

MONTANARO SMALLER COMPANIES PLC

**ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

An open-ended umbrella variable capital investment company with segregated liability between funds authorised by the Central Bank of Ireland under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended).

Registered Number: 330162

MONTANARO SMALLER COMPANIES PLC

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MONTANARO SMALLER COMPANIES PLC

MANAGEMENT AND OTHER INFORMATION

Directors

Gavin Caldwell (Irish)* (Chairman)
Eimear Cowhey (Irish) (Resigned 21 November 2019)*
Rodney Barton (British) (Resigned 31 March 2019)*
Charles Montanaro (British) (Resigned 19 March 2020)
Cedric Durant des Aulnois (French) (Appointed 1 April 2019)**
Lisa Martensson (Swedish) (Appointed 21 November 2019)*

Investment Manager

Montanaro Asset Management Limited
53 Threadneedle Street
London EC2R 8AR
United Kingdom

Depository

BNY Mellon Trust Company (Ireland) Limited
(up to 1 December 2019)***
One Dockland Central
Guild Street
IFSC
Dublin 1
Ireland

The Bank of New York Mellon SA/NV, Dublin Branch
(from 1 December 2019)***
Riverside II
Sir John Rogerson's Quay
Grand Canal Dock
Dublin 2
Ireland

Administrator

BNY Mellon Fund Services (Ireland) Designated Activity
Company
One Dockland Central
Guild Street
IFSC
Dublin 1
Ireland

Secretary

Goodbody Secretarial Limited
IFSC
North Wall Quay
Dublin 1
Ireland

Swiss Representative Office

Oligo Swiss Fund Services, SA
AV. Villamont 17
1005 Lausanne
Switzerland

Listing Sponsor

Matheson
70 Sir John Rogerson's Quay
Dublin 2
Ireland

Independent Auditor

Ernst & Young
Chartered Accountants
Ernst & Young Building
Harcourt Centre
Harcourt Street
Dublin 2
Ireland

Legal Advisor

As to UK & US Law
Vedder Price LLP
4 Coleman Street
London EC2R 5AR
United Kingdom

Legal Advisor

As to Irish Law
A&L Goodbody
25/28 North Wall Quay
IFSC
Dublin 1
Ireland

Registered Office

Goodbody Secretarial Limited
North Wall Quay
IFSC
Dublin 1
Ireland

Governance Support

KB Associates
5 George's Dock
IFSC
Dublin 1
Ireland

Swiss Paying Agent

NPB New Private Bank Ltd
Limmatquai 1
P.O. Box
CH – 8022
Switzerland

*Independent non-executive Directors.

**Previously held the position of alternate Director for Charles Montanaro until 31 March 2019.

***Effective 1 December 2019, BNY Mellon Trust Company (Ireland) Limited merged into The Bank of New York Mellon SA/NV, Dublin Branch which itself is a wholly owned subsidiary of The Bank of New York Mellon.

MONTANARO SMALLER COMPANIES PLC

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors present, herewith, their annual report for the financial year ended 31 December 2019.

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable Irish Law and General Accepted Accounting Practice in Ireland including the accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including FRS 102: "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

Irish Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that financial year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently; and
- make judgements and estimates that are reasonable and prudent; and
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with FRS 102 and comply with Irish Statute comprising the Companies Act 2014, as amended (the "Companies Act"), the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended) (the "UCITS Regulations") and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) (Amendment) Regulations 2019, (the "Central Bank UCITS Regulations") and the Euronext Dublin Code of Listing Requirements and Procedures for Investment Funds. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are published at www.montanaro.co.uk. The Directors together with the Investment Manager are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website as far as it relates to the Company. Legislation in the Republic of Ireland governing the presentation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Audit Information Statement

The Directors confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's statutory auditors are unaware, and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Directors' Compliance Statement

The Directors acknowledge that they are responsible for securing the Company's compliance with the relevant obligations as set out in section 225 of the Companies Act.

The Directors confirm that:

- a compliance policy document has been drawn up that sets out policies, that in their opinion are appropriate to the Company, confirming compliance by the Company with its relevant obligations.
- appropriate arrangements or structures are in place that are, in their opinion, designed to secure material compliance with the Company's relevant obligations, and
- during the financial year, the arrangements or structures referred to above have been reviewed.

MONTANARO SMALLER COMPANIES PLC

DIRECTORS' REPORT (continued)

Background

Montanaro Smaller Companies Plc (the "Company") was incorporated in Ireland on 14 July 2000 under registered number 330162 as an open-ended, umbrella-type investment Company with variable capital and segregated liability under the Companies Act. On 29 November 2000, it was authorised by the Central Bank of Ireland (the "Central Bank") in accordance with the provisions of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended) as an undertaking for collective investment in transferable securities ("UCITS").

The Company is constituted as an umbrella fund insofar as the share capital of the Company is divided into different series of Shares with each series of Shares representing a separate portfolio of assets which will comprise a separate sub-fund (a "Fund") of the Company. Shares of any particular Fund may be divided into different classes of Shares ("Classes") to accommodate differing characteristics attributable to each such different class of Shares.

A separate portfolio of assets will be maintained for each Fund and will be invested in accordance with the investment objective and strategies applicable to the particular Fund. As the Company has segregated liability since 16 June 2016 between its Funds, any liability incurred on behalf of or attributable to any Fund shall be discharged solely out of the assets of that Fund.

The Funds were registered for marketing in the following countries:

Funds/Share Classes	Countries of Registration	
Montanaro European Smaller Companies Fund (All Share Classes)	Ireland	United Kingdom
Additional registration of Share Class:	Italy (Institutional Investors only)	
	Switzerland	
Euro Accumulation Class	Austria	Iceland
	Belgium	Netherlands
	Finland	Norway
	France	Spain
	Germany	Sweden
Euro Class	Austria	Netherlands
	Finland	Norway
	France	Spain
	Germany	Sweden
	Iceland	
Euro Institutional Accumulation Class	Netherlands	
Euro Institutional Distribution Class	Finland	Netherlands
	France	Norway
	Germany	Spain
	Iceland	Sweden
Swedish Krona Accumulation Class	Norway	Sweden
Montanaro UK Income Fund (All Share Classes)	Ireland	United Kingdom
Additional registration of Share Class:		
Euro Class	Iceland	Spain
	France	
Euro Seed Class	France	
Sterling Accumulation Class	Spain	
Sterling Class	France	Spain
Sterling Seed Class	France	
Montanaro European Income Fund (All Share Classes)	Ireland	United Kingdom
Additional registration of share class:		
Euro Class	Iceland	
Sterling Class	Iceland	

MONTANARO SMALLER COMPANIES PLC

DIRECTORS' REPORT (continued)

Background (continued)

Montanaro European MidCap Fund (All Share Classes)	Finland	Sweden
	France	Switzerland
	Ireland	United Kingdom
Montanaro Select Fund (All Share Classes)	Finland	Sweden
	Ireland	United Kingdom
Montanaro Better World Fund (All Share Classes)	Ireland	United Kingdom
	Sweden	
Euro Distribution Class	Finland	Netherlands
	France	Norway
	Iceland	Spain
	Italy (Institutional Investors only)	
Sterling Distribution Class	Finland	Iceland
	France	Netherlands
	Italy (Institutional Investors only)	

Right to Publicly Market Shares in Germany

According to Sec. 310 German Capital Investment Code (Kapitalanlagegesetzbuch, KAGB) the Company has notified the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") (Federal Institute for the Supervision of Financial Services) of its intention to publicly distribute Shares in Germany. The Company has the right to publicly distribute Shares in Germany upon completion of the notification process. The following Share Classes of the Montanaro European Smaller Companies Fund may be marketed to investors in Germany:

- Euro Accumulation Class
- Euro Class
- Euro Institutional Distribution Class

No notification has been filed with BaFin for the remaining classes of the Montanaro European Smaller Companies Fund (Euro Institutional Accumulation Class, Sterling Class, Sterling Institutional Distribution Class, Swedish Krona Accumulation Class and US Dollar Class), Montanaro UK Income Fund, Montanaro European Income Fund, Montanaro European MidCap Fund, Montanaro Select Fund and Montanaro Better World Fund.

Results for the financial year ended 31 December 2019

The results for the financial year are set out in the Statement of Comprehensive Income on pages 30 and 31 and the Statement of Financial Position of the Company is set out on pages 26 and 27.

As at 31 December 2019, the Net Asset Value ("NAV") of the Company was €2,001,094,250 (31 December 2018: €1,239,068,817).

Business Review and Future Developments

The Company's business activities together with the factors likely to affect its future development performance and position are set out in the Performance Summary on pages 11 to 14. In addition, the Investment Manager's Review on pages 15 to 20 sets out the objectives of each Fund.

The nature and extent of the impact of any Brexit related changes are uncertain but may be significant.

Depending on the outcome of the Brexit negotiations, it may be necessary for the Company to put in place additional contractual measures with its affiliates and service providers to allow for the transfer and continued processing of personal data in the United Kingdom. The manner in which an investor's personal data is used will not change.

MONTANARO SMALLER COMPANIES PLC

DIRECTORS' REPORT (continued)

Dividends and Distributions

The following distributions were paid during the financial years ending 31 December 2019 and 31 December 2018:

Fund	31 December 2019	31 December 2018
Montanaro European Smaller Companies Fund	€863,620	€1,908,482
Montanaro UK Income Fund	£16,186,935	£9,702,455
Montanaro European Income Fund	€6,713,285	€5,404,459
Montanaro European MidCap Fund	€431,345	€4,727
Montanaro Select Fund	€199,732	€164,007
Montanaro Better World Fund*	€326,441	€Nil

All distributions were paid out of income.

*The Montanaro Better World Fund was launched on 10 April 2018.

The following distributions in respect of the financial year ending 31 December 2019 were approved by the Directors in 2020.

Ex-Date of 17 January 2020:

Montanaro UK Income Fund

Share Class	Rate per Share	Distribution
Euro Class	€0.006511	€1,268
Euro Seed Class	€0.009196	€21,931
Sterling Class	£0.007768	£814,635
Sterling Seed Class	£0.013544	£2,920,713

Montanaro European Income Fund

Share Class	Rate per Share	Distribution
Euro Class	€0.003900	€45,379
Sterling Class	£0.005991	£854,618

Ex-Date of 27 March 2020:

Montanaro Better World Fund

Share Class	Rate per Share	Distribution
Euro Distribution Class	€0.003744	€33,746
Sterling Distribution Class	£0.005365	£666,395

Directors

The Directors of the Company as at 31 December 2019 are stated on page 1.

Directors' & Secretary's Interests

As at 31 December 2019, Charles Montanaro, Director of the Company, and his family members held 230,267 (31 December 2018: 227,006) Shares in the Sterling Class and 53,985 (31 December 2018: 53,985) Shares in the Sterling Institutional Distribution Class of the Montanaro European Smaller Companies Fund, 1,327,161 (31 December 2018: 1,353,865) Shares in the Sterling Seed Class and 97,509 (31 December 2018: Nil) Shares in the Sterling Class of the Montanaro UK Income Fund, 3,714 (31 December 2018: 3,714) Shares in the Sterling Class of the Montanaro European Income Fund and 78,644 (31 December 2018: 78,644) Shares in the Euro Distribution class of the Montanaro European MidCap Fund, 17,409 (31 December 2018: 17,409) Shares in the Sterling Distribution Class of the Montanaro Select Fund, and 199,274 (31 December 2018: 192,750) Shares in the Sterling Distribution Class of the Montanaro Better World Fund.

Rodney Barton, a Director of the Company until his resignation effective 31 March 2019, is employed by West Yorkshire Pension Fund, which held 2,700,000 Shares in the Montanaro European Smaller Companies Fund as at 31 March 2019 (31 December 2018: 2,700,000).

Cedric Durant des Aulnois, a Director of the Company appointed 1 April 2019, held 2,919 Shares in the Montanaro UK Income Fund as at 31 December 2019.

MONTANARO SMALLER COMPANIES PLC

DIRECTORS' REPORT (continued)

Directors' & Secretary's Interests (continued)

No other Director of the Company had at any time during the financial year a material interest in any contract of significance, existing during or at the end of the financial year, in relation to the business of the Company.

No other Directors, nor the Secretary, had any interest in the Shares or deferred Shares of the Company as at 31 December 2019 and 31 December 2018.

Directors' Remuneration

Each Director shall be entitled to such remuneration for his or her services as the Directors may determine provided that the aggregate emoluments of all Directors in respect of any twelve month period shall not exceed £120,000 (31 December 2018: £120,000) plus out of pocket expenses, or such higher amount as may be approved by the Company at a general meeting.

Cross Liability Risk

Other Funds may be introduced by the Company from time to time, with the prior approval of the Central Bank. As the Company has segregated liability between its Funds, any liability incurred on behalf of or attributable to any Fund shall be discharged solely out of the assets of that Fund.

The Directors consider that the risk of cross liability between Funds to be remote as the Funds will not be engaged in any gearing and adopt a risk-averse approach to their investment policies. As at 31 December 2019 and 31 December 2018, there were no such existing or contingent liabilities.

Accounting Records

The Directors are responsible for ensuring that adequate accounting records, as outlined in Section 281 to 285 of the Companies Act, are kept by the Company. To achieve this, the Directors have delegated the administration of the books and records to BNY Mellon Fund Services (Ireland) Designated Activity Company (the "Administrator"). The Company's accounting records are maintained at the office of the Administrator at One Dockland Central, Guild Street, IFSC, Dublin 1, Ireland.

Risk Management, Objectives and Policies, Uncertainties

The main risks arising from the Company's financial instruments are market price, liquidity, credit/counterparty and foreign currency risk.

A detailed explanation of the risks to which the Company is exposed and the financial instruments utilised is provided in Note 7 to the financial statements.

The investment objectives of the Funds are set out in the Investment Manager's review and Note 7 to the financial statements.

There can be no assurance that the Funds will achieve their investment objectives. The value of Shares may rise or fall as the capital value of the securities in which the Funds invest may fluctuate.

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Sub-Funds' financial performance.

Going Concern

The Company has considerable financial resources in the form of highly liquid investments and cash balances. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements.

Events during the Financial Year

Please refer to Note 15 Events during the Financial Year on page 63.

Events since the Financial Year End

Please refer to Note 16 Events since the Financial Year End on page 63.

The Montanaro UK Smaller Companies Fund is in existence but closed to further subscriptions. The Directors have formally applied to the Central Bank for the withdrawal of approval of the Montanaro UK Smaller Companies Fund

MONTANARO SMALLER COMPANIES PLC

DIRECTORS' REPORT (continued)

Events since the Financial Year End (continued)

which they expect to be completed in due course.

Effective 19 March 2020, Charles Montanaro resigned as a Director of the Company. John Ensor and Matthew Francis were proposed as Directors of the Company pending approval with the Central Bank.

There is considerable uncertainty in relation to the outcome of the Brexit negotiations between the European Union and the UK. The Board monitors the situation closely and will take action as required.

There were no other significant events affecting the Company since the financial year end.

Impact of the Coronavirus

Since the end of February 2020, global financial markets have seen considerable disruption due to the rapid spread of the Coronavirus (Covid-19). At the time of writing, the virus has infected more than 340,000 people resulting in around 15,000 deaths. The virus has spread across the world with major outbreaks across Europe, North America and Asia, resulting in widespread restrictions on the ability of people to travel, socialise and leave their homes.

Governments and Central Banks have been quick to act, providing substantial fiscal and monetary stimulus to help to alleviate the burdens on everyone resulting from these restrictions. The eventual impact on the global economy and financial markets will largely depend upon the scale and the duration of the outbreak. At this time, these are unknown.

The Investment Manager and all other service providers have enacted their respective business continuity plans and continue to operate normally. Investors have been contacted and the Investment Manager will maintain regular contact with them. While the NAVs of all sub-funds are down since the start of 2020, relative performance has been strong. To date, there have been no significant redemptions. On the contrary, there have been net subscriptions in recent weeks. The Board of Directors and Investment Manager will continue to monitor the situation closely.

Independent Auditor

The Independent Auditor, Ernst & Young, were appointed by Montanaro Smaller Companies Plc on 12 December 2011 to audit their financial statements for the year ending 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 years. The Independent Auditor, Ernst & Young, will continue in office in accordance with Section 383 (2) of the Companies Act.

Connected Persons

Regulation 43 of the Central Bank UCITS Regulations "Restrictions of transactions with connected persons" states that "A responsible person shall ensure that any transaction between a UCITS and a connected person is conducted a) at arm's length; and b) in the best interest of the unitholders of the UCITS".

As required under Central Bank UCITS Regulation 82(4), the Directors, as responsible persons, are satisfied that there are in place arrangements, evidenced by written procedures, to ensure that the obligations that are prescribed by Regulation 43(1) are applied to all transactions with a connected person; and all transactions with a connected person that were entered into during the financial period to which the report relates complied with the obligations that are prescribed by Regulation 43(1).

Board Diversity

The Board considers that diversity in its membership is beneficial and therefore seeks to ensure that the Board's size, structure and composition, including skills, knowledge, experience and diversity is sufficient for the effective direction and control of the Company.

Corporate Governance Statement

General Principles

The Company is required to comply with the requirements of the Companies Act, the UCITS Regulations and the Central Bank UCITS Regulations.

The European Communities Directive (2006/46/EC) Regulations (S.I. 450 of 2009 and S.I. 83 of 2010) (the "Regulations") requires the inclusion of a corporate governance statement in the Directors' Report.

In the financial year under review, there was no specific statutory corporate governance code applicable to Irish collective investment schemes whose Shares are admitted to trading on the Irish Stock Exchange Plc trading as 'Euronext Dublin'. However, the Company is subject to corporate governance practices imposed by:

MONTANARO SMALLER COMPANIES PLC

DIRECTORS' REPORT (continued)

Corporate Governance Statement (continued)

General Principles (continued)

- (i) The Companies Act, which is available for inspection at the registered office of the Company and may also be obtained at: <http://www.irishstatutebook.ie>;
- (ii) The Articles of Association of the Company, which are available for inspection at the registered office of the Company at Goodbody Secretarial Limited, IFSC, North Wall Quay, Dublin 1 and at the Companies Registration Office in Ireland;
- (iii) The Central Bank in their UCITS Regulations, which can be obtained from the Central Bank's website at: <https://www.centralbank.ie/regulation/industry-market-sectors/funds/ucits/legislation> and are available for inspection at the registered office of the Company; and
- (iv) Euronext Dublin, through the Euronext Dublin Code of Listing Requirements and Procedures for Investment Funds, which can be obtained at: <http://www.ise.ie>.

A corporate governance code applicable to Irish domiciled collective investment schemes was issued by the Irish Funds Industry Association on 14 December 2011 (the "Code"). The Board voluntarily adopted the Code on 11 December 2012 with effect from 1 January 2013.

Internal Control and Risk Management Systems in Relation to Financial Reporting

The Board is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage, rather than eliminate, the risk of error or fraud in achieving the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has procedures in place to ensure that all relevant books of account are properly maintained and are readily available, including production of annual and half yearly financial statements. The Board has appointed the Administrator to maintain the books and records of the Company. The Administrator is authorised and regulated by the Central Bank and must comply with the rules imposed by the Central Bank. From time to time, the Board of Directors examines and evaluates the Administrator's financial accounting and reporting routines. The annual and half yearly financial statements of the Company are produced by the Administrator, reviewed by the Investment Manager, the Designated Persons, and approved by the Board. The annual financial statements of the Company are required to be filed with the Central Bank, Euronext Dublin and the Companies Registration Office. The half yearly financial statements are required to be filed with the Central Bank.

The Board is responsible for the review and approval of the annual financial statements as set out in the Statement of Directors' Responsibilities. The statutory financial statements are required to be audited by independent auditors who report annually to the Board on their findings. The Board monitors and evaluates the independent auditor's qualifications and independence. As part of its review procedures, the Board receives presentations from relevant parties including considerations of Irish accounting standards and their impact on the annual financial statements, and presentations and reports on the audit process. The Board evaluates and discusses significant accounting and reporting issues as the need arises.

Dealings with Shareholders

The convening and conduct of Shareholders' meetings are governed by the Articles of Association of the Company and the Companies Act. Although the Directors may convene an extraordinary general meeting of the Company at any time, the Directors are required to convene an annual general meeting of the Company within fifteen months of the date of the previous annual general meeting, provided that an annual general meeting is held once in each year within six months of the end of each accounting period of the Company.

At least twenty-one clear days' notice of every annual general meeting and any meeting convened for the passing of a special resolution must be given to Shareholders and fourteen days' notice must be given in the case of any other general meeting, unless the auditors of the Company and all the Shareholders of the Company entitled to attend and vote agree to a shorter notice period. Two Shareholders present either in person or by proxy constitutes a quorum at a general meeting. The share capital of the Company is divided into different classes of Shares and the Companies Act and the Articles of Association provide that the quorum for a general meeting convened to consider any alteration to the rights attached to any class of Shares, is two or more Shareholders present in person or by proxy, holding or representing by proxy at least one third of the issued Shares of the relevant class.

Every holder of participating Shares or non-participating Shares present, in person or by proxy, who votes on a show of hands is entitled to one vote. On a poll, every holder of participating Shares present, in person or by proxy, is entitled to one vote in respect of each Share held by him. At any general meeting, a resolution put to the vote of the meeting is

MONTANARO SMALLER COMPANIES PLC

DIRECTORS' REPORT (continued)

Corporate Governance Statement (continued)

Dealings with Shareholders (continued)

decided on a show of hands unless, before or upon the declaration of the result of the show of hands, a poll is demanded by the Chairman of the general meeting, or by at least three members or Shareholders present, in person or by proxy, or any holder or holders of participating Shares present, in person or by proxy, representing at least one tenth of the Shares in issue having the right to vote at such meeting.

