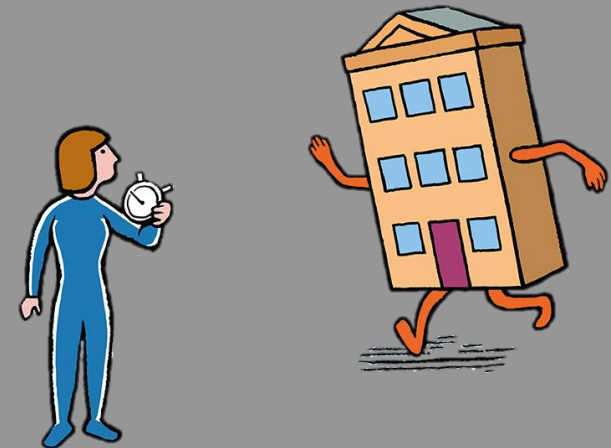


MONTANARO

ASSET MANAGEMENT

UK Smaller Companies Investment Trust PLC “MUSCIT”



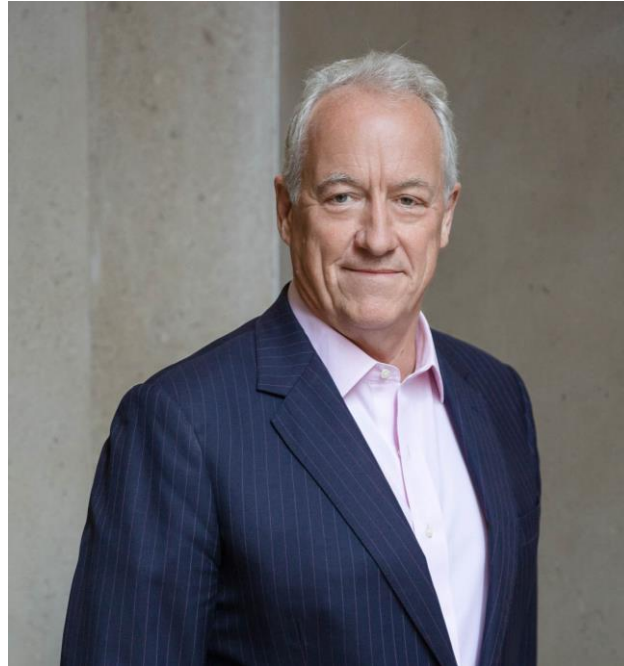
AGM

Wednesday 23rd July 2025 at 10 a.m.

This is a marketing communication

Montanaro Asset Management Ltd
53 Threadneedle Street, London EC2R 8AR

A very warm welcome



Charles MONTANARO

Manager of MUSCIT
Founder of Montanaro AM

The past year has not been boring ...

Do Western Powers Risk Putting Nato at War With Russia?

From London, with love.
by Ash Sarkar
13 September 2024



Karl Starmer and David Lammy fly to the US for talks with Joe Biden. Stefan Rousseau/Reuters

Faisal Islam: No tax rises and no return to austerity but will it last?



GETTY IMAGES

Source: Google News.

Investment trust research and insight / Saba requisitions Seven Investment Trusts

US hedge fund Saba Capital has published an open letter to the shareholders of seven investment trusts. Aidan Moyle, Investment Analyst, explains what this means for investors.

US hedge fund Saba Capital has published an open letter to the shareholders of seven investment trusts. The letter calls for shareholders to vote on the suitability of the trusts' current boards of directors, which Saba believes have not adequately held their investment trust managers to account over the wide share price discounts seen in recent months or shareholder returns.

The seven trusts for which Saba has requisitioned general meetings are:

- [Baillie Gifford US Growth Trust](#)
- [CQS Natural Resources Growth & Income](#)
- [Edinburgh Worldwide Investment Trust](#)
- [Henderson Opportunities Trust](#)
- [Herald Investment Trust](#)
- [Keystone Positive Change Investment Trust](#)
- [The European Smaller Companies Trust](#)

SABA CAPITAL | 05 MAR, 2025

Montanaro UK Smaller Companies fends off Saba with big buyback

The UK smaller companies trust's first buyback in 17 years is understood to have sparked an exit for Saba Capital.



