited company and authorised by the Central Bank as a UCITS.

With the prior approval of the Central Bank, the Company may from time to time create an additional sub-fund or sub-funds. The attention of potential investors in the United Kingdom is drawn to the section entitled “Risk Factors” of the Prospectus and also to the Key Investor Information Documents of the Funds (the “KIIDs”) before investing in the Funds.

The Company is an EEA UCITS scheme which is recognised under Part 6 of The Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019, as may be amended, for the purposes of part 17 of the Act. This is known as the temporary marketing permissions regime (“TMPR”) which allows EEA UCITS schemes that were passporting into the UK at the end of the Brexit transition period (31 December 2020) to continue operating in the UK within the scope of their previous permission. The Funds are registered with the Financial Conduct Authority (“FCA”). The FCA’s registered office is at 12 Endeavour Square, London E20 1JN. The Funds have been established to facilitate investments by both retail and institutional investors and Shares in the Funds will be marketed to this type of investor.

This Supplementary Prospectus and the Prospectus mentioned above may be distributed in the UK without restriction. Copies of this Supplementary Prospectus and the Prospectus have been delivered to the FCA as required under the Act. (The term “Prospectus” used in this document includes any supplements to that Prospectus.)

The FCA has not approved and takes no responsibility for the contents of the Prospectus or the financial soundness of the Company or the Funds or for the correctness of any statements made or expressed in the Prospectus or relevant Supplementary Prospectus.

The Company is required to maintain facilities in the United Kingdom which will be as follows:

Montanaro Smaller Companies plc
c/o Montanaro Asset Management Limited
53 Threadneedle Street
London EC2R 8AR
United Kingdom

Investors may inspect and obtain copies of the incorporation documents of the Company, the latest Prospectus, the latest KIIDs (in English) and the latest annual and half-yearly reports relating to the Funds at this address during normal business hours (9.00 am to 5 pm), Monday to Friday). These documents are available free of charge. Information is also available about the latest sale and purchase prices of Shares and investors may apply to this address to redeem their Shares in order to obtain payment of the redemption proceeds. Complaints regarding the operation of the Company and/or the Funds can be submitted at the address above for onward transmission to the Company.

The right represented by Shares is a proportionate ownership of a Fund which itself owns the scheme property.

Details of the procedure to be followed for the subscription and purchase and the redemption and sale of Shares are set out in the Prospectus. A UK investor who enters into an investment agreement to acquire shares in a Fund in response to this Prospectus may not have the right to cancel the agreement under any cancellation rules made by the FCA in the United Kingdom. The agreement will be binding upon acceptance of the application by the Company.

Complaints

Any complaint regarding the operation of the Company may be made to the office of the Investment Manager or to the registered office of the Company. UK investors are advised that the rules made by the FCA under the Act do not in general apply to the Company and the Funds in relation to investment business. The business of the Company is subject to limited protection under the UK regulatory system. Investors are unlikely to have access to the Financial Ombudsman Service. Subject to eligibility, Shareholders may in certain limited circumstances benefit from rights under the Financial Services Compensation Scheme. If you are in any doubt as to your eligibility, you may wish to obtain independent professional advice.

UNITED KINGDOM

The following is a summary of various aspects of the United Kingdom (“UK”) taxation regime which may apply to UK resident persons acquiring Shares in the classes of the Fund, and where such persons are individuals, only to those domiciled in the UK. It is intended as a general summary only, based on current law and practice in force as of the date of this Supplement. Such law and practice may be subject to change and the below summary is not exhaustive. Further, it will apply only to those UK Shareholders holding Shares as an investment rather than those which hold Shares as part of a financial trade; and does not cover UK Shareholders which are tax exempt or subject to special taxation regimes.

This summary should not be taken to constitute legal or tax advice and no action should be taken or omitted to be taken in reliance upon it. The tax consequences applicable to Shareholders may vary depending on their particular circumstances. Any prospective Shareholder should consult their own professional advisers as to the UK tax treatment of returns from the holding of Shares in the Fund and Shareholders within the scope of tax in any foreign country are advised to consult their professional advisers as to their individual foreign tax position.

The Company

The Company is a UCITS established in Ireland and the Directors intend to conduct the Company’s affairs such that it is neither (i) resident for tax purposes within the UK, nor (ii) carrying on a trade in the United Kingdom through a permanent establishment situated there. Accordingly, and provided that any trading transactions in the UK are carried out through a broker or investment manager acting within the UK investment manager exemption, the Company should not be liable to UK income tax or corporation tax on income and capital gains arising to it, other than on certain UK source income. The Directors and the Investment Manager each intend that the respective affairs of the Company and the Investment Manager are conducted so that this condition is met in respect of any trading transactions in the UK insofar as this is within their respective control, but it cannot be guaranteed that the necessary conditions will be satisfied at all times.