Shareholders may resolve to sanction an ordinary resolution or special resolution at a Shareholders' meeting. Alternatively, a resolution in writing signed by all of the Shareholders and holders of non-participating Shares for the time being entitled to attend and vote on such resolution at a general meeting of the Company, will be valid and effective for all purposes as if the resolution had been passed at a general meeting of the Company duly convened and held. An ordinary resolution of the Company (or of the Shareholders of a particular fund or class of Shares) requires a simple majority of the votes cast by the Shareholders voting, in person or by proxy, at the meeting at which the resolution is proposed. A special resolution of the Company (or of the Shareholders of a particular Fund or class of Shares) requires a majority of not less than 75% of Shareholders present, in person or by proxy, and voting in general meeting in order to pass a special resolution including a resolution to amend the Articles of Association.

Board Composition and Activities


In accordance with the Companies Act and the Articles of Association, unless otherwise determined by an ordinary resolution of the Company in a general meeting, the number of Directors may not be less than three. Details of the current Directors are set out on page 1, under the heading "Directors".

The business of the Company is managed by the Directors, who exercise all such powers of the Company permitted by the Companies Act, or by the Articles of Association of the Company required to be exercised by the Company at a General Meeting.

The Board is responsible for the Company's overall direction and strategy and to this end it reserves the decision-making power on issues such as the determination of medium and long-term goals, review of managerial performance, organisational structure and capital needs and commitments to achieve the Company's strategic goals. To achieve these responsibilities, a Director may, and the Secretary on the requisition of a Director will, at any time, summon a meeting of the Directors in addition to the four regular Board Meetings which are convened as required.

Questions arising at any meeting of the Directors are determined by a majority of votes. In the case of an equality of votes, the Chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, shall be entitled to a second or casting vote. The quorum necessary for the transaction of business at a meeting of the Directors is two.

On behalf of the Board of Directors:


Director
27 March 2020


Director

REPORT FROM THE DEPOSITARY TO THE SHAREHOLDERS

For the period from 1 January 2019 to 31 December 2019 (the “**Period**”)

The Bank of New York Mellon SA/NV, Dublin Branch (the “**Depositary**” “**us**”, “**we**”, or “**our**”) has enquired into the conduct of Montanaro Smaller Companies Plc (the “**Company**”) for the Period in its capacity as Depositary to the Company.

This report, including the opinion, has been prepared for the shareholders in the Company, in accordance with our role as Depositary to the Company and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Responsibilities of the Depositary

Our duties and responsibilities are outlined in Regulation 34 of the of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No 352 of 2011), as amended (the “**Regulations**”).

Our report shall state whether, in our opinion, the Company has been managed in that period in accordance with the provisions of the Company’s constitutional documentation and the Regulations. It is the overall responsibility of the Company to comply with these provisions. If the Company has not been so managed, we as Depositary must state in what respects it has not been so managed and the steps which we have taken in respect thereof.

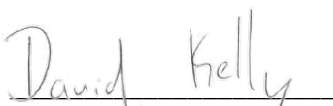
Basis of Depositary Opinion

The Depositary conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the Company’s constitutional documentation and the appropriate regulations.

Opinion

In our opinion, the Company has been managed during the Period, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional documentation and the Regulations; and
- (ii) otherwise in accordance with the provisions of the constitutional documentation and the Regulations.



For and on behalf of
The Bank of New York Mellon SA/NV, Dublin Branch
Riverside Two,
Sir John Rogerson’s Quay,
Grand Canal Dock,
Dublin 2.

Date: 27 March 2020

Registered in Ireland No. 907126, VAT No. IE9578054E

The Bank of New York Mellon SA/NV, trading as The Bank of New York Mellon SA/NV, Dublin Branch is authorised by the National Bank of Belgium.

The Bank of New York Mellon SA/NV, 46 Rue Montoyerstraat, B-1000 Brussels, Belgium - Tel. (32) 2 545 81 11, V.A.T. BE 0806.743.159 - RPM-RPR Brussels Company No. 0806.743.159. The Bank of New York Mellon SA/NV is a Belgian limited liability company, authorized and regulated as a significant credit institution by the European Central Bank and the National Bank of Belgium under the Single Supervisory Mechanism and by the Belgian Financial Services and Markets Authority.

MONTANARO SMALLER COMPANIES PLC

PERFORMANCE SUMMARY

	Montanaro European Smaller Companies Fund							
	EUR	EUR (Acc)	GBP	GBP (Inst)	USD	EUR (Inst)	EUR (Inst, Acc)	SEK (Acc)
31/12/19 NAV per Share	7.047	6.793	6.030	6.153	3.764	7.117	7.359	23.885
2019 - 12 month Fund NAV return ⁽³⁾	36.4%	36.4%	28.9%	28.5%	33.5%	35.9%	39.3%	41.3%
2019 - 12 month Benchmark return ⁽¹⁾	28.4%	28.4%	21.2%	21.2%	26.1%	28.4%	28.4%	32.7%
3 year annualised return – Fund ⁽³⁾	12.6%	12.9%	12.2%	12.0%	12.0%	12.2%	14.4%	16.4%
3 year annualised return – Benchmark ⁽¹⁾	7.2%	7.2%	7.0%	7.0%	9.5%	7.2%	7.2%	10.5%

	Montanaro UK Income Fund					Montanaro European Income Fund		
	EUR Seed	GBP Seed	EUR	GBP	GBP Acc ⁽⁴⁾	GBP	EUR	GBP Acc ⁽⁴⁾
31/12/19 NAV per Share	1.525	2.291	1.079	1.303	1.173	1.996	1.248	1.091
2019 - 12 month Fund NAV return ⁽³⁾	45.0%	36.9%	44.3%	36.3%	36.3%	20.1%	27.2%	20.0%
2019 - 12 month Benchmark return ⁽¹⁾	- (2)	- (2)	- (2)	- (2)	- (2)	- (6)	- (6)	- (6)
3 year annualised return - Fund ⁽³⁾	14.1%	13.8%	13.5%	13.2%	-	11.0%	11.3%	-
3 year annualised return – Benchmark ⁽¹⁾	- (2)	- (2)	- (2)	- (2)	- (2)	- (6)	- (6)	- (6)

MONTANARO SMALLER COMPANIES PLC

PERFORMANCE SUMMARY (continued)

	Montanaro European MidCap Fund		Montanaro Select Fund		Montanaro Better World Fund		
	EUR	EUR (Inst, Acc)	GBP	EUR	GBP ⁽⁵⁾	EUR ⁽⁵⁾	SEK ⁽⁷⁾
31/12/19 NAV per Share	2.427	2.564	1.605	1.591	1.246	1.281	10.734
2019 - 12 month Fund NAV return ⁽³⁾	29.4%	30.6%	31.5%	39.4%	29.5%	37.2%	-
2019 - 12 month Benchmark return ⁽¹⁾	23.1%	23.1%	21.2%	28.4%	-	-	-
3 year annualised return - Fund ⁽³⁾	14.3%	15.3%	15.0%	15.4%	-	-	-
3 year annualised return – Benchmark ⁽¹⁾	6.6%	6.6%	7.0%	7.2%	-	-	-

⁽¹⁾ The relevant benchmark information for all Sub Funds and Share Classes can be found on pages 15 to 20. Source for benchmark returns: Bloomberg, MSCI.

⁽²⁾ Please note that from 1 July 2016 the Montanaro UK Income Fund did not have a benchmark.

⁽³⁾ Source: Montanaro. NAV to NAV, unrounded. Montanaro UK Income Fund and Montanaro European Income Fund dividends reinvested at Ex-Date.

⁽⁴⁾ Launched 2 July 2018.

⁽⁵⁾ Launched 10 April 2018.

⁽⁶⁾ Please note that from 29 June 2018 the Montanaro European Income Fund does not have a benchmark.

⁽⁷⁾ Launched 1 July 2019.

MONTANARO SMALLER COMPANIES PLC

PERFORMANCE SUMMARY (continued)

Review

2019 was a vintage year for SmallCap. The asset class was one of the top performers globally alongside the S&P 500. In Europe, the asset class comfortably outperformed its LargeCap counterpart for the eighth time in ten years. Meanwhile, a thumping win for the Conservative Party in the UK General Election acted as the catalyst for a turn in investment sentiment: UK SmallCap, for so long an unloved asset class, returned to favour with a bang.

Few had forecast such a strong year for equity markets after the declines of 2018. Indeed, the strength of the market rebound in the first quarter of the year caught many off-guard. In an example of how difficult it is to base investment decisions on macroeconomic developments – and the difficulty of market timing - the worries that had so alarmed investor’s actions prompted the market’s recovery: the Federal Reserve became more dovish and talk of a US / China “Trade War” cooled.

To some extent, this set the pattern for the year. When doubts arose about the resilience of the global economy – as they did during the summer months when economic data deteriorated – investors were treated to the balm that has become so familiar during this long Bull Market: the soothing words of Central Bankers, which had the “new normal” effect of turning bad economic news into good.

The result of this Goldilocks environment (economic conditions that were neither “too hot” nor “too cold”) continued to be stark: equities maintained their ascent while yields declined. Incredibly, yields on two-year sovereign debt for every single country in the Eurozone turned negative, even in Greece. Even as stock markets rose investor sentiment remained cautious, which benefited our Quality style: investors wanted businesses with strong fundamentals, good management and strong balance sheets.

For the year as a whole, the MSCI World SMidCap index increased by 27% (in Euros). Meanwhile, the Numis Smaller Companies index (the smallest 10% of the UK stock market) delivered more than 21% in Sterling terms, rebounding by 8% in the fourth quarter alone.

Performance of Funds (all figures quoted in Euros)

The NAV of the Euro Class of the **Better World Fund** rose by more than 37% during the year. Although the Fund has no official benchmark, this was more than 10% ahead of the MSCI World SMidCap Index.

The NAV of the Euro Class of the **European Smaller Companies Fund** increased by 37% in 2019, an *outperformance* of 8% relative to the MSCI Europe Small Cap benchmark index. The Fund’s strong relative performance was due to a combination of good stock-picking and tailwinds from our Quality style which was in favour during the year.

The Euro NAV of the **Select Fund** increased by 39% during the year, an *outperformance* of over 11% versus the MSCI Europe Small Cap benchmark index. The portfolio benefited from good stock selection in its concentrated portfolio.

The NAV of the Euro Class of the **European MidCap Fund** increased by 29% during the year, an *outperformance* of over 6% relative to the Stoxx Europe Mid 200 benchmark index. The Fund, which is also concentrated, benefited from good stock picking.

The Euro Seed Class of the **UK Income Fund** saw its NAV increased by 45%. The Fund benefited from good stock performance and improved investor sentiment following the UK general election, which increased appetite for UK domestic stocks.

The Euro NAV of the European Income Fund increased by 27% over the year, broadly in line with the IA Europe ex-UK sector, its peer group.

MONTANARO SMALLER COMPANIES PLC

PERFORMANCE SUMMARY (continued)

Outlook

At the beginning of each year, the air is thick with predictions of what is likely to influence financial markets in the months ahead. History suggests that making accurate forecasts is difficult. As stock pickers, we do not claim any skills at market timing and make no attempt at guessing what returns might be in the future. We have learned that the biggest risks are not to be invested and not to panic when share prices go down. Rather, we spend our time meeting and listening to our companies. In our experience, this is where we can begin to understand the true drivers of growth that are so important to long-term investment returns.

For now, omens of recession are few and far between. Economic data remains steady and Central Banks supportive. Yet the Bull Market grows ever older and questions around the trajectory of the global economy are legitimate. Markets cannot go up for ever and corrections are inevitable – indeed they are typically healthy as they adjust periods of short term over-exuberance and over valuation. Understandably, concerns over the impact of the COVID-19 have unsettled investors. In uncertain times, investors tend to favour the reliability of Quality companies. We would not be surprised if this persists in the months ahead.

Charles Montanaro
March 2020

MONTANARO SMALLER COMPANIES PLC

INVESTMENT MANAGER'S REVIEW

MONTANARO EUROPEAN SMALLER COMPANIES FUND (the "Fund")

Investment Objective

The investment objective of the Fund is to outperform its benchmark, the MSCI Europe SmallCap (Capital Return) Index.

The MSCI Europe SmallCap (Capital Return) Index is calculated daily by Morgan Stanley Capital International. The index represents the small cap segment in 15 developed countries in Europe: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Investment Policy

The Fund shall invest primarily in SmallCap companies quoted in the European Union (including the United Kingdom), Iceland, Norway and Switzerland whose market capitalisation shall not exceed that of the largest constituent of the Benchmark at the time of initial investment. No unquoted investments are permitted.

The Fund will invest at least 75% of its net assets in securities eligible for the Plan d'Epargne en Actions ("PEA" in France). A PEA is a savings plan which is invested in Shares issued by EEA corporation tax paying entities.

Performance Review

See Performance Summary on pages 11 to 14.

Charles Montanaro

Montanaro Asset Management Limited

March 2020

MONTANARO SMALLER COMPANIES PLC

INVESTMENT MANAGER'S REVIEW (continued)

MONTANARO UK INCOME FUND (the "Fund")

Investment Objective

The investment objective of the Fund is to deliver capital growth and income.

Investment Policy

The Fund shall invest primarily in SmallCap and MidCap companies quoted in the United Kingdom offering an attractive dividend yield or the potential for dividend growth. Up to 20% of net assets may be invested in companies quoted in the European Union (excluding for this purpose the United Kingdom), Iceland, Norway and Switzerland. No unquoted investments are permitted.

The Fund will invest at least 75% of its net assets in securities eligible for the Plan d'Epargne en Actions ("PEA" in France). A PEA is a savings plan which is invested in Shares issued by EEA corporation tax paying entities.

Performance Review

See Performance Summary on pages 11 to 14.

Charles Montanaro
Montanaro Asset Management Limited
March 2020

MONTANARO SMALLER COMPANIES PLC

INVESTMENT MANAGER'S REVIEW (continued)

MONTANARO EUROPEAN INCOME FUND (the "Fund")

Investment Objective

The investment objective of the Fund is to deliver capital growth and income.

Investment Policy

The Fund shall invest primarily in SmallCap and MidCap companies quoted in the European Union (excluding the United Kingdom), Iceland, Norway and Switzerland offering an attractive dividend yield or the potential for dividend growth. No unquoted investments are permitted.

The Fund will invest at least 75% of its net assets in securities eligible for the Plan d'Epargne en Actions ("PEA" in France). A PEA is a savings plan which is invested in Shares issued by EEA corporation tax paying entities.

Performance Review

See Performance Summary on pages 11 to 14.

Charles Montanaro
Montanaro Asset Management Limited
March 2020

MONTANARO SMALLER COMPANIES PLC

INVESTMENT MANAGER'S REVIEW (continued)

MONTANARO EUROPEAN MIDCAP FUND (the "Fund")

Investment Objective

The investment objective of the Fund is to outperform its benchmark, the STOXX Europe Mid 200 (Capital Return) Index.

The STOXX Europe Mid 200 (Capital Return) Index represents the mid cap segment in 18 developed countries in Europe: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Investment Policy

The Fund shall invest primarily in MidCap companies quoted in the European Union (including the United Kingdom), Iceland, Norway and Switzerland whose market capitalisation shall not exceed that of the largest constituent of the Benchmark at the time of initial investment. No unquoted investments are permitted.

The Fund will invest at least 75% of its net assets in securities eligible for the Plan d'Epargne en Actions ("PEA" in France). A PEA is a savings plan which is invested in Shares issued by EEA corporation tax paying entities.

Performance Review

See Performance Summary on pages 11 to 14.

Charles Montanaro

Montanaro Asset Management Limited

March 2020

MONTANARO SMALLER COMPANIES PLC

INVESTMENT MANAGER'S REVIEW (continued)

MONTANARO SELECT FUND (the "Fund")

Investment Objective

The investment objective of the Fund is to outperform its benchmark, the MSCI Europe SmallCap (Capital Return) Index.

The MSCI Europe SmallCap (Capital Return) Index is calculated daily by Morgan Stanley Capital International. The index represents the small cap segment in 15 developed countries in Europe: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Investment Policy

The Fund shall invest primarily in SmallCap and MidCap companies quoted in the European Union (including the United Kingdom), Iceland, Norway and Switzerland whose market capitalisation shall not exceed that of the largest constituent of the STOXX Europe Mid 200 Index at the time of initial investment. No unquoted investments are permitted.

When fully invested, the Investment Manager's current intention is that the Fund shall consist of a portfolio of a target 20 - 30 quoted companies.

The Fund will invest at least 75% of its net assets in securities eligible for the Plan d'Epargne en Actions ("PEA" in France). A PEA is a savings plan which is invested in Shares issued by EEA corporation tax paying entities.

Performance Review

See Performance Summary on pages 11 to 14.

Charles Montanaro

Montanaro Asset Management Limited

March 2020

MONTANARO SMALLER COMPANIES PLC

INVESTMENT MANAGER'S REVIEW (continued)

MONTANARO BETTER WORLD FUND (the "Fund")

Investment Objective

The investment objective of the Fund is to deliver long-term capital growth.

Investment Policy

The Fund shall invest in small and midcap companies primarily quoted in global markets and whose market capitalisation does not exceed that of the largest constituent of the MSCI world SMID Cap index at the time of initial investment.

The MSCI World SMID Cap Index is calculated daily by Morgan Stanley Capital International. The index represents the small and midcap segments in 23 developed countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States of America. The index rebalances semi-annually. Further information in relation to the index is available at www.msci.com.

With the exception of permitted investments in unlisted instruments, the securities in which the Fund invests will be listed or traded on Recognised Markets.

The Fund will seek to invest in high quality companies whose products, services or behaviour are deemed to make a positive impact on society and which emphasise sound environmental, social and governance (ESG) practices. In particular, the Investment Manager will seek to identify profitable and well managed businesses operating in markets that offer attractive structural growth opportunities, i.e. through the investment process outlined below the Investment Manager will seek to identify market sectors it expects to grow faster than GDP of the relevant country or region for a prolonged period of time. In order to achieve this, the Investment Manager will rely on a research-intensive investment process designed to evaluate potential investments based on the use of proprietary databases, financial models and direct engagement with companies.

Through their research and direct engagement with companies, the Investment Manager will seek to identify companies with management they consider to be entrepreneurial, competent, honest and trustworthy.

The Fund may not invest in companies with material revenue exposure to the manufacturing or supply of weapons, tobacco, gambling, pornography, alcohol or any other areas deemed not to meet the Investment Manager's ethical standards.

Performance Review

See Performance Summary on pages 11 to 14.

Charles Montanaro

Montanaro Asset Management Limited
March 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONTANARO SMALLER COMPANIES PLC

Opinion

We have audited the financial statements of Montanaro Smaller Companies Plc ('the Company') for the year ended 31 December 2019, which comprise the Statement of Financial Position, Statement of Comprehensive Income, the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares, Statement of Accounting Policies and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is Irish Law and Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Irish Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with Irish Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014, the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard as applied to public interest entities issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters, in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONTANARO SMALLER COMPANIES PLC
(CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Valuation of investments: We considered valuation of financial assets at fair value through profit or loss as one of the Key Audit Matters (KAMs) for the 2019 financial year. The value of these is €1,949,558,371 (2018: €1,195,076,387). This is one of the key areas on which our audit is concentrated as the valuation of investments is a key driver of performance and net asset value.</p> <p>Refer to Note 3, Financial Assets at Fair Value through Profit or Loss in the Financial Statements.</p>	<p>We obtained a listing of financial assets at fair value through profit or loss at 31 December 2019. We performed procedures to independently test the valuation of financial assets at fair value through profit or loss to pricing information obtained from independent pricing sources.</p>	<p>Based on the procedures performed, no issues were noted</p>

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

Materiality is the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Montanaro Smaller Companies Plc to be €10,005,471, which is 0.5% of Net Asset Value ("NAV") (2018: €6,195,344, 0.5% of NAV).

Performance materiality

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality. We have set performance materiality at this percentage due to the perspectives and expectations of users of the financial statements in the context of our knowledge of the investment fund and the environment in which it operates, and the type of entity (i.e. listed and regulated Fund).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONTANARO SMALLER COMPANIES PLC (CONTINUED)

Reporting threshold

The reporting threshold is an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board of Directors that we would report to them all uncorrected audit differences in excess of 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit report

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company statement of financial position is in agreement with the accounting records.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONTANARO SMALLER COMPANIES PLC (CONTINUED)

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the parent Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are Companies Act 2014, the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2019.
- We understood how the Company is complying with those frameworks by updating our understanding of the system of internal control in place. We also considered the existence of independence service providers, proper segregation of duties and the regulated environment in which the Company operates, which may reduce opportunities for fraud to take place.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by management override of controls.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONTANARO SMALLER COMPANIES PLC
(CONTINUED)

- Based on this understanding, we designed our audit procedures to identify non-compliance with applicable laws and regulations. Our procedures involved inquiries of those charged with governance into possible instances of non-compliance with laws and regulations, review of board meeting minutes during the year and obtaining representation from the Board of Directors.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by Montanaro Smaller Companies Plc to audit the financial statements for the year ending 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 years.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit. Our audit opinion is consistent with the additional report to the audit committee.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Aidan Tiernan

for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm
Dublin

30 March 2020

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		Montanaro European Smaller Companies Fund €	Montanaro UK Income Fund £	Montanaro European Income Fund €	Montanaro European MidCap Fund €
Current assets	Note				
Cash and cash equivalents	5	10,082,462	15,927,309	15,464,910	8,570,341
Financial assets at fair value through profit or loss	3				
- Equities		529,015,411	637,561,340	324,309,995	139,963,090
Dividends receivable		232,801	2,077,137	–	147,758
Receivable for fund Shares sold		52,756	51,886	8,687	112,809
Other receivables		1,565,046	150,315	778,848	187,596
Total current assets		540,948,476	655,767,987	340,562,440	148,981,594
Current liabilities					
Payable for fund Shares repurchased		(39,785)	–	–	(3,855)
Payable for investments purchased		–	(395,779)	–	–
Investment management fees payable	2	(1,584,607)	(461,885)	(546,351)	(480,045)
Performance fees payable	2	(5,096,462)	–	–	(1,156,805)
Administration fees payable	2	(85,143)	(53,482)	(31,698)	(11,170)
Depositary fees payable	2	(30,921)	(15,532)	(12,656)	(5,440)
Legal fees payable		(557)	(25)	(87)	(304)
Professional fees payable	2	(8,175)	(6,739)	(4,027)	(2,146)
Audit fees payable	2	(16,478)	(16,348)	(9,146)	(4,793)
Other accrued expenses payable	2	(24,956)	(15,133)	(4,658)	(3,973)
Total current liabilities		(6,887,084)	(964,923)	(608,623)	(1,668,531)
Net asset value attributable to holders of redeemable participating Shares		534,061,392	654,803,064	339,953,817	147,313,063

Please refer to Note 14 for Net Asset Value (“NAV”) and NAV per Share details.

