

This document is issued by Montanaro European Smaller Companies Trust plc (the "Company") solely in order to make certain particular information available to investors in the Company before they invest, in accordance with the requirements of the FCA Rules implementing the AIFM Directive in the United Kingdom. It is made available to investors in the Company by being made available at www.montanaro.co.uk.

Potential investors in the Company's shares should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.

Montanaro European Smaller Companies Trust plc

Investor Disclosure Document

IMPORTANT INFORMATION

Regulatory status of the Company and its alternative investment fund manager ("AIFM")

Montanaro European Smaller Companies Trust plc is an 'alternative investment fund' ("AIF") for the purposes of the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (the "AIFM Directive"). The AIFM of the Company is Montanaro Asset Management Limited ("Montanaro") which is authorised and regulated by the United Kingdom Financial Conduct Authority as a 'full-scope UK AIFM' for the purposes of the AIFMD.

The Company is an investment trust and is incorporated as a public limited liability company. The Company's shares are listed on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the main market of the London Stock Exchange. The Company is subject to its Articles of Association, the FCA Listing Rules, the FCA Disclosure Guidance and Transparency Rules, the AIC Code of Corporate Governance and the Companies Act 2006. In addition as an investment trust the Company needs to comply with sections 1158/1159 of the Corporation Tax Act 2010.

The provisions of the Company's Articles of Association are binding on the Company and its shareholders. The Articles of Association set out the respective rights and restrictions attaching to the Company's shares. These rights and restrictions apply equally to all shareholders. All shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the Company's Articles of Association. The Company's Articles of Association are governed by Scots law.

Limited purpose of this document

This document is not being issued for any purpose other than to make certain required regulatory disclosures to investors and, to the fullest extent permitted under applicable law and regulations, the Company and its AIFM and its Directors will not be responsible to persons other than the Company's shareholders for their use of this document, nor will they be responsible to any person (including the Company's shareholders) for any use which they may make of this document other than to inform a decision to invest in shares in the Company.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to buy or sell, or otherwise undertake investment activity in relation to the Company's shares.

This document is not a prospectus and it is not intended to be an invitation or inducement to any person to engage in any investment activity. This document may not include (and it is not intended to include) all the information which investors and their professional advisers may require for the purpose of making an informed decision in relation to an investment in the Company and its shares.

No advice

The Company, the AIFM and its Directors are not advising any person in relation to any investment or other transaction involving shares in the Company. Recipients must not treat the contents of this document or any

subsequent communications from the Company, or any of its affiliates, officers, directors, employees or agents, as advice relating to financial, investment, taxation, accounting, legal, regulatory or any other matters. Prospective investors must rely on their own professional advisers, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment in its shares.

Potential investors in the Company's shares should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.

Overseas investors

The distribution of this document in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company is not registered under the United States Investment Company Act of 1940 (as amended) and investors are not entitled to the benefits of such Act.

Prospective investors must inform themselves as to (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of shares.

THE COMPANY

Investment Objective

The Company's Investment Objective is to achieve capital growth by investing principally in Continental European quoted smaller companies.

Investment restrictions and guidelines

The Company invests principally in quoted smaller companies within the European Union, Norway and Switzerland (but is not restricted from investing in smaller companies quoted on other European stock exchanges). In addition, the Company may invest in:

- Companies listed on non-European stock exchanges that derive significant revenues or profits from Europe.
- European securities, such as global depositary receipts, listed on other international stock exchanges.
- Debt issued by European governments or denominated in European currencies.

The Company's investment policy is flexible, enabling it to invest in all types of securities of companies, including (but not limited to) equities, preference shares, debt, convertible securities, warrants and other equity-related securities. The Company may also invest, where appropriate, in open-ended collective investment schemes and closed-ended funds that invest in Europe.

It is not intended that the Company will acquire securities that are unquoted or unlisted at the time of investment (with the exception of securities which are about to be listed or traded on a stock exchange). However, the Company may continue to hold securities that cease to be quoted or listed if it considers this to be appropriate.

Investment risk is spread through holding a range of securities in different countries and industrial sectors. Investments are not limited as to country or sector weightings, but no investment in the portfolio may exceed 10% of the Company's total assets at the time of investment. The Company may invest in derivatives, financial instruments, money market instruments and currencies solely for the purpose of efficient portfolio management (i.e. solely for the purpose of reducing, transferring or eliminating investment risk in the Company's investments, including any technique or instrument used to provide protection against currency and credit risks).

The Company will not invest more than 10%, in aggregate, of the value of its total assets at the time of investment in other investment trusts or investment companies admitted to the Official List of the UK Listing Authority.

Leverage

The Company borrows funds for investment to enhance returns over the long term and may borrow in Sterling, Euro or other currencies. The Board has set a maximum limit on gearing, net of cash, of 30% of shareholders' funds at the time of borrowing. The Company's portfolio will normally be fully invested. However, during periods in which changes in economic conditions or other factors so warrant, the Company may reduce its exposure to securities and increase its position in cash and money market instruments.

