

Montanaro European Smaller Companies Trust Plc
LEI: 213800CWSC5B8BG3RS21

Unaudited Half-Yearly Report for the Six Months Ended 30 September 2020

The Board of Montanaro European Smaller Companies Trust plc (the “Company”) announces the unaudited half-yearly results of the Company for the six months ended 30 September 2020.

Highlights (unaudited)
for the six months ended 30 September 2020

Performance

Capital Returns%(2)	6 Month	1 year	3 year	5 year	10 year	MAM*
Ordinary share price	59.4	37.2	73.3	171.3	249.8	339.4
Net Asset Value ('NAV')**	49.9	31.1	58.3	151.6	210.0	319.7
Benchmark (Composite)(1)**	33.4	8.2	4.6	65.8	125.6	146.6

Total Returns%(2)	6 Month	1 year	3 year	5 year	10 year	MAM*
Ordinary share price	60.2	38.8	77.8	185.4	294.2	424.5
NAV**	51.5	31.9	62.1	163.6	250.6	394.4
Benchmark (Composite)(1)**	34.9	9.7	10.3	81.2	171.3	221.8

Sources: Morningstar Direct, Association of Investment Companies ('AIC'), Montanaro Asset Management.

	As at 30 September 2020	As at 30 September 2019	12 month % change	As at 31 March 2020 (Audited)	6 month % change
Ordinary share price	1,402.5p	1,022.5p	37.4%	880.0p	59.4%
NAV per Ordinary share**	1,434.6p	1,094.1p	31.1%	956.9p	49.9%
Discount to NAV(2)	2.2%	6.5%	-	8.0%	-
Gross assets** (£'000s)	249,140	191,889	29.8%	168,932	47.5%
Net assets** (£'000s)	240,068	183,079	31.1%	160,123	49.9%
Market capitalisation** (£'000s)	234,600	171,098	37.1%	147,253	59.4%
Net gearing employed(2)	0.6%	0.7%	-	5.8%	-

	6 months ended 30 September 2020	6 months ended 30 September 2019	12 month % change	12 months ended 31 March 2020 (Audited)	6 month % change
Revenue return per Ordinary share	2.5p	11.7p	-78.6%	11.9p	-79.1%
Dividend per Ordinary share	2.0p	2.0p		9.25p	
Ongoing charges (annualised) ⁽²⁾	1.2%	1.2%	-	1.2%	
Portfolio turnover (rolling twelve months) ^{**}	12%	16%		14%	

*From 5 September 2006, when Montanaro Asset Management Limited ('MAM') was appointed as Investment Manager.

**Details provided in the Glossary below

⁽¹⁾From 5 September 2006, the benchmark was the MSCI Europe SmallCap Index. The benchmark was changed on 1 June 2009 to the MSCI Europe SmallCap (ex UK) Index (in sterling terms)

⁽²⁾Refer to Alternative Performance Measures below

Chairman's Statement

Performance

The first six months of the financial year has seen your company recover strongly from the Covid-19 related market meltdown. The net asset value of your company rose by 49.9% to 1,434.6p per share thus outperforming the Benchmark (MSCI Europe SmallCap (ex UK) index), which rose by 33.4%. Shareholders also benefited from a narrowing of the discount from 8% to 2%. As a result, the share price of the Company rose by 59.4% during the period, providing a total return of 60.2%. Another period of strong absolute and relative performance. This builds upon the outstanding medium and longer term performance record with your Trust being the best performing European Investment Trust over the 3 and 5 year time periods.

Earnings and Dividends

In the 2020 Annual Report we highlighted that it was very likely that income from your investee companies would decline from the high levels seen in the previous year, given the global economic uncertainty brought about by the Covid-19 pandemic as well as the political pressure to limit such distributions in light of the government support schemes that were put in place. This has proved to be the case and revenue earnings per share for the period were 2.5p (2019: 11.7p).

Despite this reduction in income we remain confident in the long-term prospects of your investee companies. In addition, the Company sits on a substantial revenue reserve which is available for distribution and which the Board can use to smooth short-term income volatility. As such, the Board has declared an unchanged interim dividend of 2.0p per Ordinary Share (2019: 2.0p per share) payable on 4 January 2021 to shareholders on the register on 4 December 2020.