The accompanying notes form an integral part of these financial statements.

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019 (continued)

		Montanaro Select Fund €	Montanaro Better World Fund €	Total* €
Current assets	Note			
Cash and cash equivalents	5	1,176,827	2,403,351	56,494,963
Financial assets at fair value through profit or loss	3			
- Equities		15,799,116	188,034,380	1,949,558,371
Dividends receivable		13,312	19,296	2,864,560
Receivable for fund Shares sold		-	7,316	242,803
Other receivables		16,434	91,590	2,816,913
Total current assets		17,005,689	190,555,933	2,011,977,610
Current liabilities				
Payable for fund Shares repurchased		-	-	(43,640)
Payable for investments purchased		-	-	(467,090)
Investment management fees payable	2	-	(223,123)	(3,379,233)
Performance fees payable	2	(299,389)	-	(6,552,656)
Administration fees payable	2	(1,282)	(13,190)	(205,601)
Depositary fees payable	2	(2,220)	(7,221)	(76,789)
Legal fees payable		(16)	(154)	(1,148)
Professional fees payable	2	(214)	(20,453)	(42,968)
Audit fees payable	2	(511)	(5,706)	(55,927)
Other accrued expenses payable	2	(312)	(6,549)	(58,308)
Total current liabilities		(303,944)	(276,396)	(10,883,360)
Net asset value attributable to holders of redeemable participating Shares		16,701,745	190,279,537	2,001,094,250

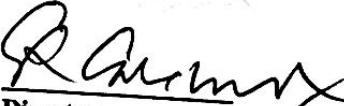
*See Statement of Accounting Policies (g).

Please refer to Note 14 for NAV and NAV per Share details.

The accompanying notes form an integral part of these financial statements.

On behalf of the Board of Directors:


 Director
 27 March 2020


 Director

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		Montanaro European Smaller Companies Fund €	Montanaro UK Income Fund £	Montanaro UK Smaller Companies Fund* £	Montanaro European Income Fund €
Current assets	Note				
Cash and cash equivalents	5	9,939,702	10,474,639	114,311	8,345,182
Financial assets at fair value through profit or loss	3				
- Equities		432,615,744	299,851,952	–	185,236,250
Dividends receivable		374,432	1,212,415	–	–
Receivable for fund Shares sold		342,068	2,166,755	–	514
Other receivables		2,264,438	33,749	53	612,184
Total current assets		445,536,384	313,739,510	114,364	194,194,130
Current liabilities					
Payable for fund Shares repurchased		(181,741)	(31,331)	–	–
Investment management fees payable	2	(1,480,085)	(228,482)	–	(370,754)
Performance fees payable	2	(251,224)	–	(95,046)	–
Administration fees payable	2	(146,259)	(81,043)	(9,614)	(47,227)
Depositary fees payable	2	(59,198)	(25,629)	(1,326)	(22,653)
Legal fees payable		(3,750)	(2,527)	(3,577)	(1,576)
Professional fees payable	2	(11,466)	(4,443)	(565)	(3,565)
Audit fees payable	2	(19,789)	(13,359)	(16)	(8,315)
Other accrued expenses payable****	2	(24,306)	(7,305)	(4,220)	(2,861)
Total current liabilities		(2,177,818)	(394,119)	(114,364)	(456,951)
Net asset value attributable to holders of redeemable participating Shares		443,358,566	313,345,391	–	193,737,179

*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

****See Note 13 for further information.

Please refer to Note 14 for NAV and NAV per Share details.

The accompanying notes form an integral part of these financial statements.

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018 (continued)

		Montanaro European MidCap Fund €	Montanaro Select Fund €	Montanaro Better World Fund** €	Total*** €
Current assets	Note				
Cash and cash equivalents	5	6,339,698	566,849	3,041,507	40,030,242
Financial assets at fair value through profit or loss	3				
- Equities		106,253,988	11,230,756	125,670,207	1,195,076,387
Dividends receivable		157,840	25,687	17,018	1,925,746
Receivable for fund Shares sold		–	–	–	2,756,596
Other receivables		261,759	12,725	42,867	3,231,633
Total current assets		113,013,285	11,836,017	128,771,599	1,243,020,604
Current liabilities					
Payable for fund Shares repurchased		–	–	–	(216,647)
Investment management fees payable	2	(429,890)	–	(175,368)	(2,710,652)
Performance fees payable	2	(10,890)	–	–	(368,006)
Administration fees payable	2	(25,081)	(2,716)	(27,009)	(349,294)
Depositary fees payable	2	(12,184)	(669)	(18,186)	(142,921)
Legal fees payable		(915)	(98)	(467)	(13,607)
Professional fees payable	2	(1,943)	(20)	(20,789)	(43,363)
Audit fees payable	2	(4,846)	(519)	(4,048)	(52,418)
Other accrued expenses payable****	2	(2,583)	(191)	(12,097)	(54,879)
Total current liabilities		(488,332)	(4,213)	(257,964)	(3,951,787)
Net asset value attributable to holders of redeemable participating Shares		112,524,953	11,831,804	128,513,635	1,239,068,817

**The Montanaro Better World Fund was launched on 10 April 2018.

***See Statement of Accounting Policies (g).

****See Note 13 for further information.

Please refer to Note 14 for NAV and NAV per Share details.

The accompanying notes form an integral part of these financial statements.

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF COMPREHENSIVE INCOME

Financial year ended 31 December 2019

		Montanaro European Smaller Companies Fund €	Montanaro UK Income Fund £	Montanaro European Income Fund €	Montanaro European MidCap Fund €
Income	Note				
Net realised gain/(loss) on financial assets at fair value through profit or loss and foreign exchange		31,145,901	1,389,253	(189,712)	(60,435)
Net change in fair value of financial assets at fair value through profit or loss and foreign exchange		123,518,302	148,267,603	54,564,019	33,875,998
Dividend income		9,871,196	16,841,099	7,280,568	3,137,217
Interest income		1,417	–	65	–
Investment income		164,536,816	166,497,955	61,654,940	36,952,780
Expenses					
Investment management fees	2	(6,217,770)	(1,361,521)	(1,858,241)	(1,816,831)
Performance fees	2	(5,096,462)	–	–	(1,156,805)
Administration fees	2	(180,020)	(186,634)	(105,406)	(39,298)
Depositary fees	2	(93,924)	(66,389)	(54,733)	(24,385)
Legal fees		(60,110)	(46,149)	(27,686)	(16,140)
Directors' fees	2	(23,924)	(20,087)	(11,885)	(6,473)
Professional fees	2	(10,217)	(10,949)	(5,869)	(3,419)
Audit fees		(18,283)	(17,088)	(9,046)	(5,113)
Other expenses	2	(166,149)	(100,873)	(56,398)	(37,438)
Total operating expenses		(11,866,859)	(1,809,690)	(2,129,264)	(3,105,902)
Net income from operations		152,669,957	164,688,265	59,525,676	33,846,878
Withholding taxes		(762,786)	(222,514)	(605,377)	(60,328)
Finance costs					
Interest expense		(28,359)	(711)	(21,595)	(28,279)
Income distribution	4	(863,620)	(16,186,935)	(6,713,285)	(431,345)
Profit for the financial year		151,015,192	148,278,105	52,185,419	33,326,926

Gains and losses arose solely from continuing investment activities. There were no gains or losses other than those dealt with in the Statement of Comprehensive Income.

The accompanying notes form an integral part of these financial statements.

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF COMPREHENSIVE INCOME

Financial year ended 31 December 2019 (continued)

		Montanaro Select Fund €	Montanaro Better World Fund €	Total* €
Income	Note			
Net realised gain on financial assets at fair value through profit or loss and foreign exchange		270,209	3,379,190	36,129,136
Net change in fair value of financial assets at fair value through profit or loss and foreign exchange		4,723,163	44,916,526	430,648,092
Dividend income		233,263	1,974,088	41,698,027
Interest income		–	228	1,710
Investment income		5,226,635	50,270,032	508,476,965
Expenses				
Investment management fees	2	–	(814,196)	(12,259,402)
Performance fees	2	(299,389)	–	(6,552,656)
Administration fees	2	(4,928)	(53,569)	(596,015)
Depositary fees	2	(7,225)	(27,801)	(283,763)
Legal fees		(1,652)	(21,691)	(179,897)
Directors' fees	2	(701)	(5,729)	(71,615)
Professional fees	2	(552)	(40,561)	(73,101)
Audit fees		(561)	(7,404)	(59,890)
Other expenses	2	(3,546)	(63,491)	(442,033)
Total operating expenses		(318,554)	(1,034,442)	(20,518,372)
Net income from operations		4,908,081	49,235,590	487,958,593
Withholding taxes		(14,276)	(151,073)	(1,847,543)
Finance costs				
Interest expense		(2,070)	(17,669)	(98,783)
Income distribution	4	(199,732)	(326,441)	(26,990,260)
Profit for the financial year		4,692,003	48,740,407	459,022,007

*See Statement of Accounting Policies (g).

Gains and losses arose solely from continuing investment activities. There were no gains or losses other than those dealt with in the Statement of Comprehensive Income.

The accompanying notes form an integral part of these financial statements.

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF COMPREHENSIVE INCOME

Financial year ended 31 December 2018

		Montanaro European Smaller Companies Fund €	Montanaro UK Income Fund £	Montanaro UK Smaller Companies Fund* £	Montanaro European Income Fund €
Income	Note				
Net realised gain on financial assets at fair value through profit or loss and foreign exchange		62,893,103	1,589,572	11,415,803	8,777,911
Net change in fair value of financial assets at fair value through profit or loss and foreign exchange		(107,298,417)	(60,419,183)	(12,146,903)	(27,254,294)
Dividend income		10,122,776	10,720,251	244,180	5,793,417
Interest income		841	–	15	132
Investment income		(34,281,697)	(48,109,360)	(486,905)	(12,682,834)
Expenses					
Investment management fees	2	(6,585,159)	(797,989)	(117,875)	(1,476,912)
Performance fees	2	(251,224)	–	(93,688)	–
Administration fees	2	(238,401)	(150,017)	(12,727)	(82,976)
Depositary fees	2	(106,508)	(53,919)	(4,818)	(40,106)
Legal fees		(43,541)	(26,595)	(4,390)	(17,400)
Directors' fees	2	(32,010)	(17,420)	(913)	(11,476)
Professional fees	2	(22,791)	(9,236)	(320)	(6,502)
Audit fees	2	(18,439)	(16,218)	(295)	(9,508)
Other expenses	2	(195,700)	(57,557)	(9,091)	(37,857)
Total operating expenses		(7,493,773)	(1,128,951)	(244,117)	(1,682,737)
Net loss from operations		(41,775,470)	(49,238,311)	(731,022)	(14,365,571)
Withholding taxes		(670,374)	(174,684)	(4,290)	(605,977)
Finance costs					
Interest expense		(40,095)	(4,699)	(1)	(20,110)
Income distributions	4	(1,908,482)	(9,702,455)	–	(5,404,459)
Loss for the financial year		(44,394,421)	(59,120,149)	(735,313)	(20,396,117)

*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018. Gains and losses arose solely from discontinued investment activities in respect of the period ended 28 September 2018.

Gains and losses arose solely from continuing investment activities. There were no gains or losses other than those dealt with in the Statement of Comprehensive Income.

The accompanying notes form an integral part of these financial statements.

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF COMPREHENSIVE INCOME

Financial year ended 31 December 2018 (continued)

		Montanaro European MidCap Fund €	Montanaro Select Fund €	Montanaro Better World Fund** €	Total*** €
Income	Note				
Net realised gain on financial assets at fair value through profit or loss and foreign exchange		10,758,145	1,033,707	2,485,109	100,647,526
Net change in fair value of financial assets at fair value through profit or loss and foreign exchange		(14,553,235)	(2,301,102)	(12,580,622)	(246,006,748)
Dividend income		2,474,899	223,809	1,105,772	32,113,411
Interest income		–	–	–	990
Investment income		(1,320,191)	(1,043,586)	(8,989,741)	(113,244,821)
Expenses					
Investment management fees	2	(1,653,055)	–	(493,374)	(11,243,671)
Performance fees	2	(10,890)	–	–	(368,006)
Administration fees	2	(42,459)	(4,848)	(36,357)	(588,985)
Depositary fees	2	(21,979)	(2,886)	(22,477)	(260,345)
Legal fees		(9,764)	(1,183)	(7,483)	(114,393)
Directors' fees	2	(6,864)	(786)	(7,809)	(79,666)
Professional fees	2	(3,755)	(190)	(30,829)	(74,868)
Audit fees	2	(4,682)	(595)	(4,048)	(55,936)
Other expenses	2	(31,040)	(407)	(51,335)	(391,671)
Total operating expenses		(1,784,488)	(10,895)	(653,712)	(13,177,541)
Net loss from operations		(3,104,679)	(1,054,481)	(9,643,453)	(126,422,362)
Withholding taxes		(87,311)	(11,872)	(115,849)	(1,693,672)
Finance costs					
Interest expense		(39,535)	(2,144)	(11,901)	(119,097)
Income distributions	4	(4,727)	(164,007)	–	(18,448,043)
Loss for the financial year		(3,236,252)	(1,232,504)	(9,771,203)	(146,683,174)

**The Montanaro Better World Fund was launched on 10 April 2018.

***See Statement of Accounting Policies (g).

Gains and losses arose solely from continuing investment activities. There were no gains or losses other than those dealt with in the Statement of Comprehensive Income.

The accompanying notes form an integral part of these financial statements.

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

Financial year ended 31 December 2019

	Note	Montanaro European Smaller Companies Fund €	Montanaro UK Income Fund £	Montanaro European Income Fund €	Montanaro European MidCap Fund €
Net assets value attributable to holders of redeemable participating Shares at the start of the financial year		443,358,566	313,345,391	193,737,179	112,524,953
Profit for the financial year		151,015,192	148,278,105	52,185,419	33,326,926
Proceeds from issuance of Shares		40,577,300	268,964,759	115,346,935	14,917,833
Payments on redemption of Shares		(100,889,666)	(45,646,972)	(21,315,716)	(13,456,649)
Foreign currency translation adjustment*		–	(30,138,219)	–	–
Net asset value attributable to holders of redeemable participating Shares at the end of the financial year		534,061,392	654,803,064	339,953,817	147,313,063

* See Statement of Accounting Policies (g).

The accompanying notes form an integral part of these financial statements.

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

Financial year ended 31 December 2019 (continued)

	Note	Montanaro Select Fund €	Montanaro Better World Fund €	Total* €
Net assets value attributable to holders of redeemable participating Shares at the start of the financial year		11,831,804	128,513,635	1,239,068,817
Profit for the financial year		4,692,003	48,740,407	459,022,007
Proceeds from issuance of Shares		335,242	23,047,601	500,890,118
Payments on redemption of Shares		(157,304)	(10,022,106)	(197,886,692)
Foreign currency translation adjustment*		–	–	–
Net asset value attributable to holders of redeemable participating Shares at the end of the financial year		<u>16,701,745</u>	<u>190,279,537</u>	<u>2,001,094,250</u>

*See Statement of Accounting Policies (g).

The accompanying notes form an integral part of these financial statements.

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

Financial year ended 31 December 2018

	Note	Montanaro European Smaller Companies Fund €	Montanaro UK Income Fund £	Montanaro UK Smaller Companies Fund* £	Montanaro European Income Fund €
Net assets value attributable to holders of redeemable participating Shares at the start of the financial year		633,266,510	251,929,476	47,720,254	196,239,137
Loss for the financial year		(44,394,421)	(59,120,149)	(735,313)	(20,396,117)
Proceeds from issuance of Shares		23,555,306	126,988,065	81,471	55,296,473
Payments on redemption of Shares		(169,068,829)	(10,099,340)	(46,909,061)	(37,402,314)
Foreign currency translation adjustment**		–	3,647,339	(157,351)	–
Net asset value attributable to holders of redeemable participating Shares at the end of the financial year		443,358,566	313,345,391	–	193,737,179

*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

** See Statement of Accounting Policies (g).

The accompanying notes form an integral part of these financial statements.

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

Financial year ended 31 December 2018 (continued)

	Montanaro European MidCap Fund €	Montanaro Select Fund €	Montanaro Better World Fund*** €	Total**** €
Net assets value attributable to holders of redeemable participating Shares at the start of the financial year	105,520,431	12,825,927	–	1,285,419,546
Loss for the financial year	(3,236,252)	(1,232,504)	(9,771,203)	(146,683,174)
Proceeds from issuance of Shares	11,175,501	238,381	138,299,549	372,187,761
Payments on redemption of Shares	(934,727)	–	(14,711)	(271,855,316)
Foreign currency translation adjustment****	–	–	–	–
Net asset value attributable to holders of redeemable participating Shares at the end of the financial year	<u>112,524,953</u>	<u>11,831,804</u>	<u>128,513,635</u>	<u>1,239,068,817</u>

***The Montanaro Better World Fund was launched on 10 April 2018.

****See Statement of Accounting Policies (g).

The accompanying notes form an integral part of these financial statements.

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of Preparation

The financial statements for the financial year ended 31 December 2019 have been prepared on a going concern basis in accordance with the provisions of the Companies Act, the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, (as amended), the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) (Amendment) Regulations 2019, as amended (the "Central Bank UCITS Regulations"), the Financial Reporting Standard ("FRS") 102 the financial reporting standard applicable in the United Kingdom and Republic of Ireland issued by the Financial Reporting Council ("FRC") and the listing rules of the Euronext Dublin. The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss that have been measured at fair value.

The format and certain wordings of the financial statements have been adapted from those contained in the Companies Act, so that, in the opinion of the Directors, they more appropriately reflect the Company's business as an investment fund.

The Company has also applied the "Amendments to FRS 102 – Fair value hierarchy disclosures", which were issued in March 2016.

The Company has availed itself of the exemption available to open-ended investment funds under Section 7 "Statement of Cash Flows" of FRS 102, not to prepare a cash flow statement on the basis that substantially all of the Company's investments are highly liquid and carried at fair value and the Company provides a Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares.

(a) Income

Income received and receivable from investments and deposits is credited to the Statement of Comprehensive Income on an accruals basis. Dividend income is credited to the Statement of Comprehensive Income on an ex-dividend basis. Income is shown gross of any non-recoverable withholding taxes, which is disclosed separately in the Statement of Comprehensive Income, and net of any tax credits.

(b) Fees and Charges

The investment manager's fee, depositary's fee, administrator's fee, Directors' fees and other operating expenses are charged to the Statement of Comprehensive Income on an accruals basis.

(c) Subscriber Shares

The authorised share capital of the Company is €38,100 divided into 38,100 Subscriber Shares of €1 each and 1,000,000,000 participating Shares of no par value initially designated as unclassified Shares.

The Subscriber Shares do not participate in the profits of the Company.

(d) Redeemable Participating Shares

All redeemable participating Shares issued by the Company provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the Company's net assets at the redemption date. Such instruments give rise to a financial liability for the present value of the redemption amount. In accordance with the Prospectus, the Company is contractually obliged to redeem Shares at the NAV per Share on the valuation date. Redeemable participating Shares are measured and presented at traded market price.

Receivable and payable amounts for Fund Shares sold and purchased are disclosed in the Statement of Financial Position.

(e) Distributions to Holders of Redeemable Participating Shares

Distributions to holders of redeemable participating Shares are recorded in the Statement of Comprehensive Income as a finance cost when the Fund incurs a legal or constructive obligation to pay such a dividend.

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF ACCOUNTING POLICIES (continued)

(f) Financial Instruments

(i) Classification

The Company classifies its investments as financial assets at fair value through profit or loss. The category of financial assets and liabilities through profit or loss comprises financial instruments held for trading and those designated by the Investment Manager, at inception, as being at fair value through profit or loss. The financial assets at fair value held by the Company are equity securities and are classified as held for trading.

Under FRS 102, in accounting for all of its financial instruments, an entity is required to apply either of the following:

- (a) the full requirements of Section 11 “Basic Financial Instruments” and Section 12 “Other Financial Instruments Issues” of FRS 102; or
- (b) the recognition and measurement provisions of International Accounting Standards (“IAS”) 39 “Financial Instruments: Recognition and Measurement”, (as amended) (“IAS 39”) as adopted for use in the European Union and the disclosure requirements of Sections 11 and 12 of FRS 102; or
- (c) the recognition and measurement provisions of International Financial Reporting Standards (“IFRS”) 9 “Financial Instruments” (“IFRS 9”) and the disclosure requirements of Sections 11 and 12 of FRS 102.