Interest and other income received by the Company which has a UK source may be subject to withholding taxes in the UK.

Income and gains received by the Fund may be subject to withholding or similar taxes imposed by the country in which such returns arise.

Chapter 6 of Part 3 of the Offshore Funds (Tax) Regulations 2009 (the “Tax Regulations”) provides that specified transactions carried out by a regulated fund, such as the Company, will not generally be treated as trading transactions for the purposes of calculating the reportable income of reporting funds that meet a genuine diversity of ownership condition. In this regard, the Directors confirm that all classes are primarily intended for and marketed to the category of institutional and retail investors. For the purposes of the Tax Regulations, the Directors undertake that interests in the ICAV will be widely available and will be marketed and made available sufficiently widely to reach the intended categories of investors and in a manner appropriate to attract those kinds of investors.

Shareholders

Subject to their personal tax position, dividends or other distributions (including redemption dividends and any dividends funded out of realised capital profits of the Company) received by UK resident Shareholders will be liable to UK income tax or corporation tax annually, whether reinvested or not.

In addition, in the case of classes that are ‘reporting funds’ for UK tax purposes (as described below), UK Shareholders holding Shares at the end of each ‘reporting period’ (as defined for UK tax purposes) will potentially be liable to UK income tax or corporation tax on their share of a class’ ‘reported income’, to the extent that this amount exceeds dividends or other distributions received. Further details on the reporting regime and its implications for investors are discussed in more detail below. Both dividends and reported income will be treated as dividends received from a foreign corporation, subject to any re-characterisation as interest, as described below.

If the offshore fund invests more than 60% of its assets in interest-bearing (or economically similar) assets, distributions and any reported income will be treated and taxed as interest in the hands of the individual Shareholder at their appropriate marginal rate. Other distributions to UK resident individuals will be subject to income tax at the prevailing marginal rate for dividend income.

For Shareholders within the UK corporation tax net, dividend distributions from an offshore fund made to companies resident in the UK are likely to fall within one of several exemptions from UK corporation tax within Part 9A of the Corporation Tax Act 2009. In addition, distributions to non-UK companies carrying on a trade in the UK through a permanent establishment in the UK should also fall within the exemption from UK corporation tax on dividends to the extent that the shares held by that company are used by, or held for, that permanent establishment. Reported income will be treated in the same way as a dividend distribution for these purposes. Further, if the offshore fund invests more than 60% of its assets in interest-bearing (or economically similar) assets at any time in a corporate investor's accounting period, then it will be required to treat it as loan relationship (see below).

UK Reporting Fund Regime

Shareholdings in the Company constitute interests in an "offshore fund", as defined for the purposes of Part 8 of the Taxation (International and Other Provisions) Act 2010, with each class of the Fund treated as a separate 'offshore fund' for these purposes.

The Offshore Funds (Tax) Regulations 2009 provide that if an investor resident in the UK for taxation purposes holds an interest in an offshore fund and that offshore fund is a 'non-reporting fund', any gain accruing to that investor upon the sale or other disposal of that interest will be charged to UK tax (including, where relevant, Scottish income tax) as income and not as a capital gain. Alternatively, where an investor resident in the UK holds an interest in an offshore fund that has been a 'reporting fund' for all periods of account for which they hold their interest, any gain accruing upon sale or other disposal of the interest will be liable to tax as a capital gain rather than income; with relief for any accumulated or reinvested profits which have already been liable to UK income tax or corporation tax on income (even where such profits are exempt from UK corporation tax).

Where an offshore fund has been a non-reporting fund for part of the time during which the UK Shareholder held their interest and a reporting fund for the remainder of that time, there are elections which can potentially be made by the Shareholder in order to pro-rate any gain made upon disposal; the impact being that the portion of the gain made during the time when the offshore fund was a reporting fund would be taxed as a capital gain. Such elections have specified time limits in which they can be made. Investors should refer to their tax advisors for further information.

It should be noted that a "disposal" for UK tax purposes would include a switching of interest between Funds and might in some circumstances also include a switching of interests between classes in the same Fund.