Borrowings

At the end of the period, the Company had gearing, net of cash, of 0.6% compared to 5.8% at 31 March 2020.

Treasury Shares

No shares were issued from treasury during the first six months of the financial year, however, in the weeks following the period end, the Company issued 215,000 shares from treasury at a premium to the NAV per share, in accordance with its stated treasury shares policy which is disclosed on page 24 of the Company's Annual Report for the year ended 31 March 2020.

At the time of writing, 500,000 shares remained in treasury.

The Board

The Board consists solely of independent Non-Executive Directors with a good balance of skills, experience, diversity and knowledge of the Company and its business.

We are fortunate to have welcomed Gordon Neilly to the Board in September 2020. Gordon has a wealth of experience and expertise in investment management and he is already making an important contribution to Board discussions. Following Gordon's appointment Merryn Somerset Webb will retire from the Board at the end of the calendar year having completed 9 years of service. I would like to thank Merryn for her outstanding contribution and commitment to the Board. We will miss her wise counsel.

Outlook

If 2020 has taught us anything it should be the folly of making bold predictions about future events. But uncertainty, disruption, change and even crises bring opportunities as well as risks for long-term investors.

The Manager continues to select only the highest quality companies in Europe for inclusion in your portfolio. Their focus is on identifying the structural growth drivers that make it possible for these companies to be significantly larger than they are today over a period of years, as opposed to trying to take advantage of short-term fads. This approach has yielded a strong NAV performance not only in the year to date, but over several years and we believe it is an effective way to deliver attractive long-term returns irrespective of future global economic conditions.

We are pleased that the combination of the Manager's disciplined investment approach and the robust NAV performance is being recognised by the market, with the shares having mostly traded at a premium since the end of the interim period under review. We are pleased that the Trust won the Citywire 'Best European Equities Trust' Award in November 2020.

In spite of the strong rebound in markets there remains considerable uncertainty about the ongoing impact of the Covid-19 virus. In addition, it would be remiss not to highlight the extraordinary run that "growth" style investing (which your company follows) has had relative to "value" investing and that at some stage this may reverse. The Board believes that the risk of this is best mitigated by sticking to investing only in quality companies and having a long-term investment horizon.

R M CURLING

Chairman

19 November 2020

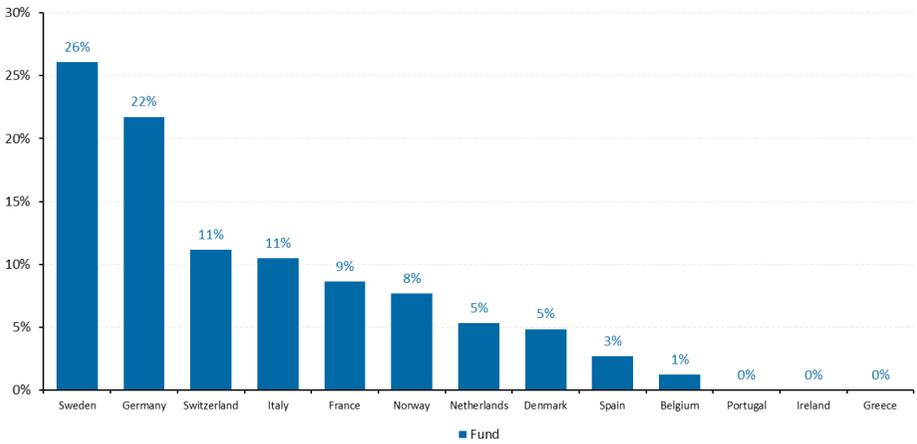
Portfolio Summary
 Twenty Largest Holdings
 As at 30 September 2020