The Company has elected to apply the recognition and measurement provisions of IAS 39 and the disclosure requirements of Sections 11 and 12 of FRS 102. Under IAS 39, financial assets and liabilities are valued at their traded market price, consistent with the Prospectus. This policy change is recognised prospectively and therefore has no effect on each Fund’s trading net assets nor on the profit or loss for the financial year.

(ii) Initial Measurement

Purchases and sales of financial instruments are recognised on the trade date, which is the date that the Company commits to purchase the asset. Realised gains and losses on disposal of financial instruments are calculated using the Average Cost method.

Financial instruments categorised at fair value through profit or loss are recognised initially at fair value, with transaction costs for such instruments being recognised directly in the Statement of Comprehensive Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Please see Note 2 for details.

(iii) Subsequent Measurement

After initial measurement, the Company measures financial instruments which are classified at fair value through profit or loss, at their fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. The fair value of financial instruments is based on their traded market prices on a recognised exchange or sourced from a reputable broker/counterparty in the case of non-exchange traded instruments, at the Statement of Financial Position date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their traded market prices.

If a traded market price is not available on a recognised stock exchange or from a broker/counterparty, the fair value of the financial instruments may be estimated by the Directors using valuation techniques, including use of recent arm’s length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Subsequent changes in the fair value of financial instruments at fair value through profit or loss are recognised in the Statement of Comprehensive Income.

(iv) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with FRS 102.

The Company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

(v) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF ACCOUNTING POLICIES (continued)

(g) Foreign Currency

Functional and Presentation Currency

Transactions included in the Company's books and accounting records are measured and presented using the currency of the primary economic environment in which it operates (the "functional currency"). This is the "Euro", which reflects the Company's primary activity of investing in European securities.

Montanaro European Smaller Companies Fund, Montanaro European Income Fund, Montanaro European MidCap Fund, Montanaro Select Fund and Montanaro Better World Fund use Euro as the presentation currency, in line with the functional currency.

Montanaro UK Income Fund and Montanaro UK Smaller Companies Fund (terminated 28 September 2018) use Pound Sterling rather than Euro (the functional currency of the Company) as the presentation currency for financial statement purposes as this is the principal currency for most of their Shareholders. Assets and liabilities of the Funds have been translated using the exchange rate prevailing at the Statement of Financial Position date. Income and expenses have been translated using the average exchange rate during the financial year. The difference between the financial year end and average exchange rates has resulted in a notional foreign currency translation adjustment in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares.

Foreign currency transaction gains and losses on financial instruments classified as financial assets and liabilities at fair value through profit or loss are included in the Statement of Comprehensive Income as part of gains/(losses) on financial assets and liabilities at fair value through profit or loss.

The Company Total is presented in the functional currency of the Company, Euro. Monetary assets and liabilities denominated in currencies other than Euro are translated into Euro in the accounting records at the closing rates of exchange at each financial year end date. Transactions during the financial year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency transaction gains and losses are included in the Statement of Comprehensive Income as part of gains/(losses) on financial assets and liabilities at fair value through profit or loss.

The foreign currency translation adjustment for the financial year ended 31 December 2019 for Montanaro UK Income Fund was a loss of (£30,138,219) (31 December 2018: gain of £3,647,339). Montanaro UK Smaller Companies Fund which was terminated on 28 September 2018 had a foreign currency translation loss of (£157,351) as at 31 December 2018.

The following exchange rates were used to convert the presentation currency gain of the Company:

31 December 2019

Average Euro/Pound Sterling 1.1402

Spot Euro/Pound Sterling 1.1802

31 December 2018

Average Euro/Pound Sterling 1.1303

Spot Euro/Pound Sterling 1.1141

(h) Cash Flow Statement

The Company has availed of the exemption available to open-ended investment funds under section 7 "Statement of Cash Flows" of FRS 102 not to prepare a cash flow statement.

(i) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand and in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

(j) Accrued Expenses

Accrued expenses are measured at carrying cost which approximates their fair values.

(k) Withholding Tax

The Company currently incurs withholding taxes imposed by certain countries on investment income. Such income is recorded gross of withholding taxes in the Statement of Comprehensive Income. Withholding taxes are shown as a separate item in the Statement of Comprehensive Income.

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Financial year ended 31 December 2019

1. Background

Montanaro Smaller Companies Plc (the “Company” with registered number: 330162) is an open-ended umbrella variable capital investment Company. The Company was incorporated on 14 July 2000 in Ireland under the laws of Ireland as an investment Company with variable capital under the laws of the Republic of Ireland and was listed on the main market of the Euronext Dublin exchange (formerly the Irish Stock Exchange) on 11 December 2000.

As at 31 December 2019, the Company had six Funds in existence (collectively the “Funds”, each a “Fund”): Montanaro European Smaller Companies Fund, Montanaro UK Income Fund, Montanaro European Income Fund, Montanaro European MidCap Fund, Montanaro Select Fund and Montanaro Better World Fund. Montanaro European Smaller Companies Fund has eight classes of Shares available: a Euro Accumulation Class, a Euro Class, a Euro Institutional Accumulation Class, a Euro Institutional Distribution Class, a Sterling Class, a Sterling Institutional Distribution Class, a Swedish Krona Accumulation Class and a US Dollar Class. Montanaro UK Income Fund has five classes of Shares available: a Euro Class, a Euro Seed Class, a Sterling Accumulation Class, a Sterling Class and a Sterling Seed Class. Montanaro European Income Fund has three classes of Shares available: a Euro Class, a Sterling Class and a Sterling Accumulation Class. Montanaro European MidCap Fund has two classes of Shares available: a Euro Distribution Class and a Euro Institutional Accumulation Class. Montanaro Select Fund has two classes of Shares available: a Euro Distribution Class and a Sterling Distribution Class. Montanaro Better World Fund has three classes of Shares available: a Euro Distribution Class, a Sterling Distribution Class and Swedish Krona Institutional Accumulation Class.

2. Fees

Investment Management Fee

The following management fees are paid to the Investment Manager:

	% of Net Assets	Minimum Subscription
Montanaro European Smaller Companies Fund		
Euro Accumulation Class	1.50	€1,000
Euro Class	1.50	€1,000
Euro Institutional Accumulation Class	0.50	€250,000,000
Euro Institutional Distribution Class	0.75	€50,000,000
Sterling Class	1.50	£1,000
Sterling Institutional Distribution Class	0.75	£50,000,000
Swedish Krona Accumulation Class	1.50	SEK10,000
US Dollar Class	1.50	\$1,000
Montanaro UK Income Fund		
Euro Class	0.75	€1,000
Euro Seed Class ¹	0.25	€1,000
Sterling Accumulation Class	0.75	£1,000
Sterling Class	0.75	£1,000
Sterling Seed Class ¹	0.25	£1,000
Montanaro European Income Fund		
Euro Class	0.75	€1,000
Sterling Accumulation Class	0.75	£1,000
Sterling Class	0.75	£1,000
Montanaro European MidCap Fund		
Euro Distribution Class	1.50	€1,000
Euro Institutional Accumulation Class	0.75	€25,000,000
Montanaro Select Fund		
Euro Distribution Class ²	Waived	€1,000
Sterling Distribution Class ²	Waived	£1,000
Montanaro Better World Fund		
Euro Distribution Class ³	0.50	€1,000
Sterling Distribution Class ³	0.50	£1,000
Swedish Krona Institutional Accumulation Class ³	0.50	€150,000,000

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*

Financial year ended 31 December 2019

2. Fees (continued)

Investment Management Fee (continued)

¹ These Share Classes of the Fund pay the Investment Manager a basic Management fee of 0.25% per annum. However, as per the Prospectus, the Investment Manager is entitled to charge a fee of up to 0.75% per annum.

² The Investment Manager has agreed to waive its basic Management fee. However, as per the Prospectus, the Investment Manager is entitled to charge a fee of up to 0.75% per annum.

³ These Share Classes of the Fund pay the Investment Manager a basic Management fee of 0.50% per annum. However, as per the Prospectus, the Investment Manager is entitled to charge a fee of up to 0.85% per annum in respect of the Euro Distribution and Sterling Distribution Share Classes and 0.75% in respect of the Swedish Krona Institutional Accumulation Share Class. Effective 1 January 2020, the Management Fee on the Euro Distribution and Sterling Distribution Share Classes increased to the maximum allowable 0.85% per annum.

The Investment Management fees accrue daily on the basis of the NAV of the Funds on each dealing day and will be payable quarterly in arrears.

Montanaro Asset Management Limited (the "Investment Manager") earned an Investment Management fee of €12,259,402 for the financial year ended 31 December 2019 (31 December 2018: €11,243,671) of which €3,379,233 (31 December 2018: €2,710,652) was payable at the financial year end.

Performance Fees

The Investment Manager (with the exception of the Euro Institutional Accumulation Class of the Montanaro European Smaller Companies Fund, all Classes of the Montanaro UK Income Fund, all Classes of the Montanaro European Income Fund and all Classes of the Montanaro Better World Fund) may be entitled to receive an annual performance-related fee based on the outperformance per Share over the return on the benchmark in the relevant currency of the Share Class. The Performance fee payable will be 20% (plus VAT, if any) of the amount by which the increase in the NAV per Share, having adjusted the closing NAV per Share by (i) adding back the impact of any accruing Performance fee, and (ii) adding back and compounding any dividends paid or payable by reference to the financial period in question, exceeds the return on the benchmark plus 3 percentage points over the relevant financial period. It will be calculated based on the time weighted average number of Shares in issue during the relevant period.

A Performance fee will only be payable in respect of any financial period if the closing NAV per Share of the relevant class at the end of the period (adjusted for the matters described above) exceeds the higher of (a) the opening NAV per Share of that class for the relevant period or the price at which such Shares were issued if the initial issue of the relevant class of Shares occurred during the period; and (b) the closing NAV per Share of that class on the last accounting period end when a Performance fee was paid (if any).

For the financial year ended 31 December 2019, the Investment Manager earned Performance fees of €6,552,656 (31 December 2018: €368,006), of which €6,552,656 (31 December 2018: €368,006) was payable at the financial year end.

The following table shows the Performance fees for the financial year ended 31 December 2019 and 31 December 2018:

	Performance fee 31 December 2019	Performance fee 31 December 2018
	€	€
Montanaro European Smaller Companies Fund		
Euro Accumulation Class	2,423,888	100,309
Euro Class	1,207,766	42,591
Euro Institutional Accumulation Class	N/A	N/A
Euro Institutional Distribution Class	231,358	1,899
Sterling Class	239,084	82,651
Sterling Institutional Distribution Class	979,999	16,117
Swedish Krona Accumulation Class	8,173	7,657
US Dollar Class	6,194	–

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

Financial year ended 31 December 2019

2. Fees (continued)

Performance Fees (continued)

	Performance fee 31 December 2019	Performance fee 31 December 2018
	£	£
Montanaro UK Income Fund		
Fund N/A for Performance Fees	N/A	N/A
	Performance fee 31 December 2019	Performance fee 31 December 2018
	£	£
Montanaro UK Smaller Companies Fund*		
Sterling Distribution Class	–	93,688
	Performance fee 31 December 2019	Performance fee 31 December 2018
	€	€
Montanaro European Income Fund		
Fund N/A for Performance Fees	N/A	N/A
	Performance fee 31 December 2019	Performance fee 31 December 2018
	€	€
Montanaro European MidCap Fund		
Euro Distribution Class	1,004,048	9,487
Euro Institutional Accumulation Class	152,757	1,403
	Performance fee 31 December 2019	Performance fee 31 December 2018
	€	€
Montanaro Select Fund		
Euro Distribution Class	115,380	–
Sterling Distribution Class	184,009	–
	Performance fee 31 December 2019	Performance fee 31 December 2018
	€	€
Montanaro Better World Fund**		
Fund N/A for Performance Fees	N/A	N/A

*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**The Montanaro Better World Fund was launched on 10 April 2018.

Administration and Depositary Fees

The Company has entered into an administration agreement with BNY Mellon Fund Services (Ireland) Designated Activity Company (the “Administrator”) under which the Administrator receives an Administration fee. The Administration fee accrues daily and is paid monthly in arrears. The Administration fee was €596,015 for the financial year ended 31 December 2019 (31 December 2018: €588,985) of which €205,601 (31 December 2018: €349,294) was payable at the financial year end.

The Bank of New York Mellon SA/NV, Dublin Branch (the “Depositary”), is paid an annual fee accruing daily and paid monthly in arrears. The Depositary fee was €283,763 for the financial year ended 31 December 2019 (31 December 2018: €260,345) of which €76,789 (31 December 2018: €142,921) was payable at the financial year end.

The aggregate of the Administration and Depositary fee shall not exceed 0.25% of the NAV of each Fund.

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

Financial year ended 31 December 2019

2. Fees (continued)

Directors' Fees

Each of the Directors who are not Directors, officers or employees of the Investment Manager and Promoter or any affiliate thereof shall be entitled to such remuneration for his or her services as the Directors may determine provided that the aggregate emoluments of all Directors in respect of any twelve month period shall not exceed £120,000 plus out of pocket expenses, or such higher amount as may be approved by the Company in general meeting. The Directors' fees were €71,615 for the financial year ended 31 December 2019 (31 December 2018: €79,666).

Professional Fees

For the financial year ended 31 December 2019, Professional Fees, which include Taxation fees and Directors' indemnity insurance premiums (D&O), amounted to €73,101 (31 December 2018: €74,868) of which €42,968 (31 December 2018: €43,363) was payable at the financial year end.

31 December 2019

	Montanaro European Smaller Companies Fund	Montanaro UK Income Fund	Montanaro European Income Fund	Montanaro European MidCap Fund	Montanaro Select Fund	Montanaro Better World Fund	Combined Total*
	€	£	€	€	€	€	€
Taxation fees	(5,236)	(7,843)	(3,707)	(2,242)	(419)	(2,112)	(22,658)
Directors indemnity insurance premiums (D&O)	(4,981)	(3,105)	(2,162)	(1,177)	(133)	(905)	(12,899)
Investment Committee fees	-	-	-	-	-	(37,544)	(37,544)
	<u>(10,217)</u>	<u>(10,948)</u>	<u>(5,869)</u>	<u>(3,419)</u>	<u>(552)</u>	<u>(40,561)</u>	<u>(73,101)</u>

*See Statement of Accounting Policies (g).

31 December 2018

	Montanaro European Smaller Companies Fund	Montanaro UK Income Fund	Montanaro UK Smaller Companies Fund*	Montanaro European Income Fund	Montanaro European MidCap Fund
	€	£	£	€	€
Taxation fees	(16,014)	(6,666)	71	(4,571)	(2,417)
Directors indemnity insurance premiums (D&O)	(6,777)	(2,570)	(391)	(1,931)	(1,338)
	<u>(22,791)</u>	<u>(9,236)</u>	<u>(320)</u>	<u>(6,502)</u>	<u>(3,755)</u>

*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

Financial year ended 31 December 2019

2. Fees (continued)

Professional Fees (continued)

	Montanaro Select Fund	Montanaro Better World Fund**	Combined Total***
	€	€	€
Taxation fees	(53)	(2,837)	(33,346)
Directors indemnity insurance premiums (D&O)	(137)	(892)	(14,422)
Investment Committee fees	–	(27,100)	(27,100)
	<u>(190)</u>	<u>(30,829)</u>	<u>(74,868)</u>

**The Montanaro Better World Fund was launched on 10 April 2018.

***See Statement of Accounting Policies (g).

Auditor's Remuneration

Fees charged by the Independent Auditor in respect of the financial year ended 31 December 2019 and 31 December 2018 (exclusive of VAT) were:

	Statutory audit	Other assurance services	Tax advisory services	Other non-audit services
	€	€	€	€
31 December 2019	46,350	–	–	–
31 December 2018	45,000	–	–	–

Other Expenses

Other Expenses are principally comprised of Board Meeting fees, Listing and Publishing fees, VAT costs, Index fees, Printing fees, Electronic payment fees and Rating fees. For the financial year ended 31 December 2019, other expenses totalled €442,033 (31 December 2018: €391,671). Other expenses payable at the financial year end amounted to €58,308 (31 December 2018: €54,879).

Transaction Costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument. When financial assets or financial liabilities are initially recognised at fair value through profit or loss, transaction costs for such instruments are recognised directly in profit and loss.

Transaction costs on purchases and sales of equities measured at fair value through profit or loss are included in net gains/(losses) on investments in the Statement of Financial Position for each Fund. Depository transaction costs are included in Depository fees in the Statement of Comprehensive Income for each Fund. These costs are separately identifiable transaction costs and the total costs incurred by each Fund during the financial year are disclosed below.

For the financial years ended 31 December 2019 and 31 December 2018, the Company incurred transaction costs on purchases and sales as overleaf:

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

Financial year ended 31 December 2019

2. Fees (continued)

Transaction Costs (continued)

Fund	Currency	31 December 2019	31 December 2018
Montanaro European Smaller Companies Fund	€	106,619	181,259
Montanaro UK Income Fund	£	1,434,589	710,739
Montanaro UK Smaller Companies Fund*	£	–	21,806
Montanaro European Income Fund	€	100,257	85,123
Montanaro European MidCap Fund	€	138,383	101,441
Montanaro Select Fund	€	5,342	11,861
Montanaro Better World Fund**	€	73,328	270,578

3. Financial Assets at Fair Value through Profit or Loss

As at 31 December 2019 and 31 December 2018, the fair value of financial assets held at fair value through profit or loss are based on closing mid prices which are derived from traded market prices in active markets.

4. Distribution Policy

Distributions may be paid out of the net distributable income of the Company. Otherwise all income and gains of the Company will be accumulated within the Company. Montanaro European Smaller Companies Fund (with the exception of the Euro Institutional Accumulation Class and the Swedish Krona Accumulation Class), Montanaro UK Income Fund, Montanaro European Income Fund, Montanaro European MidCap Fund and Montanaro Better World Fund are registered as reporting funds under the UK Reporting Fund Regime.

In the event that the net distributable income generated by the Montanaro UK Income Fund and by the Montanaro European Income Fund (effective 27 June 2019) during the relevant financial period and attributable to the relevant Class is insufficient to pay a distribution which is declared, the Directors may at their discretion determine such dividends may be paid from the capital of the Fund. There were no distributions paid from the capital of the Montanaro UK Income Fund or the Montanaro European Income Fund during the financial year ended 31 December 2019 nor from the capital of the Montanaro UK Income Fund for the financial year ended 31 December 2018.

The Company made the following distributions to redeemable participating Shareholders during the financial year ended 31 December 2019 and 31 December 2018:

	Montanaro European Smaller Companies Fund	Montanaro UK Income Fund	Montanaro UK Smaller Companies Fund*	Montanaro European Income Fund	Montanaro European MidCap Fund
	€	£	£	€	€
31 December 2019	863,620	16,186,935	–	6,713,285	431,345
31 December 2018	1,908,482	9,702,455	–	5,404,459	4,727

	Montanaro Select Fund	Montanaro Better World Fund**	Montanaro Combined Total***
	€	€	€
31 December 2019	199,732	326,441	26,990,260
31 December 2018	164,007	–	18,448,043

*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**The Montanaro Better World Fund was launched on 10 April 2018.

*** See Statement of Accounting Policies (g).

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*

Financial year ended 31 December 2019

5. Cash and Cash Equivalents

At the financial year end, the Company had a cash balance totalling €56,494,963 (31 December 2018: €40,030,242) with Bank of New York Mellon SA/NV, Dublin Branch.

6. Connected Persons and Related Party Transactions

Parties are considered related if one party has the authority to control the other party or exercise significant influence over the other party in making financial or other reporting decisions, or is a member of the key management personnel of the reporting entity.

A connected person is defined as the Promoter, Manager, Trustee, Investment Adviser and/or associated or group companies of these. The Investment Manager, Administrator and Depositary are deemed to be connected persons to the Company. During the financial year, transactions were entered into with these connected persons of the Company, in the ordinary course of business and on normal commercial terms. Details of fees paid to these entities are disclosed in Note 2.

During the financial year, the following Related Party Transactions were entered into:

Each of the Directors who are not Directors, officers or employees of the Investment Manager and Promoter or any affiliate thereof shall be entitled to such remuneration for his or her services as the Directors may determine provided that the aggregate emoluments of all Directors in respect of any twelve month period shall not exceed £120,000 plus out of pocket expenses, or such higher amount as may be approved by the Company in a general meeting. The Directors' fees were €71,615 for the financial year ended 31 December 2019 (31 December 2018: €79,666).

As at 31 December 2019, Charles Montanaro, Director of the Company, and his family members held 230,267 (31 December 2018: 227,006) Shares in the Sterling Class and 53,985 (31 December 2018: 53,985) Shares in the Sterling Institutional Distribution Class of the Montanaro European Smaller Companies Fund, 1,327,161 (31 December 2018: 1,353,865) Shares in the Sterling Seed Class and 97,509 (31 December 2018: Nil) Shares in the Sterling Class of the Montanaro UK Income Fund, 3,714 (31 December 2018: 3,714) Shares in the Sterling Class of the Montanaro European Income Fund and 78,644 (31 December 2018: 78,644) Shares in the Euro Distribution Class of the Montanaro European MidCap Fund, 17,409 (31 December 2018: 17,409) Shares in the Sterling Distribution Class of the Montanaro Select Fund, and 199,274 (31 December 2018: 192,750) Shares in the Sterling Distribution Class of the Montanaro Better World Fund.

Rodney Barton, a Director of the Company until his resignation effective 31 March 2019, is employed by West Yorkshire Pension Fund, which held 2,700,000 Shares in the Sterling Class of the Montanaro European Smaller Companies Fund as at 31 March 2019 (31 December 2018: 2,700,000). West Yorkshire Pension Fund did not transact in the Montanaro Smaller Companies Plc during the financial year ended 31 December 2019.