In broad terms, a 'reporting fund' is an offshore fund that meets certain upfront and annual reporting requirements to HM Revenue & Customs and its Shareholders. The Directors intend to manage the affairs of the Company and each Fund so that these upfront and annual duties are met and continue to be met on an ongoing basis for each of the GBP classes within the Company, they intend to seek UK reporting fund status with effect from inception for every new GBP class. Such annual duties will include calculating and reporting the income returns of the offshore fund for each reporting period (as defined for UK tax purposes) on a per-Share basis to all relevant Shareholders (as defined for these purposes). UK Shareholders which hold their interests at the end of the reporting period to which the reported income relates, will be liable to income tax or corporation tax on the higher of any cash distribution paid and the full reported amount. The reported income will be deemed to arise to UK Shareholders on the date the report is issued by the Directors. Certain other classes may have had, or have, reporting fund status as well. Up-to-date details are available on the UK Government's [website](#).

Once reporting fund status is obtained from HM Revenue & Customs for the relevant classes, it will remain in place permanently so long as the annual requirements are undertaken and the Company has not given notice to HMRC and investors that it intends for the reporting status to cease. Investors should refer to their tax advisors in relation to the implications of the Funds obtaining such status.

If the 60% test described above is satisfied at any time during a corporate investor's accounting period then the loan relationship rules for the taxation of corporate and government debt will apply to the holding instead of the provisions described above. Accordingly, a corporate investor would have to bring all profits and losses arising from any fluctuations in the fair value of their holding (including the value of distributions received), calculated

at the end of each accounting period and at the date of disposal of its interest into its profit and loss account for tax purposes. This applies irrespective of whether the fund is a reporting fund or not.

Corporate Shareholders resident in the UK should note the provisions of Part 9A of the Taxation (International and Other Provisions) Act 2010. These provisions may subject UK resident companies to corporation tax on profits of non-resident companies, controlled by persons resident in the UK, in which they have an interest. These provisions affect UK resident companies who have an interest of at least 25% in the profits of a non-UK resident company, where that non-UK resident company is controlled by residents of the UK (or is controlled by two persons taken together, one of whom is resident in the UK for tax purposes and has at least 40% of the interests, rights and powers by which those persons control the company and the other of whom has at least 40% and not more than 55% of such interests, rights and powers) and is resident in a low tax jurisdiction. This legislation is not directed towards the taxation of capital gains. The effect of these provisions could be to render such corporate Shareholders liable to UK corporation tax in respect of their share of the profits of the company unless a number of conditions are met.

However, a charge to UK corporation tax cannot arise unless the non-resident company is under the control of persons resident in the UK and, on an apportionment of the non-resident's "chargeable profits", more than 25% would be attributed to the UK resident and persons associated or connected with them.

The attention of Shareholders resident in the UK for taxation purposes (and who, if individuals, are also domiciled in the UK for those purposes) is drawn to the provisions of section 3 of the Taxation of Chargeable Gains Act 1992 ("Section 3") (this was previously section 13 of the Taxation of Chargeable Gains Act 1992 until it was amended with effect from April 2019). Under these provisions, where a chargeable gain accrues to a company that is not resident in the UK, but which would be a close company if it were resident in the UK, a person may be treated as though a proportional part of that chargeable gain, calculated by reference to their interest in the company, has accrued to them. No liability under Section 3 can be incurred by such a person, however, where such a proportion does not exceed one-quarter of the gain.

The attention of individual Shareholders resident in the UK for taxation purposes is also drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007, as amended. These provisions are aimed at preventing the avoidance of UK income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled outside the UK and may render them liable to income tax in respect of undistributed income and profits of the Company on an annual basis. Exemptions to those rules are available for genuine commercial transactions (including genuine commercial activities overseas) where the avoidance of tax was not the main purpose or one of the main purposes for which the transactions were affected. This legislation is not directed towards the taxation of capital gains.

Any individual shareholder domiciled or deemed to be domiciled in the UK for UK tax purposes may be liable to UK inheritance tax on their Shares in the event of death or on making certain categories of lifetime transfer.

Stamp Duty and Stamp Duty Reserve Tax

The Funds will be liable to stamp duty reserve tax in the UK on acquisitions of shares in companies that are either incorporated in the UK or that maintain a share register there at a rate of 0.5%. Similarly, stamp duty would arise instead where an acquisition of the shares takes place by way of a stock transfer form or other instrument.

With respect to prospective acquisitions of Shares by investors, because the Company is not incorporated in the UK and the register of Shareholders will be kept outside the UK, no liability to stamp duty reserve tax should arise by the reason of their acquisition of Shares. Liability to UK stamp duty should not arise either provided that any instrument in writing transferring shares in the Company is executed and retained, at all times, outside the UK and does not relate to any property situated, or to any matter or thing done or to be done, in the UK.

Shareholders should note that other aspects of UK taxation legislation, case law, practice or guidance may also be relevant to their investment in the Company.