BY DANIELLE LEVY

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ORIGINAL THINKING

Montanaro UK Smaller Companies ([MTU](#)) has bought back 20m shares in a bid to fend off US activist investor Saba Capital.

The buyback equates to around 12% of the share capital, which matches Saba's last disclosed stake in the £145m UK smaller companies trust. Analysts at Deutsche Numis suspect the buyback has enabled Saba's exit.

US goods imports tumble 20% in April as Donald Trump's tariffs disrupt trade

President's sweeping levies have increased cost of foreign goods



The drop in imports of goods is the largest in Census Bureau data dating back to 1992 and marks a stark turnaround from March, before 'liberation day' tariffs were announced © AFP/Getty Images

Trump news at a glance: Tariffs send US markets tumbling to worst day since Covid crash

Dow, S&P and Nasdaq among markets feeling share price pain while Trump insists 'markets are going to boom'. The key US politics stories from 3 April



Wall Street trader reacts as Trump tariffs send global markets tumbling. Photograph: Seth Wenig/AP

Update on Montanaro

Founded in

1991

AUM

c.£3bn

Team

37

Independent owner
managed boutiqueExclusive focus on
SMidCap“Quality Growth”
investorsOne of the largest
specialist teamsFamily
culture

Updates:

- Introduction of an Employee Benefit Trust (EBT) at the start of 2025
- Modest outflows (partially offset by inflows in the European products)

Our investment approach comes from Warren Buffett

“Keep it simple”

‘We just try to buy businesses with good-to-superb underlying economics run by honest and able people and buy them at sensible prices... companies with strong histories of profitability and a dominant business franchise’

Market timing is a waste of time

‘Stop trying to predict the direction of the stock market... We do not have, never have had and never will have an opinion about where the stock market, interest rates or business activity will be a year from now’

Never compromise on Quality

‘Never invest in a business you cannot understand. It’s far better to buy a wonderful company at a fair price than a fair company at a wonderful price’

Valuation matters - but you get what you pay for in life

“The critical factor is determining the intrinsic value of a business and paying a fair or bargain price. Valuing a business is part art and part science. I buy expensive suits they just look cheap on me’

Invest for the long-term and try to avoid disasters

‘Only buy something that you’d be perfectly happy to hold if the market shut down for 10 years. Our favourite holding period is forever. An investor needs to do a very few things right as long as he or she avoids the big mistakes’

What makes a classic “Montanaro” company?

A simple business we can understand

niche, established, focused, market leader, seen different cycles

In control of its own destiny

recurring revenues, pricing power, IP, high R & D and USPs

Predictable

must have products / services, no customer concentration

Low risk

profitable, high barriers to entry, strong balance sheet

Target 10% p.a. earnings per share growth

Organic self-funded growth, structurally growing market

Sensible valuation - "GARP"

valuation matters, don't overpay, have a margin of safety

High returns

good returns on capital and strong free cashflow

Highly profitable

double digit and increasing operating margins

A “Hidden Gem”