Cedric Durant des Aulnois, a Director of the Company, appointed 1 April 2019, held 2,919 Shares in the Montanaro UK Income Fund as at 31 December 2019.

Other than the Shares and transactions listed above, there were no other transactions, interests in Shares or deferred Shares of the Company held by any of the Directors of the Company or the Secretary during the financial years ending 31 December 2019 and 31 December 2018.

The following entities are related parties, by virtue of the fact that each have the same ultimate parent group, Montanaro Asset Management Limited, which held Shares in the Company as follows:

	31 December 2019	31 December 2018
Montanaro Asset Management Limited	22,693,189	21,023,134
Montanaro Growth & Income Fund Limited Partnership No. 3	8,533,464	8,403,021

The Investment Manager has the discretion to waive some or all of its "Investment Management Fee" on certain Share Classes and information concerning the various waivers in place for the reporting period are disclosed in Note 2. As at 31 December 2019 and 31 December 2018 there were 7 Subscriber Shares of €1 each in issue (being the minimum share capital of the Company) held by the Investment Manager.

Financial year ended 31 December 2019

7. Risks Associated with Financial Instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, cash flow and price risk), credit risk, liquidity risk and capital risk management. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Further, the Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control economic hedging transactions in a timely and accurate manner.

The Company's assets and liabilities comprise financial instruments which mainly include:

- Investments in equity Shares, preferred stock and collective investment schemes. These are held in accordance with the Company's investment objectives and policies;
- Cash, liquid resources and short-term debtors and creditors that arise directly from its investment activities.

The investment objectives of the Funds are as follows:

Montanaro European Smaller Companies Fund

The investment objective of the Fund is to outperform its Benchmark, the MSCI Europe SmallCap (Capital Return) Index.

Montanaro UK Income Fund

The investment objective of the Fund is to deliver capital growth and income.

Montanaro European Income Fund

The investment objective of the Fund is to deliver capital growth and income.

Montanaro European MidCap Fund

The investment objective of the Fund is to outperform its Benchmark, the STOXX Europe Mid 200 (Capital Return) Index.

Montanaro Select Fund

The investment objective of the Fund is to outperform its Benchmark, the MSCI Europe SmallCap (Capital Return) Index.

Montanaro Better World Fund

The investment objective of the Fund is to deliver long-term capital growth.

Market Price Risk

The Company trades in financial instruments, taking positions in traded instruments to take advantage of market movements in the equity markets.

All securities investments present a risk of loss of capital. Each of the Funds' overall market positions are monitored on a daily basis by the Company's Investment Manager and are reported on a monthly basis to the Directors and Designated Persons in the monthly Investment Manager's factsheet. The monthly Investment Manager's factsheet includes details of the Company's performance, relative performance, a Fund analysis, a list of the top ten holdings and a sector and country distribution analysis.

The Company's investments are in accordance with UCITS Regulations investment restrictions and also comply with the investment restrictions as disclosed in the Company's Prospectus.

The total value of investments held by the Company at the financial year end is disclosed in the Statement of Financial Position.

The Company's equity instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Company's market price risk is managed through diversification of the investment portfolios. In the case of each of the Funds, all invested assets are in securities traded on recognised European exchanges. At 31 December 2019 and 31 December 2018, the overall market exposures were:

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

Financial year ended 31 December 2019

7. Risks Associated with Financial Instruments (continued)

Market Price Risk (continued)

	Currency	31 December 2019		31 December 2018	
		Fair value	% of Net Assets at mid-prices	Fair value	% of Net Assets at mid-prices
Securities held for trading					
Montanaro European Smaller Companies Fund	€	529,015,411	99.06	432,615,744	97.58
Montanaro UK Income Fund	£	637,561,340	97.37	299,851,952	95.69
Montanaro European Income Fund	€	324,309,995	95.40	185,236,250	95.61
Montanaro European MidCap Fund	€	139,963,090	95.01	106,253,988	94.43
Montanaro Select Fund	€	15,799,116	94.60	11,230,756	94.92
Montanaro Better World Fund*	€	188,034,380	98.82	125,670,207	97.79

*The Montanaro Better World Fund was launched on 10 April 2018.

If the Company's underlying investments at 31 December 2019 had increased or decreased by 5% with all other variables held constant, this would have increased or reduced net assets attributable to holders of redeemable Shares of the Montanaro European Smaller Companies Fund by approximately €26.5m (31 December 2018: €21.6m), Montanaro UK Income Fund by approximately £31.9m (31 December 2018: £15.0m), Montanaro European Income Fund by approximately €16.2m (31 December 2018: €9.3m), Montanaro European MidCap Fund by approximately €7.0m (31 December 2018: €5.3m), Montanaro Select Fund by approximately €0.8m (31 December 2018: €0.6m) and Montanaro Better World Fund by approximately €9.4m (31 December 2018: €6.3m).

The top ten country distribution of the Company's investments at 31 December 2019 and 31 December 2018 is as follows:

31 December 2019		31 December 2019	
Country	Montanaro European Smaller Companies Fund % of Net Assets at mid-prices	Country	Montanaro UK Income Fund % of Net Assets at mid-prices
United Kingdom	33.85	United Kingdom	89.61
Germany	16.31	Sweden	2.80
Sweden	13.35	Belgium	1.08
Italy	8.20	Switzerland	1.07
France	5.21	Norway	0.98
Switzerland	4.68	Italy	0.93
Netherlands	3.81	Netherlands	0.90
Denmark	3.04		
Norway	2.81		
Ireland	2.42		

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

Financial year ended 31 December 2019

7. Risks Associated with Financial Instruments

Market Price Risk (continued)

31 December 2019	Montanaro European Income Fund % of Net	31 December 2019	Montanaro European MidCap Fund % of Net
Country	Assets at mid-prices	Country	Assets at mid-prices
Sweden	17.40	United Kingdom	32.44
France	15.36	France	19.09
Germany	13.96	Germany	15.04
Italy	11.65	Italy	8.69
Norway	10.91	Sweden	6.24
Spain	7.98	Ireland	4.37
Switzerland	5.81	Switzerland	4.30
Denmark	5.21	Spain	2.43
Portugal	3.38	Denmark	2.41
Netherlands	2.16		

31 December 2019	Montanaro Select Fund % of Net	31 December 2019	Montanaro Better World Fund % of Net
Country	Assets at mid-prices	Country	Assets at mid-prices
United Kingdom	41.49	United States	31.50
Sweden	15.49	United Kingdom	13.21
Germany	13.22	Australia	7.17
France	6.52	Japan	7.03
Denmark	5.45	Germany	6.75
Italy	4.16	France	5.75
Switzerland	3.78	Ireland	4.70
Netherlands	3.49	Switzerland	3.96
Belgium	1.00	Sweden	3.17
		New Zealand	3.09

31 December 2018	Montanaro European Smaller Companies Fund % of Net	31 December 2018	Montanaro UK Income Fund % of Net
Country	Assets at mid-prices	Country	Assets at mid-prices
United Kingdom	32.06	United Kingdom	86.25
Germany	14.41	Italy	2.33
Sweden	13.72	Spain	1.70
Italy	9.78	Switzerland	1.65
Denmark	5.05	Netherlands	1.05
Switzerland	5.03	Belgium	0.99
France	4.38	Norway	0.92
Netherlands	3.95	Sweden	0.80
Spain	3.50		
Ireland	2.53		

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

Financial year ended 31 December 2019

7. Risks Associated with Financial Instruments

Market Price Risk (continued)

31 December 2018	Montanaro European Income Fund % of Net Assets at mid-prices	31 December 2018	Montanaro European MidCap Fund % of Net Assets at mid-prices
Country		Country	
Italy	17.48	United Kingdom	34.87
Sweden	15.96	Germany	15.21
France	14.45	Sweden	12.23
Spain	10.92	France	11.64
Germany	9.77	Spain	8.22
Norway	6.87	Italy	4.39
Denmark	6.50	Ireland	4.15
Switzerland	5.77	Switzerland	3.72
Portugal	4.18		
Netherlands	2.27		

31 December 2018	Montanaro Select Fund % of Net Assets at mid-prices	31 December 2018	Montanaro Better World Fund* % of Net Assets at mid-prices
Country		Country	
United Kingdom	41.87	United States	29.21
Sweden	14.14	United Kingdom	17.86
Germany	11.99	Germany	7.60
Italy	5.35	Japan	5.87
Denmark	5.30	Denmark	5.74
France	5.00	France	4.98
Netherlands	4.26	Sweden	4.27
Switzerland	3.78	Hong Kong	3.74
Belgium	3.23	Australia	3.55
		Switzerland	3.36

*The Montanaro Better World Fund was launched on 10 April 2018.

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

Financial year ended 31 December 2019

7. Risks Associated with Financial Instruments (continued)

Interest Rate Risk

The majority of the Company's financial assets are equity Shares and other instruments which neither pay interest nor have a maturity date. As a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Cash balances of the Company are not subject to significant interest rate risk.

Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. In accordance with the Company's policy, the Investment Manager monitors the Company's currency position on a daily basis. The Company's currency position is reported to the Designated Persons on a monthly basis in the monthly Administrator's report and Investment Manager's reports and reported to the Directors on a quarterly basis.

The Company holds assets denominated in currencies other than their presentation currency. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The Company's policy is not to enter into any currency hedging.

The table below indicates the currencies to which the Company had significant exposure at 31 December 2019 and 31 December 2018 along with the expected movement in value of the currency given a 5% movement relative to the presentation currency:

	Montanaro European Smaller Companies Fund				Montanaro UK Income Fund			
	31 December 2019		31 December 2018		31 December 2019		31 December 2018	
	Net Exposure	5% movement	Net Exposure	5% movement	Net Exposure	5% movement	Net Exposure	5% movement
	€	€	€	€	£	£	£	£
Danish Krone	16,515,805	825,790	22,634,998	1,131,750	-	-	-	-
Norwegian Krone	15,028,537	751,427	6,412,956	320,648	6,421,275	321,064	2,878,050	143,903
Pound Sterling	184,265,492	9,213,275	150,144,128	7,507,206	604,407,876	30,220,394	284,030,539	14,201,527
Swedish Krona	71,346,618	3,567,331	60,931,902	3,046,595	18,329,674	916,484	2,512,276	125,614
Swiss Franc	25,005,207	1,250,260	22,302,871	1,115,144	6,998,236	349,912	5,170,784	258,539
US Dollar	50,415	2,521	131,101	6,555	-	-	-	-

	Montanaro European Income Fund				Montanaro European MidCap Fund			
	31 December 2019		31 December 2018		31 December 2019		31 December 2018	
	Net Exposure	5% movement	Net Exposure	5% movement	Net Exposure	5% movement	Net Exposure	5% movement
	€	€	€	€	€	€	€	€
Danish Krone	17,907,956	895,398	12,739,892	636,995	3,605,276	180,264	57,338	2,867
Norwegian Krone	37,077,186	1,853,859	13,324,563	666,228	-	-	-	-
Pound Sterling	9,279,439	463,972	7,660,234	383,012	53,117,526	2,655,876	39,695,707	1,984,785
Swedish Krona	59,167,794	2,958,390	30,912,431	1,545,622	9,192,232	459,612	13,755,290	687,764
Swiss Franc	19,760,783	988,039	11,175,261	558,763	6,342,380	317,119	4,184,866	209,243

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*

Financial year ended 31 December 2019

7. Risks Associated with Financial Instruments *(continued)*

Foreign Currency Risk (continued)

	Montanaro Select Fund				Montanaro Better World Fund*			
	31 December 2019		31 December 2018		31 December 2019		31 December 2018	
	Net Exposure	5% movement	Net Exposure	5% movement	Net Exposure	5% movement	Net Exposure	5% movement
	€	€	€	€	€	€	€	€
Australian Dollar	–	–	–	–	13,642,520	682,126	4,569,178	228,459
Danish Krone	915,162	45,758	631,335	31,567	5,314,320	265,716	7,380,751	369,038
Hong Kong Dollar	–	–	–	–	4,923,510	246,175	4,804,961	240,248
Japanese Yen	–	–	–	–	13,367,169	668,358	7,542,939	377,147
New Zealand Dollar	–	–	–	–	5,888,836	294,442	3,464,933	173,247
Pound Sterling	7,881,241	394,062	5,284,242	264,212	26,309,508	1,315,475	25,498,341	1,274,917
Swedish Krona	2,586,606	129,330	1,672,866	83,643	6,114,514	305,726	5,487,666	274,383
Swiss Franc	631,616	31,581	446,794	22,340	7,532,382	376,619	4,315,311	215,766
US Dollar	–	–	–	–	64,530,736	3,226,537	37,539,495	1,876,975

*The Montanaro Better World Fund was launched on 10 April 2018.

Credit/Counterparty Risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Company. The Company's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that counterparties fail to perform their obligations in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Statement of Financial Position.

All transactions in traded securities are settled/paid for using approved brokers. The risk of default is considered minimal, as delivery of securities sold and receipt of payment by the broker and payment on a purchase and receipt of securities by the broker are done simultaneously. The trade will fail if either party fails to meet its obligation.

In accordance with the Company's policy, the Investment Manager monitors the Company's credit position on a daily basis and the Administrator reports on it to the Board of Directors quarterly in the Administrator's report. Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Company. At 31 December 2019, the Company held cash of €56,494,963 with the Bank of New York Mellon SA/NV, Dublin Branch (31 December 2018: €40,030,242) who has a credit rating of AA- (31 December 2018: AA-) by Standard & Poor's.

The Company's securities are maintained within the Depository's network in segregated accounts. The Depository is required to ensure that any agent it appoints to assist in safekeeping the assets of the Company will segregate the assets of the Company. Thus in the event of insolvency or bankruptcy of the Depository, the Company's assets should be segregated and protected and this should further reduce counterparty risk. The Company is, however, exposed to the risk that the Depository or certain depositories used by the Depository may fail. In event of the insolvency or bankruptcy of the Depository, the Company will be treated as a general creditor of the Depository in relation to cash holdings of the Company and as such the amount that the Company will recover is dependent on the amount of cash available to the liquidator to distribute.

Significant concentrations of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographic factors affect counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified along industry, product and geographic lines, and transactions are entered into with creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

Financial year ended 31 December 2019

7. Risks Associated with Financial Instruments (continued)

Credit/Counterparty Risk (continued)

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must be based on future events and must not be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty. As at 31 December 2019 and 31 December 2018, the Company was not subject to master netting arrangements with its counterparties.

Liquidity Risk

The Company is exposed to daily cash redemptions of redeemable Shares. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

The Company's traded securities are considered readily realisable as they are traded on recognised stock exchanges. The Company is permitted to borrow in the short term to ensure settlement. As at 31 December 2019, no such borrowings existed (31 December 2018: Nil).

In accordance with the Company's policy, the Investment Manager monitors the Company's liquidity on a daily basis. The Board of Directors receives reports on it on a quarterly basis in the Administrator's report and the Investment Manager's report.

All of the liabilities of the Company are payable in less than three months.

Capital Risk Management

The capital of the Company is represented by the NAV attributable to the holder of redeemable participating Shares. The amount of NAV attributable to the holder of redeemable participating Shares can change significantly on a monthly basis, as the Company is subject to daily subscriptions and redemptions at the discretion of the Shareholder. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the Shareholder and maintain a strong capital base to support the development of the investment activities of the Company.

Investors should note that the smaller companies market in which the Company invests may be less liquid than the market in larger capitalisation stocks and can be more sensitive to economic and other factors. As a result, the Company may experience greater volatility both in the value of its investments and in its NAV per Share than a Company investing in larger capitalisation Shares. This may be particularly relevant where positions need to be liquidated to meet redemption requests or other funding requirements.

The Directors' current intention is to make at their discretion a distribution of substantially the whole of the net income (including interest and dividend income less expenditure and liabilities) to Shareholders each calendar quarter. In the event that the net distributable income generated by the Montanaro UK Income Fund and European Income Fund (effective 27 June 2019) during the relevant period and attributable to the relevant Class is insufficient to pay a distribution which is declared, the Directors may at their discretion determine such dividends may be paid from the capital of the Montanaro UK Income Fund and European Income Fund (effective 27 June 2019). Investors should note that where the payment of distributions are paid out of capital, this represents and amounts to a return or withdrawal of part of the amount originally invested or capital gains attributable to, and may result in an immediate decrease in the value of, the Shares of the relevant Class and will reduce any capital appreciation for the Shareholders of such Class.

Fair Value Estimation

Under FRS 102, the Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 The unadjusted traded price in an active market for identical assets or liabilities that the entity can access the measurement date.
- Level 2 Inputs other than traded prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Financial year ended 31 December 2019

7. Risks Associated with Financial Instruments (continued)

Fair Value Estimation (continued)

The best evidence of fair value is a traded price for an identical asset or liability in an active market and is therefore classified within Level 1. These include actively traded equities, exchange traded derivatives and other traded securities. Traded in an active market in this context means traded prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When traded prices are unavailable, the price of a recent transaction for an identical asset or liability provides evidence of fair value and is classified within Level 2, as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. These include money market instruments, certain traded equities and open-ended collective investment schemes. If the Company can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), then that price is adjusted.

If the market for the asset or liability is not active and recent transactions of an identical asset or liability on their own are not a good estimate of fair value, the Company estimates the fair value by using a valuation technique and classifies the asset or liability within Level 3. These include investment-grade government and corporate bonds, over-the-counter derivatives, private equity and corporate debt securities. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions for an identical asset or liability between knowledgeable, willing parties, if available, reference to the current fair value of another asset or liability that is substantially the same as the asset or liability being measured, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the asset or liability and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Company uses that technique.

The Company's investments values are based on traded market prices in active markets and therefore all of the Company's investments were classified as Level 1 at 31 December 2019 and 31 December 2018. There were no transfers between levels during the financial year. The Company does not hold any investments classified within Level 2 or Level 3. The fair value levels of the securities held by the Funds are monitored on a monthly basis by the Investment Manager. There were no financial liabilities held at 31 December 2019 and 31 December 2018.

8. Soft Commission Arrangements

No soft commission arrangements were entered into during the financial years ended 31 December 2019 and 31 December 2018.

9. Efficient Portfolio Management

The Company may, on behalf of a Fund, use techniques and instruments for the purposes of efficient portfolio management (including but not limited to forward foreign currency contracts, futures contracts, options, put and call options on securities, indices and currencies, stock index contracts, swap contracts) subject to the restrictions and limitations laid down by the Central Bank. The Company may engage in such techniques and instruments for the reduction of risk, cost or the generation of additional capital or income for a Fund with an appropriate level of risk, taking into account the risk profile of the Company as described in the Prospectus and the general provisions of the UCITS Regulations.

The Company may employ techniques and instruments relating to transferable securities provided that such techniques and instruments are used for efficient portfolio management purposes and techniques and instruments intended to provide protection against exchange rate risk and equity market risk. Where applicable, the entities to which direct and indirect operational costs and/or fees have been paid during the annual period to the relevant accounting year end of a Fund will be disclosed in the annual report for such period.

The prices of derivative instruments, including futures and options prices, are highly volatile. Price movements of forward foreign currency contracts, futures contracts and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly markets in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*

Financial year ended 31 December 2019

9. Efficient Portfolio Management (continued)

and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

The use of such techniques and instruments for efficient portfolio management involves certain special risks including: a dependence on the ability to predict movements in the prices of securities being hedged and movements in interest rates, imperfect correlations between the hedging instruments and the securities or market sectors being hedged, the fact that skills needed to use these instruments are different from those needed to select the Company's securities, the possible absence of a liquid market for any particular instrument at any particular time and possible impediments to effective portfolio management such as the ability to meet redemption requests or other short term obligations because of the percentage of the Company's assets being segregated to cover its obligations.

The Company does not currently use financial derivative instruments and it is not the current intention of the Investment Manager to employ efficient portfolio management techniques. A risk management process will be submitted to the Central Bank in accordance with the Central Bank's requirements prior to the Company engaging in financial derivative transactions on behalf of a Fund.

The Company did not enter into any derivative contracts during the financial years ended 31 December 2019 or 31 December 2018 for efficient portfolio management or any other purpose.

10. Share Capital and Redeemable Participating Shares

The authorised share capital of the Company is 1,000,000,000 redeemable participating Shares of no par value. The redeemable participating Shares issued by the Company are freely transferable and are entitled to participate equally in the profits and dividends of the relevant Fund and its assets upon liquidation. The redeemable participating Shares, which are of no par value and which must be fully paid up on issue, carry no preferential or pre-emptive rights. Holders of redeemable participating Shares are entitled on a poll to one vote at general meetings of the Company in respect of each redeemable participating Share held.

Subscriber Shares

The Company has authorised share capital of €38,100 (divided into 38,100 Subscriber Shares of one Euro each). As at 31 December 2019 and 31 December 2018 there were 7 Subscriber Shares of €1 each in issue (being the minimum share capital of the Company) held by the Investment Manager. Subscriber Shares do not entitle the holders to any dividend and on a winding-up entitle the holder to receive the amount paid thereon but not otherwise to participate in the assets of the Company. The Subscriber Shares do not form part of redeemable participating Shareholders' Funds. They are thus disclosed by way of this note only. In the opinion of the Directors, this disclosure reflects the nature of the Company's business as an investment fund.

Redemption of Shares

Shareholders may redeem their Shares on and with effect from any dealing day at the NAV per Share calculated on or with respect to the relevant dealing day in accordance with the procedures specified in the relevant Supplement (save during any period when the calculation of NAV is suspended). If the redemption of part only of a Shareholder's shareholding would leave the Shareholder holding less than the Minimum Holding for the relevant Fund, the Directors or their delegates may, if they think fit, redeem the whole of that Shareholder's holding.