Holding	Country	Value £'000	% of investment portfolio	% of net assets
Sartorius Stedim	France	10,676	4.4%	4.5%
Fortnox	Sweden	9,299	3.9%	3.9%
VZ Holding	Switzerland	7,759	3.2%	3.2%
Tecan	Switzerland	7,731	3.2%	3.2%
Thule	Sweden	7,669	3.2%	3.2%
Hypoport	Germany	7,281	3.0%	3.0%
Esker	France	7,265	3.0%	3.0%
Atoss	Germany	7,185	3.0%	3.0%
MIPS	Sweden	6,903	2.9%	2.9%
NCAB	Sweden	6,896	2.9%	2.9%
SimCorp	Denmark	6,639	2.8%	2.8%
Vitrolife	Sweden	6,341	2.6%	2.6%
IMCD	Netherlands	5,531	2.3%	2.3%
Belimo Holdings	Switzerland	5,406	2.2%	2.3%
Reply	Italy	5,351	2.2%	2.2%
Nolato	Sweden	5,260	2.2%	2.2%
Avanza	Sweden	5,059	2.1%	2.1%
Mensch Und Maschine	Germany	4,935	2.1%	2.1%
CTS Eventim	Germany	4,895	2.0%	2.0%
Rational	Germany	4,816	2.0%	2.0%
Twenty Largest Holdings		132,897	55.2%	55.4%

A full portfolio listing is available on request from the Manager.

Geographical Analysis

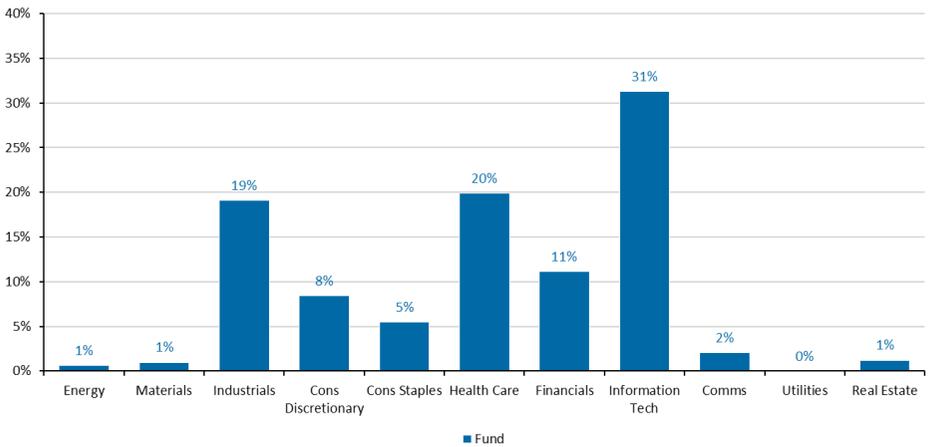
As at 30 September 2020



Source: Montanaro Asset Management Limited

Sector Analysis

As at 30 September 2020



Source: Montanaro Asset Management Limited

Interim Management Report

The important events that have occurred during the period under review and the key factors influencing the financial statements are set out in the Chairman's Statement above.

Statement of Principal Risks and Uncertainties:

Most of the principal risks that could threaten the Company's objective, strategy, future returns and solvency are market related and comparable to those of other investment trusts investing primarily in quoted securities. The principal risks faced by the Company are investment and strategic, gearing, financial, discount volatility, regulatory, operational and manager risks. These risks, including the impact of the Covid-19 pandemic on the market and the Company's business operations, and the way in which they are mitigated, are described in more detail under the heading 'Principal and Emerging Risks and Uncertainties and Risk Mitigation' within the Business Model and Strategy section on pages 12 to 14 of the Company's Annual Report for the year ended 31 March 2020. The Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Company's financial year. The Directors have ensured that all risks will be kept under review at every meeting as the implications of Covid-19 continue to emerge.

Related party transactions:

Related party transactions are disclosed in note 14 below. There have been no material changes in the related party transactions described in the last annual report.

Going concern:

As stated in Note 13 to the condensed financial statements, the Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

Directors' Responsibility Statement in respect of the Half-Yearly Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Interim Management Report includes a fair review of the information required by the Disclosure Guidance and Transparency Rule ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Statement of Principal Risks and Uncertainties shown above is a fair review

of the information required by DTR 4.2.7R; and

- the Chairman's Statement, together with the condensed set of financial statements, include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

The Half-Yearly Report and Accounts were approved by the Board and the above responsibility statement was signed on its behalf by:

R M CURLING

Chairman

19 November 2020

**Condensed Statement of Comprehensive Income (unaudited)
for the six months ended 30 September 2020**

Notes	Six months to 30 September 2020			Six months to 30 September 2019			Year to 31 March 2020 (Audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
	-	81,738	81,738	-	13,742	13,742	-	(8,126)	(8,126)
Gains (losses) on investments held at fair value									
Exchange gains/(losses)	-	(337)	(337)	-	15	15		(211)	(211)
Revenue									
Investment income	1,209	-	1,209	2,799	-	2,699	3,497	-	3,497
Total income	1,209	81,401	82,610	2,799	13,757		3,497	(8,337)	(4,840)
Expenditure									
Management expenses	(335)	(622)	(957)	(279)	(518)	(797)	(564)	(1,047)	(1,611)
Other expenses	(303)	-	(303)	(308)	-	(308)	(595)	-	(595)
Total expenditure	(638)	(622)	(1,260)	(587)	(518)	(1,105)	(1,159)	(1,047)	(2,206)
Profit before finance costs and tax	571	80,779	81,350	2,212	13,239	15,451	2,338	(9,384)	(7,046)
Finance costs	(36)	(43)	(79)	(23)	(43)	(66)	(48)	(85)	(133)
Profit before tax	535	80,736	81,271	2,189	13,196	15,385	2,290	(9,469)	(7,179)
Tax	(113)	-	(113)	(234)	-	(234)	(291)	-	(291)
Total comprehensive income	422	80,736	81,158	1,955	13,196	15,151	1,999	(9,469)	(7,470)
Return per share	2.5p	482.5p	485.0p	11.7p	78.9p	90.5p	11.9p	(56.6p)	(44.7p)

The total column of this statement represents the Company's Income Statement and Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards.

The supplementary revenue return and capital return columns are both prepared under guidance published by the AIC.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

**Condensed Balance Sheet (unaudited)
as at 30 September 2020**

	Notes	As at 30 September 2020 £'000	As at 30 September 2019 £'000	As at 31 March 2020 (Audited) £'000
Non-current assets				
Investments held at fair value through profit and loss		241,298	183,843	169,018
Current assets				
Trade and other receivables		559	841	615
Cash and cash equivalents		7,712	7,596	405
		8,271	8,437	1,020
Total assets		249,569	192,280	170,038
Current liabilities				
Trade and other payables		(429)	(391)	(222)
Interest-bearing bank loans		-	-	(884)
		(429)	(391)	(1,106)
Non-current liabilities				
Interest-bearing bank loans		(9,072)	(8,810)	(8,809)
Total liabilities		(9,501)	(9,201)	(9,915)
Net assets		240,068	183,079	160,123
Capital and reserves				
Called-up share capital		8,724	8,724	8,724
Share premium account		5,283	5,283	5,283
Capital redemption reserve		2,212	2,212	2,212
Capital reserve		220,377	162,306	139,641
Revenue reserve		3,472	4,554	4,263
Shareholders' funds		240,068	183,079	160,123
NAV per share		1,434.7p	1,094.1p	956.9p

**Condensed Statement of Changes in Equity (unaudited)
for the six months ended 30 September 2020**

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 April 2020	8,724	5,283	2,212	139,641	4,263	160,123
Total comprehensive income	-	-	-	80,736	422	81,158
Dividends paid	-	-	-	-	(1,213)	(1,213)
Balance at 30 September 2020	8,724	5,283	2,212	220,377	3,472	240,068

for the six months ended 30 September 2019 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 April 2019	8,724	5,283	2,212	149,110	3,812	169,141
Total comprehensive income	-	-	-	13,196	1,955	15,151
Dividends paid	-	-	-	-	(1,213)	(1,213)
Balance at 30 September 2019	8,724	5,283	2,212	162,306	4,554	183,079

for the year ended 31 March 2020 (Audited)

	Share c capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital Reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 April 2019	8,724	5,283	2,212	149,110	3,812	169,141
Total comprehensive income	-	-	-	(9,469)	1,999	(7,470)
Dividends paid	-	-	-	-	(1,548)	(1,548)
Balance at 31 March 2020	8,724	5,283	2,212	139,641	4,263	160,123

**Condensed Statement of Cash Flows (unaudited)
for the six months ended 30 September 2020**

	Six months to 30 September 2020 £'000	Six months to 30 September 2019 £'000	Year to 31 March 2020 (Audited) £'000
Net cash inflow (outflow) from operating activities	9,595	1,148	(6,259)
Cash outflow from financing activities	(2,168)	(1,264)	(835)
	7,427	(116)	(7,094)
Exchange gains	120	269	56
Increase/(decrease) in cash and cash equivalents	7,307	153	(7,038)