Maximum leverage, calculated in accordance with the requirements of the AIFM Directive as being inclusive of exposure to derivatives, is 200% under the Gross method and 200% under the Commitment method.

Material changes to leverage policies must be agreed by the Company and will be notified to shareholders and included in its Annual Report and Accounts.

The total level of leverage employed by the Company is updated regularly on the "Monthly Factsheet" available at <http://www.montanaro.co.uk/our-trusts/european-smaller-companies-trust/overview>.

Investment strategy and investment techniques

The Company's Investment Strategy and Policy are set out in full in the Business Model and Strategy section of the Annual Report and Accounts, which can be found at <http://www.montanaro.co.uk/our-trusts/european-smaller-companies-trust/overview>.

The Company is required to obtain the prior approval of shareholders, by ordinary resolution, to any material change to its published Investment Policy. The Company will announce any such change through a Regulatory Information Service.

Dividend policy

The Company usually pays dividend distributions twice yearly to shareholders. The final dividend in respect of each financial year is subject to a vote by shareholders at the Company's Annual General Meeting. Dividend payments are announced through a Regulatory Information Service. The Annual Report and Accounts, available at <http://www.montanaro.co.uk/our-trusts/european-smaller-companies-trust/overview>, contains details of dividends paid and proposed in respect of the relevant financial year.

ADMINISTRATION AND MANAGEMENT OF THE COMPANY

The Alternative Investment Fund Manager (AIFM)

Montanaro Asset Management Limited ('Montanaro') is the Company's AIFM. Montanaro is a company incorporated in England and Wales. The Directors of the AIFM are Charles Montanaro, Cedric Durant des Aulnois, Mark Rogers, David Gamble (Non-Executive) and Jeremy Grime (Non-Executive).

The Company has entered into a revised management agreement with Montanaro dated 3 July 2014 appointing it to act as AIFM to the Company in accordance with the requirements of the AIFM Directive, which includes the provision of discretionary investment management services and risk oversight and management services in relation to the Company's investment portfolio.

Montanaro's remuneration is based on a fee of 0.90% per annum of the market capitalisation of the Company, calculated monthly in arrears; the fee is reduced by any fees payable to Montanaro in respect of any investments in any other vehicle managed, or in respect of which advice is given, by Montanaro. Montanaro also receives a fee of £50,000 per annum for acting as the AIFM.

Montanaro's staff remuneration policy is available at www.montanaro.co.uk.

The management agreement continues unless or until terminated by either party giving to the other not less than six months' notice in writing or unless otherwise terminated with cause upon immediate written notice from the Company to Montanaro.

The Depositary

The Company appointed BNY Mellon Trust & Depositary (UK) Limited ("BNYMTD") to provide depositary services, under the AIFM Directive, under the terms of a depositary agreement dated 11 July 2014 to which both the Company and the AIFM were parties. Effective 1 August 2018, the role of depositary was transferred from BNYMTD to its parent company, The Bank of New York Mellon (International) Limited ("BoNY"). The Depositary now also acts as the Global Custodian. (Previously this function was delegated to The Bank of New York Mellon SA/NV, London Branch). The services provided by BoNY as depositary for the Company include:

- general oversight responsibilities over the issue and cancellation of the Company's share capital, the carrying out of net asset value calculations, the application of income, and the ex-post review of investment transactions;
- monitoring the Company's cash flows and ensuring that all cash is booked in appropriate accounts in the name of the Company or Montanaro or BoNY acting on behalf of the Company; and
- ensuring that the Company's financial instruments are retained in segregated custody accounts so that they can be clearly identified as belonging to the Company and that sufficient records are maintained for verification of the Company's ownership rights in relation to assets other than financial instruments.

The terms of the depositary agreement provide that, where certain assets of the Company are invested in a country whose laws require certain financial instruments to be held in custody by a local entity and no such entity is able to satisfy the requirements under the AIFM Directive in relation to use of delegates by depositaries, BoNY may still delegate its functions to such a local entity and be fully discharged of all liability for loss of financial instruments of the Company by such local entity. However, this is strictly subject to the prior approval of the Directors and a prior notification to shareholders.

In the event of loss of those assets that constitute financial instruments under the AIFM Directive, the Depositary will be obliged to return to the Company financial instruments of an identical type, or the corresponding amount of money, unless it can demonstrate that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

The Depositary receives a fee for its services of 0.024% per annum in respect of the value of the Company's net assets between £0 and £150 million and 0.015% per annum in respect of the value of the Company's net assets above £150 million, subject to a minimum fee of £20,000 per annum.

The depositary agreement in place with BoNY continues unless and until terminated by either party giving not less than 90 days' notice.

The Depositary's duties are owed to the Company and not directly to investors in the Company, whether individually or in groups. Accordingly, investors may not bring any action or make a claim against the Depositary under the depositary agreement.