In the event that the net distributable income generated by the Montanaro UK Income Fund and by the Montanaro European Income Fund (effective 27 June 2019) during the relevant financial period and attributable to the relevant Class is insufficient to pay a distribution which is declared, the Directors may at their discretion determine such dividends may be paid from the capital of the Fund. Shareholders should note that where the payment of distributions are paid out of capital, this represents and amounts to a return or withdrawal of part of the amount originally invested or capital gains attributable to and may result in an immediate decrease in the value of the Shares of the relevant Class and will reduce any capital appreciation for the Shareholders of such Class.

Share Classes

Shares will be issued to investors as Shares of a class in the Funds. The Directors may, whether on the establishment of each Fund or from time to time, with prior notification to, and clearance by the Central Bank, create more than one class of Shares in each of the Funds. The Directors may, in their absolute discretion, differentiate between classes of Shares, without limitation, as to currency denomination of a particular class, dividend policy, hedging strategies if any applied

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

Financial year ended 31 December 2019

10. Share Capital and Redeemable Participating Shares (continued)

Share Classes (continued)

to the designated currency of particular classes, fees and expenses or the minimum subscription or minimum holding applicable.

Where the amount subscribed for Shares is not equivalent to an exact number of Shares, fractions of Shares may be issued to the nearest one thousandth of a Share. The holder of a fraction of a Share may not exercise any voting right in respect of such Share.

31 December 2019

	Shares in issue at beginning of financial year	Subscriptions	Redemptions	Shares in issue at end of financial year
Montanaro European Smaller Companies Fund				
Euro Accumulation Class	38,115,539	2,350,720	(7,303,358)	33,162,901
Euro Class	18,139,034	2,758,062	(738,585)	20,158,511
Euro Institutional Accumulation Class	10,195,783	279,387	(6,135,862)	4,339,308
Euro Institutional Distribution Class	3,079,635	801,456	(1,219,950)	2,661,141
Sterling Class	3,652,979	43,341	(43,081)	3,653,239
Sterling Institutional Distribution Class	13,028,475	196,797	(991,921)	12,233,351
Swedish Krona Accumulation Class	473,161	4,469	(160,000)	317,630
US Dollar Class	156,910	–	(71,105)	85,805
Montanaro UK Income Fund				
Euro Class	292,375	70,252	(167,945)	194,682
Euro Seed Class	3,165,872	49,773	(830,775)	2,384,870
Sterling Accumulation Class	940,138	31,213,632	(692,840)	31,460,930
Sterling Class	21,415,154	89,949,268	(8,581,785)	102,782,637
Sterling Seed Class	164,986,839	61,375,996	(16,567,734)	209,795,101
Montanaro European Income Fund				
Euro Class	9,043,142	3,536,669	(1,133,648)	11,446,163
Sterling Accumulation Class	139,911	8,080,243	(127,532)	8,092,622
Sterling Class	96,895,854	46,307,086	(9,368,842)	133,834,098
Montanaro European MidCap Fund				
Euro Distribution Class	53,726,151	1,224,618	(5,675,451)	49,275,318
Euro Institutional Accumulation Class	5,996,143	5,127,999	(304,831)	10,819,311
Montanaro Select Fund				
Euro Distribution Class	4,068,192	58,095	–	4,126,287
Sterling Distribution Class	5,286,215	160,400	(97,283)	5,349,332
Montanaro Better World Fund				
Euro Distribution Class	5,786,980	7,315,252	(3,121)	13,099,111
Sterling Distribution Class	114,821,663	7,214,357	(7,378,582)	114,657,438
Swedish Krona Institutional Accumulation Class*	–	4,729,227	–	4,729,227

*The Swedish Krona Institutional Accumulation Class was launched on 1 July 2019.

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

Financial year ended 31 December 2019

10. Share Capital and Redeemable Participating Shares (continued)

31 December 2018

	Shares in issue at beginning of financial year	Subscriptions	Redemptions	Shares in issue at end of financial year
Montanaro European Smaller Companies Fund				
Euro Accumulation Class	43,219,842	1,125,071	(6,229,374)	38,115,539
Euro Class	28,416,699	369,540	(10,647,205)	18,139,034
Euro Institutional Accumulation Class	16,529,734	830,208	(7,164,159)	10,195,783
Euro Institutional Distribution Class	3,201,319	913,506	(1,035,190)	3,079,635
Sterling Class	7,422,517	46,876	(3,816,414)	3,652,979
Sterling Institutional Distribution Class	12,910,428	802,871	(684,824)	13,028,475
Swedish Krona Accumulation Class	1,267,520	4,673	(799,032)	473,161
US Dollar Class	271,326	3,666	(118,082)	156,910
Montanaro UK Income Fund				
Euro Class	10,814	281,652	(91)	292,375
Euro Seed Class	3,288,662	136,766	(259,556)	3,165,872
Sterling Accumulation Class**	–	946,446	(6,308)	940,138
Sterling Class	2,670,090	21,330,461	(2,585,397)	21,415,154
Sterling Seed Class	117,248,007	51,095,812	(3,356,980)	164,986,839
Montanaro UK Smaller Companies Fund***				
Sterling Distribution Class	27,278,239	46,729	(27,324,968)	–
Montanaro European Income Fund				
Euro Class	4,787,428	4,579,570	(323,856)	9,043,142
Sterling Accumulation Class**	–	140,503	(592)	139,911
Sterling Class	89,861,665	24,299,492	(17,265,303)	96,895,854
Montanaro European MidCap Fund				
Euro Distribution Class	50,420,565	3,662,309	(356,723)	53,726,151
Euro Institutional Accumulation Class	4,434,717	1,652,042	(90,616)	5,996,143
Montanaro Select Fund				
Euro Distribution Class	4,014,545	53,647	–	4,068,192
Sterling Distribution Class	5,172,457	113,758	–	5,286,215
Montanaro Better World Fund****				
Euro Distribution Class	–	5,786,980	–	5,786,980
Sterling Distribution Class	–	114,834,456	(12,793)	114,821,663

**The Sterling Accumulation Share Class was launched on 2 July 2018.

***The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

****The Montanaro Better World Fund was launched on 10 April 2018.

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*

Financial year ended 31 December 2019

11. Exchange Rates

The exchange rates to Euro (€) at the financial years ended 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Australian Dollar	1.5968	1.6238
Danish Krone	7.4725	7.4624
Hong Kong Dollar	8.7463	8.9501
Japanese Yen	121.9878	125.4208
New Zealand Dollar	1.6638	1.7048
Norwegian Krone	9.8638	9.8987
Pound Sterling	0.8473	0.8976
Swedish Krona	10.5078	10.1350
Swiss Franc	1.0870	1.1269
US Dollar	1.1225	1.1432

12. Taxation

Under current law and practice, the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis, it is not liable to Irish tax on its income or gains. However, Irish tax may arise on the happening of a "chargeable event". A chargeable event includes any distribution payments to Shareholders, any encashment, redemption, cancellation or transfer of Shares and the holding of Shares at the end of each eight year period beginning with the acquisition of such Shares.

No Irish tax will arise on the Company in respect of chargeable events in respect of:

- (a) a Shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended, are held by the Fund; and
- (b) certain exempted Irish tax resident Shareholders who have provided the Fund with the necessary signed statutory declarations.

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to withholding taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Fund or its Shareholders.

13. Comparatives

The comparative financial statements relate to the financial year ended 31 December 2018.

Directors' fees payable as at 31 December 2019 are presented within Other accrued expenses payable in the Statement of Financial Position. Consequently, the 31 December 2018 comparative which disclosed these Directors' fees separately has been re-classified accordingly.

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

Financial year ended 31 December 2019

14. Net Asset Value per Redeemable Participating Share at last traded price

31 December 2019

	Net assets for dealing	Shares in issue	NAV per Share
Montanaro European Smaller Companies Fund			
Euro Accumulation Class	€225,277,870	33,162,901	€6.793
Euro Class	€142,064,065	20,158,511	€7.047
Euro Institutional Accumulation Class	€31,931,369	4,339,308	€7.359
Euro Institutional Distribution Class	€18,939,470	2,661,141	€7.117
Sterling Class	£22,030,727	3,653,239	£6.030
Sterling Institutional Distribution Class	£75,275,533	12,233,351	£6.153
Swedish Krona Accumulation Class	SEK7,586,711	317,630	SEK23.885
US Dollar Class	\$322,998	85,805	\$3.764
Montanaro UK Income Fund			
Euro Class	€210,140	194,682	€1.079
Euro Seed Class	€3,637,362	2,384,870	€1.525
Sterling Accumulation Class	£36,893,054	31,460,930	£1.173
Sterling Class	£133,946,145	102,782,637	£1.303
Sterling Seed Class	£480,703,333	209,795,101	£2.291
Montanaro European Income Fund			
Euro Class	€14,281,928	11,446,163	€1.248
Sterling Accumulation Class	£8,831,295	8,092,622	£1.091
Sterling Class	£267,119,835	133,834,098	£1.996
Montanaro European MidCap Fund			
Euro Distribution Class	€119,575,388	49,275,318	€2.427
Euro Institutional Accumulation Class	€27,737,675	10,819,311	€2.564
Montanaro Select Fund			
Euro Distribution Class	€6,566,754	4,126,287	€1.591
Sterling Distribution Class	£8,587,669	5,349,332	£1.605
Montanaro Better World Fund			
Euro Distribution Class	€16,784,276	13,099,111	€1.281
Sterling Distribution Class	£142,914,079	114,657,438	£1.246
Swedish Krona Institutional Accumulation Class*	SEK50,762,917	4,729,227	SEK10.734

*The Swedish Krona Institutional Accumulation Class was launched on 1 July 2019.

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

Financial year ended 31 December 2019

14. Net Asset Value per Redeemable Participating Share at last traded price (continued)

31 December 2018

	Net assets for dealing	Shares in issue	NAV per Share
Montanaro European Smaller Companies Fund			
Euro Accumulation Class	€189,883,377	38,115,539	€4.982
Euro Class	€93,732,894	18,139,034	€5.167
Euro Institutional Accumulation Class	€53,866,503	10,195,783	€5.283
Euro Institutional Distribution Class	€16,124,385	3,079,635	€5.236
Sterling Class	£17,093,597	3,652,979	£4.679
Sterling Institutional Distribution Class	£62,408,991	13,028,475	£4.790
Swedish Krona Accumulation Class	SEK8,000,175	473,161	SEK16.908
US Dollar Class	\$442,450	156,910	\$2.820
Montanaro UK Income Fund			
Euro Class	€228,095	292,375	€0.780
Euro Seed Class	€3,471,393	3,165,872	€1.097
Sterling Accumulation Class**	£809,000	940,138	£0.861
Sterling Class	£21,339,962	21,415,154	£0.996
Sterling Seed Class	£287,875,846	164,986,839	£1.745
Montanaro European Income Fund			
Euro Class	€9,118,219	9,043,142	€1.008
Sterling Accumulation Class**	£127,181	139,911	£0.909
Sterling Class	£165,581,934	96,895,854	£1.709
Montanaro European MidCap Fund			
Euro Distribution Class	€100,757,267	53,726,151	€1.875
Euro Institutional Accumulation Class	€11,767,686	5,996,143	€1.963
Montanaro Select Fund			
Euro Distribution Class	€4,644,230	4,068,192	€1.142
Sterling Distribution Class	£6,451,377	5,286,215	£1.220
Montanaro Better World Fund***			
Euro Distribution Class	€5,406,202	5,786,980	€0.934
Sterling Distribution Class	£110,497,990	114,821,663	£0.962

**The Sterling Accumulation Class was launched on 2 July 2018.

***The Montanaro Better World Fund was launched on 10 April 2018.

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

Financial year ended 31 December 2019

14. Net Asset Value per Redeemable Participating Share at last traded price (continued)

31 December 2017

	Net assets for dealing	Shares in issue	NAV per Share
Montanaro European Smaller Companies Fund			
Euro Accumulation Class	€236,173,061	43,219,842	€5.464
Euro Class	€161,465,940	28,416,699	€5.682
Euro Institutional Accumulation Class	€94,995,149	16,529,734	€5.747
Euro Institutional Distribution Class	€18,569,048	3,201,319	€5.800
Sterling Class	£37,946,209	7,422,517	£5.112
Sterling Institutional Distribution Class	£67,644,048	12,910,428	£5.239
Swedish Krona Accumulation Class	SEK22,781,480	1,267,520	SEK17.973
US Dollar Class	\$953,963	271,326	\$3.516
Montanaro UK Income Fund			
Euro Class	€10,218	10,814	€0.945
Euro Seed Class	€4,364,906	3,288,662	€1.327
Sterling Class	£3,196,348	2,670,090	£1.197
Sterling Seed Class	£244,849,446	117,248,007	£2.088
Montanaro UK Smaller Companies Fund			
Sterling Distribution Class	£47,720,254	27,278,239	£1.749
Montanaro European Income Fund			
Euro Class	€5,379,111	4,787,428	€1.124
Sterling Class	£169,421,370	89,861,665	£1.885
Montanaro European MidCap Fund			
Euro Distribution Class	€96,678,792	50,420,565	€1.917
Euro Institutional Accumulation Class	€8,841,639	4,434,717	€1.994
Montanaro Select Fund			
Euro Distribution Class	€5,059,598	4,014,545	€1.260
Sterling Distribution Class	£6,893,964	5,172,457	£1.333

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*

Financial year ended 31 December 2019

15. Events during the Financial Year

Effective 31 March 2019, Rodney Barton resigned as a Director of the Company and Cedric Durant des Aulnois (who previously held the position of alternate Director to Charles Montanaro) was appointed as a Director effective 1 April 2019.

A supplement to the Prospectus was issued on 27 June 2019 to reflect the availability of the following Share Class on the Montanaro Better World Fund: Swedish Krona Institutional Accumulation Class. This Share Class has a minimum subscription of €150,000,000 and was launched on 1 July 2019.

A First Addendum was issued on 27 June 2019 setting out details of amendments to the Prospectus in respect of Rodney Barton's resignation, Cedric Durant des Aulnois' appointment as a Director of the Company and also in respect of the change in the distribution policy of the Montanaro European Income Fund to allow the Fund to pay distributions out of capital.

Effective 21 November 2019, Eimear Cowhey resigned as a Director of the Company and Lisa Martensson was appointed as a Director effective 21 November 2019.

Effective 1 December 2019, BNY Mellon Trust Company (Ireland) Limited merged into The Bank of New York Mellon SA/NV, which itself is a wholly owned subsidiary of The Bank of New York Mellon (the "Merger"). Following the Merger, The Bank of New York Mellon SA/NV, Dublin Branch is the entity which provides trustee, depositary and custody services to the Company.

Please refer to page 5 for details of distributions approved during the financial year.

There were no other significant events affecting the Company during the financial year.

16. Events since the Financial Year End

The following distributions in respect of the financial year ending 31 December 2019 were approved by the Directors in 2020.

Ex-Date of 17 January 2020:

Montanaro UK Income Fund

Share Class	Rate per Share	Distribution
Euro Class	€0.006511	€1,268
Euro Seed Class	€0.009196	€21,931
Sterling Class	£0.007768	£814,635
Sterling Seed Class	£0.013544	£2,920,713

Montanaro European Income Fund

Share Class	Rate per Share	Distribution
Euro Class	€0.003900	€45,379
Sterling Class	£0.005991	£854,618

Ex-Date of 27 March 2020:

Montanaro Better World Fund

Share Class	Rate per Share	Distribution
Euro Distribution Class	€0.003744	€33,746
Sterling Distribution Class	£0.005365	£666,395

The Montanaro UK Smaller Companies Fund is in existence but closed to further subscriptions. The Directors have formally applied to the Central Bank for the withdrawal of approval of the Montanaro UK Smaller Companies Fund which they expect to be completed in due course.

Effective 19 March 2020, Charles Montanaro resigned as a Director of the Company.

MONTANARO SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*

Financial year ended 31 December 2019

16. Events since the Financial Year End (continued)

There were no other significant events affecting the Company since the financial year end.

17. Commitments and Contingent Liabilities

As at 31 December 2019 and 31 December 2018 there were no commitments or contingent liabilities.

18. Approval of Financial Statements

These financial statements were approved by the Directors of the Company on 27 March 2020.

MONTANARO SMALLER COMPANIES PLC

**SCHEDULE OF INVESTMENTS
MONTANARO EUROPEAN SMALLER COMPANIES FUND**

As at 31 December 2019

Shares	Description	Fair value €	% of net assets
Transferable securities admitted to a stock exchange listing or dealt in on another regulated market			
Belgium (31 December 2018: 1.72%)			
140,000	Melexis NV	9,387,000	1.76
		9,387,000	1.76
Denmark (31 December 2018: 5.05%)			
160,000	SimCorp A/S	16,219,499	3.04
		16,219,499	3.04
France (31 December 2018: 4.38%)			
115,000	Sartorius Stedim Biotech	16,985,500	3.18
95,000	Orpea	10,858,500	2.03
		27,844,000	5.21
Germany (31 December 2018: 14.41%)			
312,500	CTS Eventim AG & Co KGaA	17,515,625	3.28
57,500	MTU Aero Engines AG	14,639,500	2.74
15,000	Rational AG	10,755,000	2.02
100,000	GRENKE AG	9,225,000	1.73
150,000	Nemetschek SE	8,820,000	1.65
70,000	Carl Zeiss Meditec AG	7,959,000	1.49
100,000	CompuGroup Medical SE	6,375,000	1.19
20,000	Hypoport AG	6,300,000	1.18
125,000	FUCHS PETROLUB SE - Preference	5,520,000	1.03
		87,109,125	16.31
Iceland (31 December 2018: Nil%)			
2,000,000	Marel HF	9,100,000	1.70
		9,100,000	1.70
Ireland (31 December 2018: 2.53%)			
237,500	Kingspan Group Plc	12,931,875	2.42
		12,931,875	2.42
Italy (31 December 2018: 9.78%)			
1,050,000	Freni Brembo SpA	11,613,000	2.18
150,000	IMA Industria Macchine Automatiche SpA	9,615,000	1.80
175,000	Recordati SpA	6,574,750	1.23
295,000	MARR SpA	6,003,250	1.12
200,000	Amplifon SpA	5,128,000	0.96
350,000	Carel Industries SpA	4,851,000	0.91
		43,785,000	8.20
Netherlands (31 December 2018: 3.95%)			
145,000	IMCD NV	11,281,000	2.11

MONTANARO SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS

MONTANARO EUROPEAN SMALLER COMPANIES FUND (continued)

As at 31 December 2019

Shares	Description	Fair value €	% of net assets
Netherlands (31 December 2018: 3.95%) (continued)			
525,000	Intertrust NV	9,087,750	1.70
		20,368,750	3.81
Norway (31 December 2018: 1.45%)			
155,000	Bakkafrost P/F	10,214,167	1.91
170,000	Tomra Systems ASA	4,798,175	0.90
		15,012,342	2.81
Spain (31 December 2018: 3.50%)			
800,000	Merlin Properties Socimi SA (REIT)	10,232,000	1.92
		10,232,000	1.92
Sweden (31 December 2018: 13.72%)			
550,000	Thule Group AB	11,305,902	2.12
950,000	Elekta AB	11,151,969	2.09
300,000	Loomis AB - Class B	11,071,790	2.07
950,000	Avanza Bank Holding AB	8,842,015	1.66
425,000	AAK AB	7,199,424	1.35
365,000	Vitrolife AB	6,860,389	1.29
550,000	RaySearch Laboratories AB	5,611,078	1.05
450,000	Biotage AB	5,310,348	0.99
244,732	Fortnox AB	3,912,811	0.73
		71,265,726	13.35
Switzerland (31 December 2018: 5.03%)			
2,500	Belimo Holding AG	16,766,736	3.14
30,000	VZ Holding AG	8,238,471	1.54
		25,005,207	4.68
United Kingdom (31 December 2018: 32.06%)			
1,900,000	Marshalls Plc	19,284,122	3.61
2,375,000	Rightmove Plc	17,759,331	3.33
1,250,000	Shaftesbury Plc (REIT)	13,940,862	2.61
950,000	St James's Place Plc	13,056,023	2.44
825,000	Big Yellow Group Plc (REIT)	11,683,770	2.19
450,000	James Fisher & Sons Plc	10,754,379	2.01
425,000	Halma Plc	10,613,348	1.99
1,950,000	IntegraFin Holdings Plc	10,241,002	1.92
775,000	Consort Medical Plc	9,375,045	1.76
3,500,000	NCC Group Plc	9,314,561	1.74
200,000	4imprint Group Plc	8,214,044	1.54
225,000	Dechra Pharmaceuticals Plc	7,700,667	1.44
2,000,000	Domino's Pizza Group Plc	7,557,865	1.42
3,000,000	Ideagen Plc	6,939,451	1.30
170,000	Cranswick Plc	6,801,370	1.27
130,000	Renishaw Plc	5,780,988	1.08
150,000	First Derivatives Plc	4,850,535	0.91

MONTANARO SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS

MONTANARO EUROPEAN SMALLER COMPANIES FUND (continued)

As at 31 December 2019

Shares	Description	Fair value €	% of net assets
United Kingdom (31 December 2018: 32.06%) (continued)			
1,250,000	Advanced Medical Solutions Group Plc	4,366,662	0.82
150,000	Hiscox Ltd	2,520,862	0.47
		180,754,887	33.85
Total equities		529,015,411	99.06
Total financial assets at fair value through profit or loss		529,015,411	99.06
Cash and cash equivalents		10,082,462	1.89
Other net liabilities		(5,036,481)	(0.95)
Total net assets attributable to holders of redeemable participating Shares		534,061,392	100.00
			% of Total
Analysis of Total Assets			Assets
Financial assets at fair value through profit or loss			97.79
Cash and cash equivalents			1.86
Other assets			0.35
Total assets			100.00