Reconciliation of profit before finance costs and tax to
net cash inflow from operating activities

Profit before finance costs and tax	81,350	15,451	(7,046)
Gains on investments held at fair value	(81,738)	(13,742)	8,126
Exchange (gains)	337	(15)	211
Withholding tax	(113)	(297)	(291)
Purchases of investments	(24,897)	(13,901)	(33,739)
Sales of investments	34,415	13,575	26,361
Changes in working capital and other non-cash items	241	77	419
Net cash inflow from operating activities	9,595	1,148	(6,259)

Notes to the Accounts (unaudited)

- The condensed unaudited financial statements have been prepared in accordance with International Financial Reporting Standard ('IFRS') IAS 34 'Interim Financial Reporting' and the accounting policies set out in the statutory accounts of the Company for the year ended 31 March 2020. The condensed financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 March 2020, which were prepared under full IFRS requirements.
- Earnings for the first six months should not be taken as a guide to the results for the full year.
- Income for the period is derived from:

	Six months to 30 September 2020 £'000	Six months to 30 September 2019 £'000	Year ended 31 March 2020 (Audited) £'000
Overseas dividend income	1,200	2,799	3,472
Other Income	9	-	25
Total	1,209	2,799	3,497

- Management fee:

	Six months to 30 September 2020 £'000			Six months to 30 September 2019 £'000			Year ended 31 March 2020 (Audited) £'000		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	335	622	957	270	502	772	546	1,015	1,561
AIFM fee	9	16	25	9	16	25	18	32	50
	344	638	982	279	518	797	564	1,047	1,611

MAM receives an investment management fee of 0.9% per annum of the Company's market capitalisation (payable monthly in arrears).

MAM is also entitled to a fee of £50,000 per annum for acting as the Company's Alternative Investment Fund Manager ("AIFM").

- Earnings per Ordinary Share is based on a weighted average of 16,733,260 Ordinary Shares in issue during the period (year ended 31 March 2020: 16,733,260 and six months ended 30 September 2019: 16,733,260), excluding those shares bought back and held in treasury.

6. The interim dividend relating to the year ended 31 March 2020 of 2.0p per Ordinary Share will be paid on 4 January 2021 to shareholders on the register on 4 December 2020. In accordance with IFRS, this dividend has not been recognised in these financial statements. The ex-dividend date for this payment is 3 December 2020.

A final dividend relating to the year ended 31 March 2020 of 7.25p per Ordinary Share was paid during the six months to 30 September 2020 and amounted to £1,213,000.

7. Investments at Fair Value Through Profit and Loss:

	30 September 2020 £'000	30 September 2019 £'000	31 March 2020 £'000 (Audited)
Opening book cost	121,712	107,172	107,172
Holding gains	47,163	62,656	62,656
Opening fair value	168,875	169,828	169,828
Purchases at cost	24,897	14,060	33,739
Sales – proceeds	(34,352)	(13,787)	(26,423)
– gains on sales	14,248	4,789	7,224
Holding gains (losses)	67,630	8,953	(15,350)
Closing fair value	241,298	183,843	169,018
Closing book cost	126,505	112,234	121,712
Holding gains	114,793	71,609	47,306
Closing valuation	241,298	183,843	169,018

8. Interest-Bearing Bank Loans:

	30 September 2020 £'000	30 September 2019 £'000	31 March 2020 £'000 (Audited)
Opening balance	8,572	8,572	8,572
Amortisation of set-up costs	5	5	10
Non-cash foreign currency movements	495	233	227
	9,072	8,810	8,809

The Company's fixed rate loan facilities totaling £25 million matured on 13 September 2018. The Company refinanced £10 million by entering into a five year secured loan at a fixed rate of 1.33% per annum with ING Bank N.V. ('ING'). This loan will mature on 13 September 2023. The Company's other fixed rate loan totaling £15 million was repaid. The Company has also entered into a five year secured revolving loan facility with ING, for £15 million which will also mature on 13 September 2023.

As at 30 September 2020, no amounts were drawn down under these facilities.