The Auditor

The Company's auditor is Ernst & Young LLP. Its Audit Report in respect of the Financial Statements of the Company, and the fees for its services, are set out in the Annual Report and Accounts which are available at <http://www.montanaro.co.uk/our-trusts/european-smaller-companies-trust/overview>.

The Auditor has a statutory responsibility to report to the members of the Company as a whole in relation to the truth and fairness of the Company's state of affairs and profit or loss as well as confirming that the Company accounts have been prepared in accordance with all applicable regulations. The Auditor is also required to report by exception if there are certain matters on which they are not satisfied, including if adequate accounting records have not been kept by the Company or it has not received all the information and explanations required in order to carry out the audit.

The Registrar

Equiniti Group plc is responsible for maintaining the Company's share register, including keeping up to date the names and addresses of shareholders, receiving and recording proxies at the Company's Annual General meeting, and paying dividends on the due date to shareholders on the register in accordance with instructions from the Company. The fees paid to the Registrar are variable.

The Company Secretary

The Company has appointed Link Company Matters Limited and Link Alternative Fund Administrators Limited ("Link") as Company Secretary and Administrator respectively. The fees and expenses paid to Link are set out in the Annual Report and Accounts which are available at <http://www.montanaro.co.uk/our-trusts/european-smaller-companies-trust/overview>.

Link's role includes the preparation of daily net asset values and the Annual Report for the Company and assisting the Company's Board in fulfilling their obligations under the Articles of Association the FCA Listing Rules, the FCA Disclosure Guidance and Transparency Rules, the AIC Code of Corporate Governance and the Companies Act 2006.

SHAREHOLDER INFORMATION

Reports and Accounts

Copies of the Company's latest Annual and Interim Reports may be accessed at <http://www.montanaro.co.uk/our-trusts/european-smaller-companies-trust/overview> or by writing to the Company Secretary, Link Company Matters Limited, 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

Publication of net asset values and share prices

The previous business day's net asset values of the Company are published each business day through a Regulatory Information Service and may also be accessed at www.londonstockexchange.com. The current share price is also published on that website.

Valuation Policy

The Company's Valuation Policy in respect of its investments is contained within the Accounting Policies note in the Annual Report and Accounts.

Historical performance of the Company

Details of the Company's historical financial performance are provided in the Company's Annual Reports and Accounts and monthly factsheets, which are available at <http://www.montanaro.co.uk/our-trusts/european-smaller-companies-trust/overview>.

Investors should note that past performance of the Company is not necessarily indicative of future performance. Investors may not get back the amount invested.

Purchases and sales of shares by investors

The Company's shares are admitted to the Official List of the UKLA and to trading on the main market of the London Stock Exchange. Accordingly, the Company's shares may be purchased and sold on the main market of the London Stock Exchange. The value at which shares trade on the London Stock Exchange may be below (at a "discount" to) or above (at a "premium" to) the net asset value per share of the Company.

The Company's shares are not redeemable. While the Company intends at each Annual General Meeting to obtain shareholder authority to issue and to buy back shares, shareholders do not have the right to have their shares repurchased by the Company.

Fair treatment of investors

The legal and regulatory regime to which the Company, the AIFM and the Directors are subject ensures the fair treatment of investors. The FCA Listing Rules require that the Company treats all shareholders of the same class of shares equally.

In particular, as directors of a company incorporated in the United Kingdom, the Directors have certain statutory duties under the Companies Act 2006 with which they must comply. These include a duty upon each Director to act in the way she or he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

No investor has a right to obtain preferential treatment in relation to their investment in the Company and the Company does not give preferential treatment to any investors.

The Shares rank Pari Passu.

RISK FACTORS AND RISK MANAGEMENT

Risk profile

The Company's key risks and the procedures in place for the management of its risks are set out in the Annual Report and Accounts under the heading "Principal Risks and Risk Mitigation" within the Business Model and Strategy and under the heading "Internal Control" within the Report of the Audit Committee.

The Company reports in its Interim Report and Accounts whether the key risks have changed since the year end.

Liquidity risk management

The Company's investment portfolio includes investments in quoted smaller companies and there may be times when the liquidity of the underlying portfolio is poor. This may result in the Company being unable to quickly sell individual holdings within the portfolio in order to meet its liquidity requirements.

The AIFM and the Directors have in place a liquidity management policy in relation to the Company which is intended to ensure that the Company's investment portfolio maintains a level of liquidity which is appropriate to its obligations in respect of investment transactions, share buybacks, loan repayments, dividend payments and other operating costs.

Details of the Company's investment portfolio are contained within the Annual Report and Accounts.

A list of pre-approved counterparties, selected on strict criteria, is maintained by the AIFM.

Investors will be notified by way of a disclosure on Montanaro's website in the event of any material changes being made to the liquidity management systems and procedures, or where any new arrangements for managing the Company's liquidity are introduced.

Professional negligence liability risks

The AIFM is covered under the professional indemnity insurance maintained by Montanaro Asset Management Limited as part of its comprehensive insurance coverage. This is a worldwide policy appropriate to the risks covered.