MONTANARO SMALLER COMPANIES PLC

**SCHEDULE OF INVESTMENTS
MONTANARO UK INCOME FUND**

As at 31 December 2019

Shares	Description	Fair value £	% of net assets
Transferable securities admitted to a stock exchange listing or dealt in on another regulated market			
Belgium (31 December 2018: 0.99%)			
125,000	Melexis NV	7,101,678	1.08
		7,101,678	1.08
Italy (31 December 2018: 2.33%)			
1,350,000	Enav SpA	6,085,519	0.93
		6,085,519	0.93
Netherlands (31 December 2018: 1.05%)			
400,000	Intertrust NV	5,866,908	0.90
		5,866,908	0.90
Norway (31 December 2018: 0.92%)			
115,000	Bakkafrost P/F	6,421,275	0.98
		6,421,275	0.98
Spain - Nil (31 December 2018: 1.70%)			
Sweden (31 December 2018: 0.80%)			
400,000	Thule Group AB	6,967,143	1.06
212,500	Loomis AB - Class B	6,645,195	1.02
375,000	NCAB Group AB	4,717,336	0.72
		18,329,674	2.80
Switzerland (31 December 2018: 1.65%)			
150,000	Galenica AG	6,998,236	1.07
		6,998,236	1.07
United Kingdom (31 December 2018: 86.25%)			
3,000,000	Marshalls Plc	25,800,000	3.94
650,000	4imprint Group Plc	22,620,000	3.45
5,000,000	IntegraFin Holdings Plc	22,250,000	3.40
2,000,000	Pennon Group Plc	20,500,000	3.13
1,700,000	St James's Place Plc	19,796,500	3.02
3,500,000	Polypipe Group plc	18,900,000	2.89
5,000,000	Brewin Dolphin Holdings Plc	18,620,000	2.84
725,000	Victrex Plc	18,081,500	2.76
1,500,000	Big Yellow Group Plc (REIT)	18,000,000	2.75
700,000	Severn Trent Plc	17,605,000	2.69
8,000,000	Cineworld Group Plc	17,528,000	2.68
3,850,000	Avast Plc	17,432,800	2.66
1,250,000	Vistry Group Plc	16,975,000	2.59
8,500,000	Taylor Wimpey Plc	16,439,000	2.51
4,000,000	Jupiter Fund Management Plc	16,384,000	2.50
1,800,000	Britvic Plc	16,281,000	2.49
2,750,000	DiscoverIE Group Plc	15,675,000	2.39
1,500,000	FDM Group Holdings Plc	15,510,000	2.37
500,000	XP Power Ltd	15,500,000	2.37
6,500,000	NCC Group Plc	14,657,500	2.24
8,500,000	RPS Group Plc	14,501,000	2.22
1,150,000	Hilton Food Group Plc	12,742,000	1.95
625,000	James Fisher & Sons Plc	12,656,250	1.93
625,000	Diploma Plc	12,650,000	1.93
7,750,000	Primary Health Properties Plc (REIT)	12,400,000	1.89

MONTANARO SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS
MONTANARO UK INCOME FUND (continued)

As at 31 December 2019

Shares	Description	Fair value £	% of net assets
United Kingdom (31 December 2018: 86.25%) (continued)			
400,000	Clarkson Plc	12,100,000	1.85
300,000	Derwent London Plc (REIT)	12,030,000	1.84
5,000,000	LondonMetric Property Plc (REIT)	11,830,000	1.81
4,000,000	Biffa Plc	10,960,000	1.67
2,100,000	Ashmore Group Plc	10,878,000	1.66
500,000	Rathbone Brothers Plc	10,650,000	1.63
2,915,000	Charles Taylor Plc	10,027,600	1.53
3,350,000	Bloomsbury Publishing Plc	9,715,000	1.48
1,750,000	Headlam Group Plc	9,362,500	1.43
1,200,000	Ricardo Plc	9,144,000	1.40
4,350,000	Equiniti Group Plc	8,978,400	1.37
700,000	Savills Plc	7,945,000	1.21
5,500,000	XPS Pensions Group Plc	7,535,000	1.15
2,475,000	Mears Group Plc	7,276,500	1.11
200,000	Cranswick Plc	6,780,000	1.04
2,000,000	Domino's Pizza Group Plc	6,404,000	0.98
550,000	Consort Medical Plc	5,637,500	0.86
		586,758,050	89.61
Total equities		637,561,340	97.37
Total financial assets at fair value through profit or loss		637,561,340	97.37
Cash and cash equivalents		15,927,309	2.43
Other net assets		1,314,415	0.20
Total net assets attributable to holders of redeemable participating Shares		654,803,064	100.00
Analysis of Total Assets			% of Total Assets
Financial assets at fair value through profit or loss			97.22
Cash and cash equivalents			2.43
Other assets			0.35
Total assets			100.00

MONTANARO SMALLER COMPANIES PLC

**SCHEDULE OF INVESTMENTS
MONTANARO EUROPEAN INCOME FUND**

As at 31 December 2019

Shares	Description	Fair value €	% of net assets
Transferable securities admitted to a stock exchange listing or dealt in on another regulated market			
Belgium (31 December 2018: 1.44%)			
80,000	Melexis NV	5,364,000	1.58
		5,364,000	1.58
Denmark (31 December 2018: 6.50%)			
325,000	Tryg A/S	8,589,844	2.53
55,000	SimCorp A/S	5,575,452	1.64
50,000	Chr Hansen Holding A/S	3,542,328	1.04
		17,707,624	5.21
France (31 December 2018: 14.45%)			
210,000	Edenred	9,681,000	2.85
360,000	Bureau Veritas SA	8,373,600	2.46
90,000	Euronext NV	6,538,500	1.92
90,000	Amundi SA	6,291,000	1.85
70,000	Gaztransport Et Technigaz SA	5,978,000	1.76
135,000	Kaufman & Broad SA	4,995,000	1.47
250,000	Getlink SE	3,877,500	1.14
70,000	Thermador Groupe	3,710,000	1.09
225,000	Mercialys SA (REIT)	2,774,250	0.82
		52,218,850	15.36
Germany (31 December 2018: 9.77%)			
160,000	CTS Eventim AG & Co KGaA	8,968,000	2.64
32,000	MTU Aero Engines AG	8,147,200	2.40
50,000	Amadeus Fire AG	7,390,000	2.17
150,000	FUCHS PETROLUB SE - Preference	6,624,000	1.95
8,000	Rational AG	5,736,000	1.69
130,000	Mensch und Maschine Software SE	5,551,000	1.63
70,000	Fielmann AG	5,040,000	1.48
		47,456,200	13.96
Italy (31 December 2018: 17.48%)			
425,000	MARR SpA	8,648,750	2.54
120,000	IMA Industria Macchine Automatiche SpA	7,692,000	2.26
1,250,000	Enav SpA	6,650,000	1.96
150,000	Recordati SpA	5,635,500	1.66
500,000	Freni Brembo SpA	5,530,000	1.63
550,000	Cerved Group SpA	4,782,250	1.41
27,000	Cembre SpA	648,000	0.19
		39,586,500	11.65
Netherlands (31 December 2018: 2.27%)			
425,000	Intertrust NV	7,356,750	2.16
		7,356,750	2.16
Norway (31 December 2018: 6.87%)			
600,000	Atea ASA	7,822,582	2.30
103,000	Bakkafrost P/F	6,787,479	2.00
1,000,000	Fjordkraft Holding ASA	5,880,116	1.73
200,000	TGS NOPEC Geophysical Co ASA	5,415,790	1.59
3,500,000	Kitron ASA	3,903,180	1.15
200,000	Medestim ASA	3,893,042	1.15

MONTANARO SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS
MONTANARO EUROPEAN INCOME FUND (continued)

As at 31 December 2019

Shares	Description	Fair value €	% of net assets
Norway (31 December 2018: 6.87%) (continued)			
350,000	Borregaard ASA	3,370,929	0.99
		37,073,118	10.91
Portugal (31 December 2018: 4.18%)			
550,000	Corticeira Amorim SGPS SA	6,215,000	1.83
1,100,000	NOS SGPS SA	5,280,000	1.55
		11,495,000	3.38
Spain (31 December 2018: 10.92%)			
750,000	Merlin Properties Socimi SA (REIT)	9,592,500	2.82
375,000	Red Electrica Corp SA	6,721,875	1.98
120,000	Viscofan SA	5,652,000	1.66
150,000	Bolsas y Mercados Espanoles SHMSF SA	5,157,000	1.52
		27,123,375	7.98
Sweden (31 December 2018: 15.96%)			
300,000	Loomis AB - Class B	11,071,790	3.26
170,000	Nolato AB	8,898,164	2.62
425,000	Thule Group AB	8,736,379	2.57
775,000	Avanza Bank Holding AB	7,213,223	2.12
275,000	KNOW IT AB	5,456,668	1.60
300,000	Hufvudstaden AB	5,284,653	1.55
300,000	NCAB Group AB	4,453,840	1.31
250,000	Beijer Alma AB	3,725,809	1.10
200,000	Biotage AB	2,360,155	0.69
300,000	Nilorngruppen AB	1,967,113	0.58
		59,167,794	17.40
Switzerland (31 December 2018: 5.77%)			
165,000	Galenica AG	9,085,087	2.67
8,000	Partners Group Holding AG	6,531,162	1.92
17,000	Burckhardt Compression Holding AG	4,144,535	1.22
		19,760,784	5.81
Total equities		324,309,995	95.40
Total financial assets at fair value through profit or loss		324,309,995	95.40
Cash and cash equivalents		15,464,910	4.55
Other net assets		178,912	0.05
Total net assets attributable to holders of redeemable participating Shares		339,953,817	100.00
			% of Total
Analysis of Total Assets			Assets
Financial assets at fair value through profit or loss			95.23
Cash and cash equivalents			4.54
Other assets			0.23
Total assets			100.00

MONTANARO SMALLER COMPANIES PLC

**SCHEDULE OF INVESTMENTS
MONTANARO EUROPEAN MIDCAP FUND**

As at 31 December 2019

Shares	Description	Fair value €	% of net assets
Transferable securities admitted to a stock exchange listing or dealt in on another regulated market			
Denmark (31 December 2018: Nil%)			
35,000	SimCorp A/S	3,548,015	2.41
		3,548,015	2.41
France (31 December 2018: 11.64%)			
28,000	Teleperformance	6,087,200	4.13
40,000	Sartorius Stedim Biotech	5,908,000	4.01
250,000	Bureau Veritas SA	5,815,000	3.95
125,000	Edenred	5,762,500	3.91
65,000	Amundi SA	4,543,500	3.09
		28,116,200	19.09
Germany (31 December 2018: 15.21%)			
27,000	MTU Aero Engines AG	6,874,200	4.67
65,000	Symrise AG - Class A	6,097,000	4.14
90,000	CTS Eventim AG & Co KGaA	5,044,500	3.42
57,500	Fielmann AG	4,140,000	2.81
		22,155,700	15.04
Ireland (31 December 2018: 4.15%)			
58,000	Kerry Group Plc	6,443,800	4.37
		6,443,800	4.37
Italy (31 December 2018: 4.39%)			
160,000	Moncler SpA	6,411,200	4.35
170,000	Recordati SpA	6,386,900	4.34
		12,798,100	8.69
Spain (31 December 2018: 8.22%)			
200,000	Red Electrica Corp SA	3,585,000	2.43
		3,585,000	2.43
Sweden (31 December 2018: 12.23%)			
400,000	Elekta AB	4,695,566	3.19
90,000	Hexagon AB	4,496,666	3.05
		9,192,232	6.24
Switzerland (31 December 2018: 3.72%)			
45,000	Temenos AG	6,342,380	4.30
		6,342,380	4.30
United Kingdom (31 December 2018: 34.87%)			
500,000	St James's Place Plc	6,871,591	4.66
900,000	Rightmove Plc	6,729,852	4.57
230,000	Ashtead Group Plc	6,552,589	4.45
900,000	Auto Trader Group Plc	6,315,609	4.29
230,000	Halma Plc	5,743,694	3.90
190,000	Severn Trent Plc	5,639,484	3.83
220,000	Bunzl Plc	5,361,552	3.64

MONTANARO SMALLER COMPANIES PLC

**SCHEDULE OF INVESTMENTS
MONTANARO EUROPEAN MIDCAP FUND (continued)**

As at 31 December 2019

Shares	Description	Fair value €	% of net assets
United Kingdom (31 December 2018: 34.87%) (continued)			
200,000	Hargreaves Lansdown Plc	4,567,292	3.10
		<u>47,781,663</u>	<u>32.44</u>
Total equities		139,963,090	95.01
Total financial assets at fair value through profit or loss		139,963,090	95.01
Cash and cash equivalents		8,570,341	5.82
Other net liabilities		<u>(1,220,368)</u>	<u>(0.83)</u>
Total net assets attributable to holders of redeemable participating Shares		147,313,063	100.00
Analysis of Total Assets			% of Total Assets
Financial assets at fair value through profit or loss			93.95
Cash and cash equivalents			5.75
Other assets			0.30
Total assets			<u>100.00</u>

MONTANARO SMALLER COMPANIES PLC

**SCHEDULE OF INVESTMENTS
MONTANARO SELECT FUND**

As at 31 December 2019

Shares	Description	Fair value €	% of net assets
Transferable securities admitted to a stock exchange listing or dealt in on another regulated market			
Belgium (31 December 2018: 3.23%)			
2,500	Melexis NV	167,625	1.00
		167,625	1.00
Denmark (31 December 2018: 5.30%)			
6,000	SimCorp A/S	608,231	3.64
4,250	Chr Hansen Holding A/S	301,098	1.81
		909,329	5.45
France (31 December 2018: 5.00%)			
5,000	Orpea	571,500	3.42
3,500	Sartorius Stedim Biotech	516,950	3.10
		1,088,450	6.52
Germany (31 December 2018: 11.99%)			
3,000	MTU Aero Engines AG	763,800	4.57
11,500	CTS Eventim AG & Co KGaA	644,575	3.86
600	Rational AG	430,200	2.58
4,000	GRENKE AG	369,000	2.21
		2,207,575	13.22
Italy (31 December 2018: 5.35%)			
10,000	Reply SpA	694,500	4.16
		694,500	4.16
Netherlands (31 December 2018: 4.26%)			
7,500	IMCD NV	583,500	3.49
		583,500	3.49
Sweden (31 December 2018: 14.14%)			
30,000	Thule Group AB	616,686	3.69
30,000	AAK AB	508,195	3.04
40,000	Elekta AB	469,556	2.81
20,000	MIPS AB	377,625	2.26
17,000	Vitrolife AB	319,525	1.92
25,000	Biotage AB	295,019	1.77
		2,586,606	15.49
Switzerland (31 December 2018: 3.78%)			
2,300	VZ Holding AG	631,616	3.78
		631,616	3.78
United Kingdom (31 December 2018: 41.87%)			
27,000	Ashtead Group Plc	769,217	4.61
50,000	St James's Place Plc	687,159	4.11
100,000	Smart Metering Systems Plc	666,801	3.99
125,000	IntegraFin Holdings Plc	656,474	3.93
50,000	Hilton Food Group Plc	653,819	3.91
20,000	First Derivatives Plc	646,738	3.87
45,000	Big Yellow Group Plc (REIT)	637,297	3.82

MONTANARO SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS
MONTANARO SELECT FUND (continued)

As at 31 December 2019

Shares	Description	Fair value €	% of net assets
United Kingdom (31 December 2018: 41.87%) (continued)			
15,000	4imprint Group Plc	616,053	3.69
15,000	Cranswick Plc	600,121	3.59
90,000	Restore Plc	584,188	3.50
16,500	Halma Plc	412,048	2.47
		6,929,915	41.49
Total equities		15,799,116	94.60
Total financial assets at fair value through profit or loss		15,799,116	94.60
Cash and cash equivalents		1,176,827	7.05
Other net liabilities		(274,198)	(1.65)
Total net assets attributable to holders of redeemable participating Shares		16,701,745	100.00
			% of Total
Analysis of Total Assets			Assets
Financial assets at fair value through profit or loss			92.90
Cash and cash equivalents			6.92
Other assets			0.18
Total assets			100.00

MONTANARO SMALLER COMPANIES PLC

**SCHEDULE OF INVESTMENTS
MONTANARO BETTER WORLD FUND**

As at 31 December 2019

Shares	Description	Fair value €	% of net assets
Transferable securities admitted to a stock exchange listing or dealt in on another regulated market			
Australia (31 December 2018: 3.55%)			
40,000	Cochlear Ltd	5,629,361	2.96
350,000	IDP Education Ltd	3,763,365	1.98
175,000	Pro Medicus Ltd	2,449,366	1.29
100,000	Sonic Healthcare Ltd	1,800,428	0.94
		13,642,520	7.17
Belgium (31 December 2018: 2.18%)			
55,000	Melexis NV	3,687,750	1.94
		3,687,750	1.94
China (31 December 2018: Nil%)			
3,500,000	China Everbright International Ltd	2,501,057	1.31
		2,501,057	1.31
Denmark (31 December 2018: 5.74%)			
50,000	Chr Hansen Holding A/S	3,542,328	1.86
40,000	Novozymes A/S	1,745,068	0.92
		5,287,396	2.78
France (31 December 2018: 4.98%)			
45,000	Sartorius Stedim Biotech	6,646,500	3.50
37,500	Orpea	4,286,250	2.25
		10,932,750	5.75
Germany (31 December 2018: 7.60%)			
100,000	Nemetschek SE	5,880,000	3.09
5,750	Rational AG	4,122,750	2.17
25,000	Carl Zeiss Meditec AG	2,842,500	1.49
		12,845,250	6.75
Hong Kong (31 December 2018: 3.74%)			
750,000	Vitasoy International Holdings Ltd	2,422,453	1.27
		2,422,453	1.27
Ireland (31 December 2018: 2.69%)			
30,000	ICON Plc	4,590,197	2.41
80,000	Kingspan Group Plc	4,356,000	2.29
		8,946,197	4.70
Italy (31 December 2018: 2.19%)			
200,000	Amplifon SpA	5,128,000	2.69
		5,128,000	2.69
Japan (31 December 2018: 5.87%)			
75,000	Shionogi & Co Ltd	4,160,458	2.19
150,000	Mani Inc	3,848,747	2.02
200,000	Santen Pharmaceutical Co Ltd	3,420,015	1.80
200,000	RENOVA Inc	1,937,899	1.02
		13,367,119	7.03

MONTANARO SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS
MONTANARO BETTER WORLD FUND (continued)

As at 31 December 2019

Shares	Description	Fair value €	% of net assets
Netherlands (31 December 2018: 1.85%)			
6,500	Adyen NV	4,751,500	2.50
		4,751,500	2.50
New Zealand (31 December 2018: 2.70%)			
600,000	Ryman Healthcare Ltd	5,888,836	3.09
		5,888,836	3.09
Sweden (31 December 2018: 4.27%)			
150,000	Thule Group AB	3,083,428	1.62
250,000	Biotage AB	2,950,193	1.55
		6,033,621	3.17
Switzerland (31 December 2018: 3.36%)			
750	Belimo Holding AG	5,030,021	2.64
10,000	Tecan Group AG	2,502,361	1.32
		7,532,382	3.96
United Kingdom (31 December 2018: 17.86%)			
250,000	Halma Plc	6,243,146	3.28
500,000	Restore Plc	3,245,492	1.71
100,000	First Derivatives Plc	3,233,690	1.70
500,000	Polypipe Group plc	3,186,483	1.68
92,500	Victrex Plc	2,722,613	1.43
350,000	Smart Metering Systems Plc	2,333,804	1.23
500,000	Tristel Plc	2,271,844	1.19
42,500	Renishaw Plc	1,889,938	0.99
		25,127,010	13.21
United States (31 December 2018: 29.21%)			
27,500	ANSYS Inc	6,287,635	3.31
30,000	Waters Corp	6,262,980	3.29
80,000	Qualys Inc	5,899,684	3.10
40,000	Veeva Systems Inc - Class A	5,005,609	2.63
32,500	Masimo Corp	4,582,135	2.41
50,000	SolarEdge Technologies Inc	4,238,305	2.23
40,000	CyberArk Software Ltd	4,155,721	2.18
45,000	Grand Canyon Education Inc	3,867,793	2.03
15,000	IDEXX Laboratories Inc	3,490,421	1.83
50,000	Ormat Technologies Inc	3,331,846	1.75
60,000	US Ecology Inc	3,095,944	1.63
60,000	Cognex Corp	2,995,455	1.57
20,000	IPG Photonics Corp	2,565,700	1.35
57,500	Alarm.com Holdings Inc	2,181,669	1.15
35,000	Middlesex Water Co	1,979,642	1.04
		59,940,539	31.50
Total equities		188,034,380	98.82
Total financial assets at fair value through profit or loss		188,034,380	98.82

MONTANARO SMALLER COMPANIES PLC

**SCHEDULE OF INVESTMENTS
MONTANARO BETTER WORLD FUND (continued)**

As at 31 December 2019

Cash and cash equivalents	2,403,351	1.26
Other net liabilities	<u>(158,194)</u>	<u>(0.08)</u>
Total net assets attributable to holders of redeemable participating Shares	190,279,537	100.00

	% of Total
Analysis of Total Assets	Assets
Financial assets at fair value through profit or loss	98.68
Cash and cash equivalents	1.26
Other assets	<u>0.06</u>
Total assets	<u>100.00</u>

MONTANARO SMALLER COMPANIES PLC**MONTANARO EUROPEAN SMALLER COMPANIES FUND****PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited)***For the financial year ended 31 December 2019*

Purchases	Nominal	Cost €
Marel HF	2,000,000	7,811,864
Tomra Systems ASA	170,000	5,103,752
FUCHS PETROLUB SE - Preference	125,000	4,952,314
Carel Industries SpA	350,000	4,796,796
Nemetschek SE	60,000	3,231,016
Avanza Bank Holding AB	300,000	2,600,836
Cranswick Plc	80,000	2,515,347
Ideagen Plc	1,500,000	2,507,000
Shaftesbury Plc (REIT)	250,000	2,371,713
Loomis AB - Class B	50,000	1,504,811
MARR SpA	70,000	1,421,804
Hypoport AG	3,900	1,119,270
IntegraFin Holdings Plc	200,000	833,215
Advanced Medical Solutions Group Plc	250,000	817,490
VZ Holding AG	2,500	675,894
Bakkafrost P/F	5,000	247,705

In accordance with the Central Bank UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% purchases during the financial year listed in descending order. A change is defined as aggregate purchases of a security exceeding 1% of the total value of the purchases during the financial year. All purchases pertaining to the Fund for the financial year have been listed above.