Under the bank covenants relating to these facilities, the Company is to ensure that at all times the total borrowings of the Company do not exceed 40% of the Adjusted NAV (as defined in the facility agreements) and that the Adjusted NAV does not fall below £45 million. The Company met all covenant conditions during the period. The fair value of the fixed rate loans is show in note 10.

9. The NAV per Ordinary Share was based on 16,733,260 Ordinary Shares in issue at the end of the period (31 March 2020: 16,733,260 and 30 September 2019: 16,733,260), excluding those shares bought back and held in treasury. As at 30 September 2020, there were 715,000 Ordinary Shares held in treasury (31 March 2020: 715,000 and 30 September 2019: 715,000).
10. The Company held the following categories of financial instruments at the period end:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
30 September 2020				
Investments	241,298	-	-	241,298
Loans		(9,072)		(9,072)
30 September 2019				
Investments	183,843	-	-	183,843
Loans	-	(8,810)	-	(8,831)
31 March 2020 (Audited)				
Investments		-	-	169,018
Loans	-	(8,809)	-	(8,809)

The table above provides an analysis of financial instruments based on the fair value hierarchy described below and which reflects the reliability and significance of the information used to measure their fair value. The levels are determined by the lowest significant applicable input:

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable market data.

Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same

instrument and not based on available observable market data.

There were no transfers between levels during the period ended 30 September 2020 (year ended 31 March 2020 and period ended 30 September 2019: None).

Listed investments held (see note 7) are valued at fair value through profit or loss. For listed securities this is either bid price or the last traded price depending on the convention of the exchange on which the investment is listed. The fair value of the loans is calculated using a discounted cash flow technique based on relevant current interest rates compared to their value as stated on the Balance Sheet at amortised cost of £9,072,000 (31 March 2020: £8,809,000 and 30 September 2019: £8,810,000). The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet shown above.

Other aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements, as at and for the year ended, 31 March 2020.

11. Rates of exchange (to Sterling):

	30 September 2020 £'000	30 September 2019 £'000	31 March 2020 £'000 (Audited)
Danish Krone	8.20	8.44	8.44
Euro	1.10	1.13	1.13
Norwegian Krone	12.10	11.19	13.02
Swedish Krona	11.57	12.12	12.28
Swiss Franc	1.19	1.23	1.20

12. The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Company is engaged in a single segment of business, of investing in European quoted smaller companies, and that therefore the Company has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance is the total return on the Company's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

13. **Going Concern:**
In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council and have undertaken a rigorous review of the Company's ability to continue as a going concern. They have considered the current cash position of the Company, the availability of the borrowing facilities to 13 September 2023, compliance with their covenants, the Company's other liabilities and forecast revenues. The Directors have also taken into account the Company's investment policy, which is subject to regular Board monitoring processes and is designed to ensure that the Company is invested mainly in liquid, listed securities. The Company retains title to all assets held by its custodian and has financial covenants, relating to its bank borrowings with which it complied during the period.

The Directors believe, in light of the controls and review processes noted above and bearing in mind the nature of the Company's business and assets and liabilities, that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the accounts. For this reason, they continue to adopt the going concern basis in preparing the accounts.

14. **Related Parties:**
The following are considered related parties: the Board of Directors. The Directors of the Company received fees for their services and dividends from their shareholdings in the Company as outlined below.

The amount charged by the Manager during the period was £957,000 (six months to 30 September 2019: £797,000; year to 31 March 2020: £1,611,000). At 30 September 2020, the amount due to the Manager, included in creditors, was £356,000. The existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under the AIC SORP, the Manager is not considered to be a related party.

Directors' Emoluments

At 30 September 2020, the Board consisted of four non-executive Directors. All Directors are considered to be independent of the Manager. None of the Directors has a service contract with the Company. The Chairman receives an annual fee of £35,000, the Chair of the Audit Committee receives an annual fee of £30,000 and non-executive Directors receive £25,000 per annum.

At 30 September 2020, the amount outstanding in respect of Directors' fees was £nil (31 March 2020: £nil).

At 30 September 2020, the interests of the Directors in the ordinary shares of the Company were as follows:

	As at 30 September 2020 No. of shares	As at 31 March 2020 No. of shares
R M Curling	10,000	10,000
G J Neilly*	4,895	N/A
C A Roxburgh**	6,421	6,182
M R Somerset Webb	4,114	4,095

*Mr Neilly was appointed to the Board on 21 September 2020, but has been a shareholder for many years.

** Includes 214 shares held by Ms Roxburgh's spouse.

There were no changes in the Directors' interests between 30 September 2020 and the date of this report.

15. These are not statutory accounts in terms of Section 434 of the Companies Act 2006 and have not been audited or reviewed by the Company's Auditor. The information for the year ended 31 March 2020 has been extracted from the latest published financial statements and which have been filed with the Registrar of Companies. The Auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006. No statutory accounts in respect of any period after 31 March 2020 have been reported on by the Company's Auditor or delivered to the Registrar of Companies.
16. **Post Balance Sheet events**
 Since 31 March 2020, the Company has issued 215,000 Ordinary Shares from treasury, owing to demand in the market. The total consideration for these issuances is £3,109,725. Following these issuances, as at 19 November 2020, the Company has 16,948,260 shares in issue (excluding the remaining 500,000 shares held in treasury).

Alternative Performance Measures (“APMs”)

The Company uses the following APMs:

Capital Return – NAV and Share Price Returns

Capital returns measure the effect of any rise or fall in the share price or NAV, excluding any dividends paid. As at 30 September 2020, the 6 month NAV Capital Return was 49.9%, and the 6 month Ordinary share price Capital Return was 59.4%, as shown in the Highlights above.

Total Return – NAV and Share Price Returns

Total returns measure the effect of any rise or fall in the share price or NAV, plus dividends paid which are reinvested at the prevailing NAV or share price on the ex-dividend date. As at 30 September 2020, the 6 month NAV Total Return was 51.5%, and the 6 month Ordinary share price Total Return was 60.2%, as shown in the Highlights above.

Discount or Premium to NAV

If the share price of an Investment Trust is less than its NAV per share, the shares are trading at a discount. If the share price is greater than the NAV per share, the shares are trading at a premium.

As at 30 September 2020, the NAV per share was 1,434.66p and the share price was 1,402.50p. The discount is therefore calculated at 2.2% as shown in the highlights above.

Net gearing employed

Unlike open-ended investment companies, Investment Trusts have the ability to borrow to invest. This term is used to describe the level of borrowings that an Investment Trust has undertaken, and is stated as a percentage of shareholders' funds. The higher the level of borrowings, the higher the gearing ratio.

Net gearing is calculated as total debt, net of cash and cash equivalents, as a percentage of the total shareholders' funds.

As at 30 September 2020, interest bearing bank loans were (£9,072,000), cash and cash equivalents were £7,712,000 and net assets were £240,068,000. As at 30 September 2020, Gearing was therefore equal to 0.6% as shown in the Highlights above.

Ongoing charges (expressed as a percentage)

Ongoing charges are the Company's revenue and capital expenses (excluding finance costs and certain non-recurring items) expressed as a percentage of the average daily net assets of the Company during the period.

Ongoing charges calculation

		Six months to 30 September 2020 £'000	Six months to 30 September 2019 £'000	31 March 2020 £'000 (Audited)
Total expenditure		1,339	1,105	2,206
Less negative interest		(79)	(26)	(34)
Less non-recurring costs		-	-	-
Total	(a)	1,260	1,079	2,172
Average daily net assets	(b)	216,742	184,753	184,174
Ongoing charges (c = a/b)*	(c)	1.2%	1.2%	1.2%

* 30 September 2020 and 30 September 2019 figures annualised for comparison (c = (a/b) x 2).

Glossary of terms

AIFMD

Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles in the European Union, including Investment Trusts, must, with effect from 22 July 2014, appoint a Depositary and an AIFM. The Board of Directors of an Investment Trust, nevertheless, remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations.

AIC

The Association of Investment Companies is the trade body for Closed-end Investment Companies (www.theaic.co.uk).

Benchmark

This is a measure against which an Investment Trust's performance is compared. The benchmark of the Company is the MSCI Europe SmallCap (ex UK) Index (capital return in Sterling terms). The index averages the performance of a defined selection of companies listed in European smaller company stock markets and gives an indication of how those markets have performed in any period.

Closed-end Investment Company

A company, including an Investment Trust, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the NAV of the company and where shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended investment company, which has units not traded on an exchange but issued or bought back from investors at a price directly related to the NAV.