MONTANARO SMALLER COMPANIES PLC**MONTANARO EUROPEAN SMALLER COMPANIES FUND****PORTFOLIO CHANGES – TOP 1% SALES (unaudited)***For the financial year ended 31 December 2019*

Sales	Nominal	Proceeds €
Chr Hansen Holding A/S	135,000	9,915,932
Cerved Group SpA	1,000,000	7,721,916
Cineworld Group Plc	3,000,000	7,617,431
Rational AG	10,000	6,730,501
LEM Holding SA	5,750	6,353,978
Halma Plc	275,000	5,553,553
MTU Aero Engines AG	22,500	5,548,135
De' Longhi SpA	250,000	4,621,869
Prosegur Cash SA	3,000,000	4,154,675
CompuGroup Medical SE	75,000	4,090,514
Krones AG	55,000	3,795,304
SimCorp A/S	40,000	3,312,233
Loomis AB - Class B	100,000	3,005,385
Belimo Holding AG	500	2,703,455
AAK AB	175,000	2,646,071
NCC Group Plc	1,250,000	2,464,180
Kingspan Group Plc	62,500	2,443,490
IMCD NV	30,000	2,252,045
Dechra Pharmaceuticals Plc	75,000	2,126,910
Elekta AB	175,000	2,028,492
Big Yellow Group Plc (REIT)	175,000	2,023,890
Dignity Plc	250,000	1,950,626
Merlin Properties Socimi SA (REIT)	100,000	1,129,404
James Fisher & Sons Plc	50,000	1,021,375

In accordance with the Central Bank UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% sales during the financial year listed in descending order. A change is defined as aggregate disposals of a security exceeding 1% of the total value of sales during the financial year.

MONTANARO SMALLER COMPANIES PLC**MONTANARO UK INCOME FUND****PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited)***For the financial year ended 31 December 2019*

Purchases	Nominal	Cost £
Avast Plc	3,850,000	16,638,138
Taylor Wimpey Plc	8,500,000	15,340,681
Victrex Plc	585,000	14,645,549
St James's Place Plc	1,050,000	11,382,411
Biffa Plc	4,000,000	11,090,016
Britvic Plc	1,050,000	9,977,760
Derwent London Plc (REIT)	300,000	9,882,141
IntegraFin Holdings Plc	2,500,000	9,830,156
Brewin Dolphin Holdings Plc	2,500,000	8,355,500
Pennon Group Plc	1,000,000	8,077,936
Cineworld Group Plc	3,500,000	8,074,387
Bloomsbury Publishing Plc	3,350,000	7,879,227
Jupiter Fund Management Plc	2,000,000	7,470,879
Rathbone Brothers Plc	335,000	7,383,134
XPS Pensions Group Plc	5,500,000	7,092,534
RPS Group Plc	4,150,000	7,083,816
Severn Trent Plc	325,000	6,927,183
Ashmore Group Plc	1,400,000	6,833,582
Marshalls Plc	900,000	6,711,529
Ricardo Plc	850,000	6,235,149
NCC Group Plc	3,500,000	6,211,871
Loomis AB - Class B	212,500	6,115,181
Enav SpA	1,350,000	5,945,432
FDM Group Holdings Plc	650,000	5,626,135
Vistry Group Plc	525,000	5,595,432
4imprint Group Plc	225,000	5,143,007
XP Power Ltd	200,000	4,824,577
Big Yellow Group Plc (REIT)	450,000	4,624,916
DiscoverIE Group Plc	1,000,000	4,485,608
Melexis NV	72,500	4,074,294
Primary Health Properties Plc (REIT)	2,750,000	4,015,678
Thule Group AB	225,000	3,886,176
NCAB Group AB	380,647	3,770,691
Diploma Plc	175,000	3,575,369
BCA Marketplace Plc	1,500,000	3,081,495
Mears Group Plc	1,175,000	2,979,303

In accordance with the Central Bank UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% purchases during the financial year listed in descending order. A change is defined as aggregate purchases of a security exceeding 1% of the total value of the purchases during the financial year.

MONTANARO SMALLER COMPANIES PLC**MONTANARO UK INCOME FUND****PORTFOLIO CHANGES – TOP 1% SALES (unaudited)***For the financial year ended 31 December 2019*

Sales	Nominal	Proceeds £
BCA Marketplace Plc	5,000,000	12,031,853
Hiscox Ltd	500,000	8,153,805
Merlin Properties Socimi SA (REIT)	600,000	6,398,080
Spirax-Sarco Engineering Plc	85,000	6,194,497
MARR SpA	325,000	5,886,117
Victrex Plc	260,000	5,049,061
Recordati SpA	150,000	4,458,815
Ashmore Group Plc	950,000	4,450,287
Dignity Plc	600,000	3,969,680
Clipper Logistics Plc	1,500,000	3,831,018
Diploma Plc	200,000	3,003,071
Galliford Try Plc	400,000	2,742,833
Big Yellow Group Plc (REIT)	175,000	1,978,684
Cranswick Plc	65,000	1,806,082
Savills Plc	200,000	1,756,373
St James's Place Plc	100,000	1,096,907
Galenica AG	25,000	966,453
Melexis NV	15,000	938,845
Marshalls Plc	150,000	927,745
Consort Medical Plc	100,000	913,029
Rathbone Brothers Plc	35,000	886,443

In accordance with the Central Bank UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% sales during the financial year listed in descending order. A change is defined as aggregate disposals of a security exceeding 1% of the total value of sales during the financial year.

MONTANARO SMALLER COMPANIES PLC**MONTANARO EUROPEAN INCOME FUND****PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited)***For the financial year ended 31 December 2019*

Purchases	Nominal	Cost €
Amadeus Fire AG	50,000	5,940,770
KNOW IT AB	275,000	5,257,852
Fjordkraft Holding ASA	1,000,000	5,028,493
Atea ASA	350,000	4,363,058
Edenred	90,000	3,750,885
FUCHS PETROLUB SE - Preference	95,000	3,703,197
Freni Brembo SpA	350,000	3,661,783
Bureau Veritas SA	160,000	3,464,930
Loomis AB - Class B	100,000	3,400,043
NCAB Group AB	300,000	3,363,468
Nolato AB	70,000	3,360,650
Beijer Alma AB	250,000	3,239,469
Thule Group AB	150,000	2,959,585
Medistim ASA	200,000	2,881,609
CTS Eventim AG & Co KGaA	60,000	2,854,367
Kaufman & Broad SA	75,000	2,649,228
Fielmann AG	40,000	2,588,838
Viscofan SA	50,000	2,444,407
Merlin Properties Socimi SA (REIT)	180,000	2,318,630
Burckhardt Compression Holding AG	9,500	2,161,064
MARR SpA	105,000	2,142,667
Intertrust NV	125,000	2,133,336
Galenica AG	45,000	2,132,815
Corticeira Amorim SGPS SA	180,000	1,910,420
TGS NOPEC Geophysical Co ASA	75,000	1,904,488
Amundi SA	30,000	1,865,979
Red Electrica Corp SA	95,000	1,751,754
MTU Aero Engines AG	7,000	1,711,158
Melexis NV	25,000	1,598,565
Avanza Bank Holding AB	175,000	1,522,774
Mensch und Maschine Software SE	40,000	1,450,898
Bakkafrost P/F	23,000	1,363,073
IMA Industria Macchine Automatiche SpA	20,000	1,297,434
Hufvudstaden AB	75,000	1,275,907
Thermador Groupe	20,000	1,119,299
Partners Group Holding AG	2,000	1,090,312

In accordance with the Central Bank UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% purchases during the financial year listed in descending order. A change is defined as aggregate purchases of a security exceeding 1% of the total value of the purchases during the financial year.

MONTANARO SMALLER COMPANIES PLC**MONTANARO EUROPEAN INCOME FUND****PORTFOLIO CHANGES – TOP 1% SALES (unaudited)***For the financial year ended 31 December 2019*

Sales	Nominal	Proceeds
		€
De' Longhi SpA	200,000	3,697,495
AF POYRY AB	220,000	3,472,053
Recordati SpA	85,000	3,026,405
LEM Holding SA	2,000	2,226,799
Bertrandt AG	34,200	2,159,711
Prosegur Cash SA	1,500,000	2,077,338
Hufvudstaden AB	75,000	1,219,306
Cerved Group SpA	100,000	733,758
Biotage AB	50,000	588,791

In accordance with the Central Bank UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% sales during the financial year listed in descending order. A change is defined as aggregate disposals of a security exceeding 1% of the total value of sales during the financial year. All sales pertaining to the Fund for the financial year have been listed above.

MONTANARO SMALLER COMPANIES PLC**MONTANARO EUROPEAN MIDCAP FUND****PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited)***For the financial year ended 31 December 2019*

Purchases	Nominal	Cost €
Bureau Veritas SA	280,000	5,917,427
Moncler SpA	160,000	5,558,936
Edenred	125,000	5,139,604
Teleperformance	28,000	4,749,172
Hargreaves Lansdown Plc	200,000	4,558,745
SimCorp A/S	35,000	3,258,210
Ashtead Group Plc	114,593	2,703,721
Bunzl Plc	54,000	1,233,573
St James's Place Plc	90,000	998,751
Sartorius Stedim Biotech	10,000	903,836
Rightmove Plc	140,000	847,622
Recordati SpA	20,000	750,379
Veoneer Inc SDR	30,000	686,657
Temenos AG	5,000	660,892
Elekta AB	50,000	558,160
Auto Trader Group Plc	80,000	454,201
Halma Plc	20,000	450,344
Kerry Group Plc	4,000	425,246
Amundi SA	5,000	235,759

In accordance with the Central Bank UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% purchases during the financial year listed in descending order. A change is defined as aggregate purchases of a security exceeding 1% of the total value of the purchases during the financial year. All purchases pertaining to the Fund for the financial year have been listed above.

MONTANARO SMALLER COMPANIES PLC**MONTANARO EUROPEAN MIDCAP FUND****PORTFOLIO CHANGES – TOP 1% SALES (unaudited)***For the financial year ended 31 December 2019*

Sales	Nominal	Proceeds
		€
Taylor Wimpey Plc	3,060,000	5,624,378
Getlink SE	431,000	5,381,431
Prosegur Cia de Seguridad SA	990,000	4,053,672
Cineworld Group Plc	1,360,000	3,510,499
CTS Eventim AG & Co KGaA	52,000	2,674,849
Autoliv Inc SDR	37,500	2,630,256
Veoneer Inc SDR	166,100	2,427,947
Halma Plc	114,000	2,296,696
Amundi SA	31,000	1,933,761
Sartorius Stedim Biotech	14,000	1,620,765
Bunzl Plc	51,000	1,248,006
Severn Trent Plc	48,000	1,037,682
Red Electrica Corp SA	50,000	951,699
Elekta AB	60,000	754,945
Bureau Veritas SA	30,000	685,783
Ashtead Group Plc	25,000	681,615
Symrise AG - Class A	8,000	657,400
Auto Trader Group Plc	90,000	554,556
Hexagon AB	13,000	530,688
MTU Aero Engines AG	2,500	510,974
Recordati SpA	13,000	468,708

In accordance with the Central Bank UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% sales during the financial year listed in descending order. A change is defined as aggregate disposals of a security exceeding 1% of the total value of sales during the financial year.

MONTANARO SMALLER COMPANIES PLC**MONTANARO SELECT FUND****PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited)***For the financial year ended 31 December 2019*

Purchases	Nominal	Cost €
Reply SpA	10,000	576,488
MIPS AB	20,000	267,766
AAK AB	16,000	253,595
Cranswick Plc	7,000	215,757
First Derivatives Plc	8,000	207,587
Rational AG	250	144,552
Orpea	1,300	140,806
Elekta AB	10,000	115,520
VZ Holding AG	400	109,808
Smart Metering Systems Plc	30,000	109,626
Sartorius Stedim Biotech	1,000	102,606
Thule Group AB	5,000	84,522
Vitrolife AB	4,500	83,202
GRENKE AG	1,000	81,543
Restore Plc	20,000	80,835
SimCorp A/S	1,000	79,886
St James's Place Plc	7,500	78,390
IntegraFin Holdings Plc	15,000	67,556

In accordance with the Central Bank UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% purchases during the financial year listed in descending order. A change is defined as aggregate purchases of a security exceeding 1% of the total value of the purchases during the financial year. All purchases pertaining to the Fund for the financial year have been listed above.

MONTANARO SMALLER COMPANIES PLC**MONTANARO SELECT FUND****PORTFOLIO CHANGES – TOP 1% SALES (unaudited)***For the financial year ended 31 December 2019*

Sales	Nominal	Proceeds
		€
4imprint Group Plc	15,000	503,862
Cerved Group SpA	45,000	389,661
Melexis NV	5,000	350,181
Freni Brembo SpA	35,000	340,238
Halma Plc	15,500	324,522
Clipper Logistics Plc	130,000	309,117
AAK AB	16,000	274,516
IMCD NV	1,500	119,006
Restore Plc	25,000	113,741
GRENKE AG	1,000	91,969
Biotage AB	7,000	88,707
Vitrolife AB	5,000	84,702
CTS Eventim AG & Co KGaA	1,500	76,050
Rational AG	100	64,605
Sartorius Stedim Biotech	500	61,630

In accordance with the Central Bank UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% sales during the financial year listed in descending order. A change is defined as aggregate disposals of a security exceeding 1% of the total value of sales during the financial year. All sales pertaining to the Fund for the financial year have been listed above.

MONTANARO SMALLER COMPANIES PLC**MONTANARO BETTER WORLD FUND****PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited)***For the financial year ended 31 December 2019*

Purchases	Nominal	Cost €
Veeva Systems Inc - Class A	40,000	5,688,676
Masimo Corp	32,500	4,396,105
ICON Plc	30,000	4,067,036
CyberArk Software Ltd	40,000	4,036,349
Ormat Technologies Inc	50,000	3,467,029
Cochlear Ltd	20,000	2,379,637
Pro Medicus Ltd	175,000	2,128,694
Shionogi & Co Ltd	40,000	2,110,367
RENOVA Inc	200,000	2,009,781
Sonic Healthcare Ltd	100,000	1,750,209
Sartorius Stedim Biotech	15,000	1,720,467
Adyen NV	2,500	1,564,672
Qualys Inc	20,000	1,544,914
Waters Corp	7,500	1,502,977
Grand Canyon Education Inc	15,000	1,439,657
Mani Inc	40,000	1,324,491
Nemetschek SE	25,000	1,289,015
Vitasoy International Holdings Ltd	325,000	1,279,570
Halma Plc	50,000	1,191,783
First Derivatives Plc	40,000	1,159,818
IPG Photonics Corp	7,500	949,287
Medidata Solutions Inc	15,000	937,364
ANSYS Inc	5,000	877,409
US Ecology Inc	12,500	690,054
Rational AG	1,000	588,501

In accordance with the Central Bank UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% purchases during the financial year listed in descending order. A change is defined as aggregate purchases of a security exceeding 1% of the total value of the purchases during the financial year.

MONTANARO SMALLER COMPANIES PLC**MONTANARO BETTER WORLD FUND****PORTFOLIO CHANGES – TOP 1% SALES (unaudited)***For the financial year ended 31 December 2019*

Sales	Nominal	Proceeds
		€
Medidata Solutions Inc	60,000	4,979,532
Spirax-Sarco Engineering Plc	47,500	4,205,397
Croda International Plc	75,000	3,969,526
Neogen Corp	50,000	2,819,302
Symrise AG	35,000	2,463,689
AO Smith Corp	62,500	2,408,790
Pigeon Corp	67,500	2,303,193
Novozymes A/S	50,000	2,126,934
Polypipe Group plc	375,000	1,749,333
SolarEdge Technologies Inc	25,000	1,601,286
Cognex Corp	40,000	1,519,518
Blackbaud Inc	25,000	1,470,859
Nemetschek SE	17,500	1,194,694
Mani Inc	20,000	1,125,522
Halma Plc	50,000	1,106,403
Thule Group AB	50,000	983,388
ANSYS Inc	5,000	935,245
China Everbright International Ltd	1,000,000	859,915
Sartorius Stedim Biotech	5,000	688,988
Adyen NV	1,000	651,009
IPG Photonics Corp	6,500	620,600
Kingspan Group Plc	12,500	573,991
Belimo Holding AG	100	538,400
Melexis NV	7,500	471,381
IDP Education Ltd	50,000	466,448
Carl Zeiss Meditec AG	5,000	455,378

In accordance with the Central Bank UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% sales during the financial year listed in descending order. A change is defined as aggregate disposals of a security exceeding 1% of the total value of sales during the financial year.

MONTANARO SMALLER COMPANIES PLC

TOTAL EXPENSE RATIOS (ANNUALISED) (unaudited)

For the financial year ended 31 December 2019

The average total expense ratio table shows the annualised actual expenses incurred by each Fund during the financial reporting period, expressed as a percentage of the average NAV of that Fund for the corresponding financial period.

	Total expense ratio %
Montanaro European Smaller Companies Fund	
Euro Accumulation Class	1.61
Euro Class	1.61
Euro Institutional Accumulation Class	0.61
Euro Institutional Distribution Class	0.86
Sterling Class	1.61
Sterling Institutional Distribution Class	0.86
Swedish Krona Accumulation Class	1.61
US Dollar Class	1.61
Montanaro UK Income Fund	
Euro Class	0.86
Euro Seed Class	0.36
Sterling Accumulation Class	0.87
Sterling Class	0.86
Sterling Seed Class	0.36
Montanaro European Income Fund	
Euro Class	0.86
Sterling Accumulation Class	0.87
Sterling Class	0.86
Montanaro European MidCap Fund	
Euro Distribution Class	1.60
Euro Institutional Accumulation Class	0.85
Montanaro Select Fund	
Euro Distribution Class	0.13
Sterling Distribution Class	0.13
Montanaro Better World Fund	
Euro Distribution Class	0.64
Sterling Distribution Class	0.64
Swedish Krona Institutional Accumulation Class	0.65

MONTANARO SMALLER COMPANIES PLC

PORTFOLIO TURNOVER RATES (unaudited)

For the financial year ended 31 December 2019

The portfolio turnover rate shows the turnover* incurred by each Fund, whose redeemable participating Shares are registered for sale in Switzerland during the financial reporting period, expressed as a percentage of the average NAV of that Fund for the corresponding financial period.

	Portfolio Turnover %
Montanaro European Smaller Companies Fund	0.3
Montanaro UK Income Fund	13.9
Montanaro European Income Fund	(5.0)
Montanaro European MidCap Fund	40.1
Montanaro Select Fund	38.2
Montanaro Better World Fund	35.7

*Turnover being a Fund's aggregate value of total cost of securities purchased plus total disposal proceeds of securities sold, less the aggregate value of that Fund's redeemable participating Shares' subscriptions plus redemptions, during the financial reporting period. All values in the turnover calculation are in the functional currency of the respective Fund.

Past performance is no indication of current or future performance and the performance data does not take account of commissions and costs incurred on the issue and redemption of Shares.

REMUNERATION POLICY (unaudited)

In line with the requirements of the UCITS Regulations, Montanaro Asset Management Limited is subject to a remuneration policy which is consistent with the principles outlined in SYSC19E of the FCA Handbook (UCITS Remuneration Code).

The Manager's remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the UCITS funds it manages. The remuneration policy is renewed on an annual basis, or more frequently where required, and approved by Montanaro Asset Management Limited's Remuneration Committee. Details of the up-to-date remuneration policy are available at www.montanaro.co.uk.

Regulation 89(3A) of the UCITS Regulations requires that the annual financial report of the Company contain certain disclosures on remuneration paid by the Company to its staff during the financial year and details of any material changes to the Company's remuneration policy made during the financial period. The Company has no employees or staff that it employs and pays directly. The Company has a Board of Directors, two of which are employees of Montanaro Asset Management Limited and receive no remuneration from the Company. The remaining two Directors, each of whom is independent, receive a fixed fee only (which for the year ended 31 December 2019 is subject to a limit of £120,000 in total as noted in the Prospectus) and do not receive variable remuneration. The Directors' fees were €71,615 for the financial year ended 31 December 2019 (31 December 2018: €79,666). These fees are considered to be consistent with the powers, tasks, expertise and responsibility of each Director.

The services of two designated persons are provided to the Company pursuant to a management services agreement between the Company and Clifton Fund Consulting Limited trading as KB Associates, in respect of which a fixed fee only is paid and such designated persons do not receive any variable remuneration. The fee for the year ended 31 December 2019 was €40,898 in aggregate (31 December 2018: €19,962).

The Company has prepared a remuneration policy outlining how it adheres to the remuneration requirements set out in the UCITS Regulations. The remuneration policy was adopted with effect from 7 March 2016.

Details of the Company's up-to-date remuneration policy are available at www.montanaro.co.uk.

No material changes have been made to the remuneration policy during the financial year.