Custodian

A specialised financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services. The Company's Custodian is Bank of New York Mellon SA/NV.

Depositary

Under AIFMD rules applying from 22 July 2014, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. The Depositary has strict liability for loss of any investments or other assets where it has safekeeping duties. The Depositary's oversight duties include, but are not limited to, oversight of share buybacks, dividend payments and adherence to investment limits. The Company's Depositary is The Bank of New York Mellon (International) Limited.

Dividend

The income from an investment. Some Investment Trusts pay dividends on a quarterly or monthly basis. Montanaro European Smaller Companies Trust plc currently pays

dividends twice a year.

Gearing

Gearing is calculated as total liabilities less current assets divided by net assets.

Gross assets

Gross assets are calculated as total assets less current liabilities.

IFRS

International Financial Reporting Standards.

Investment Manager

The Company's investment manager is Montanaro Asset Management Limited.

Investment Trust

A Closed-end Investment Company which satisfies the requirements of Section 1158 of the Corporation Tax Act 2010. Companies which meet these criteria are exempt from having to pay tax on the capital gains they realise from sales of the investments within their portfolios.

Leverage

As defined under the AIFMD rules, Leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to Gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowings). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash and cash equivalents, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash and cash equivalents and after certain hedging and netting positions are offset against each other.

Marked to Market

Accounting for the fair value of an asset or liability that can change over time and reflects its current market value rather than its book cost.

Market Capitalisation

The stock market value of a company as determined by multiplying the number of shares in issue, excluding those shares held in treasury, by the market price of the shares

NAV per Ordinary Share

This is calculated as the net assets of an Investment Trust divided by the number of shares in issue, excluding those shares held in treasury.

Net Assets (or Shareholders' Funds)

This is calculated as the value of the investments and other assets of an Investment Trust, plus cash and debtors, less borrowings and any other creditors. It represents

the underlying value of an Investment Trust at a point in time.

Net Gearing

Net gearing is calculated as total debt, net of cash and cash equivalents, as a percentage of the total shareholders' funds.

Ordinary Shares

The main type of equity capital issued by conventional Investment Trusts. Shareholders are entitled to their share of both income, in the form of dividends paid by the Investment Trust, and any capital growth. Montanaro European Smaller Companies Trust plc has only Ordinary Shares in issue.

Portfolio Turnover

Calculated using the total purchases plus the sales proceeds divided by two as a percentage of the average total investments at fair value during the year.

Related Party Transactions

Under the Listing Rules, the Manager is regarded as a related party of the Company.

Share Price

The value of a share at a point in time as quoted on a stock exchange. The shares of Montanaro European Smaller Companies Trust plc are quoted on the Main Market of the London Stock Exchange.

SORP

Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the AIC.

Total Assets

This is calculated as the value of the investments and other assets of an Investment Trust, plus cash and debtors.

Shareholder Information

The Board has decided it will no longer post a hard copy of its Half-Yearly Report to shareholders. This is not a legal requirement and the Board believes that reducing the number of hard copy documents sent by post will deliver cost savings to the Company in terms of administration, printing and postage costs. The reduced use of paper will also have environmental benefits.

Directors and Advisers

Registered Office

16 Charlotte Square
Edinburgh EH2 4DF

Depository

THE BANK OF NEW YORK MELLON
(INTERNATIONAL) LIMITED
One Canada Square
London E14 5AL

Registered in Scotland No. SC074677

An investment company as defined
under Section 833 of the Companies Act
2006.

Custodian

BANK OF NEW YORK MELLON SA/NV
One Canada Square
London E14 5AL

Directors

R M Curling (Chairman)
C A Roxburgh
M R Somerset Webb
G J Neilly

Investment Manager and Alternative Investment Fund Manager ('AIFM')

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Registrar's Shareholder Helpline
Tel: 0371 384 2461*

*Lines are open 9.00am to 5.00pm, Monday to
Friday, excluding public holidays in England and
Wales.

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Company Secretary

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Solicitor

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Edinburgh EH2 4DF

Website

<https://montanaro.co.uk/trust/montanaro-european-smaller-companies-trust/>

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on this announcement (or any other website) is incorporated into, or forms part of, this announcement.

For further information, please contact:

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