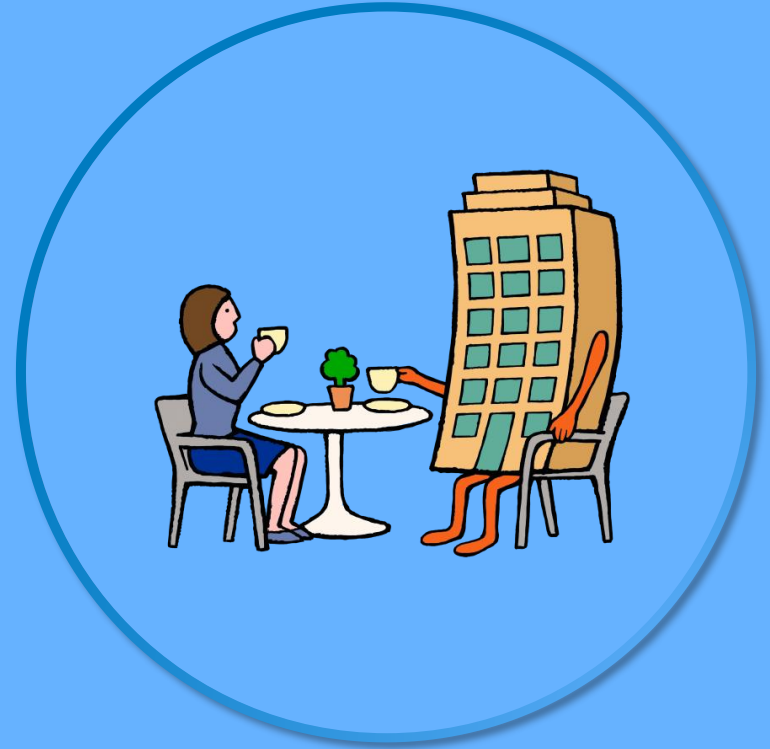
under researched and overlooked giving us an edge

Exceptional management

open and passionate teams with a strong ESG culture

We are “Quality Growth” investors looking for the “Best of the Best”

MUSCIT



MUSCIT

1	Objective:	Capital growth above the Benchmark: the Deutsche Numis Smaller Companies (ex-IC) index (NSCI)
2	Strategy:	Investing in quoted UK SmallCap (incl. AIM)
3	Fund Manager:	Charles Montanaro (Back-Up Adam Montanaro)
4	Style:	“Quality Growth”
5	Holdings:	Target 40 - 50
6	Size:	£150 million (Net Assets)
7	Charges:	FY25 Ongoing Charge: 0.9% (Management Fee: 0.5% p.a.) *
8	Dividends:	1.5% of NAV each quarter (March, June, September, December)

Source: Internal.

* The Ongoing Charge excludes Finance Costs. The AMC is based on Net Assets.

FY25 Share Price return of +1.1% vs -0.4% for the NSCI + AIM *

FY 2025

Performance in GBP (Total Returns)

FY Mar 2025

MUSCIT - NAV	-6.9%
MUSCIT – Share Price	+1.1%
Numis Smaller Companies (ex-IC) Index (Benchmark)	+2.3%
Numis Smaller Companies (ex-IC) + AIM Index	-0.4%



Source: Internal.

* Note that the Benchmark is the Numis Smaller Companies (ex-IC) excluding AIM. The NSCI + AIM Index is shown for comparison only.

Top 20 holdings – some of “*The Best of the Best*” *

Company	%
DISCOVERIE	5.4%
XPS PENSIONS	5.0%
BIG YELLOW	4.9%
HILTON FOOD	4.6%
TELECOM PLUS	4.0%
BALTIC CLASSIFIEDS	4.0%
PORVAIR	3.8%
4IMPRINT	3.7%
BYTES TECHNOLOGY	3.6%
JTC	3.6%
Top 10	42.7%

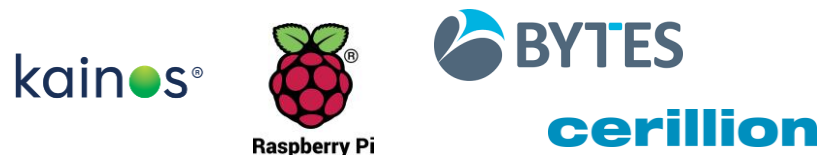
Company	%
M P EVANS	3.3%
CRANSWICK	3.2%
BLOOMSBURY PUBLISHING	2.9%
GAMMA COMMUNICATIONS	2.8%
GAMES WORKSHOP	2.8%
CERILLION	2.5%
INTEGRAFIN HOLDINGS	2.5%
WATCHES OF SWITZERLAND	2.5%
NCC	2.4%
MARSHALLS	2.4%
Top 11 - 20	27.5%

Source: Internal.

* Based on Montanaro's own definition of what constitutes a high quality business.

We think about investment themes

Digital revolution



Financial innovation



Health & well-being



Consumer lifestyle



Smart industry



Sustainable infrastructure



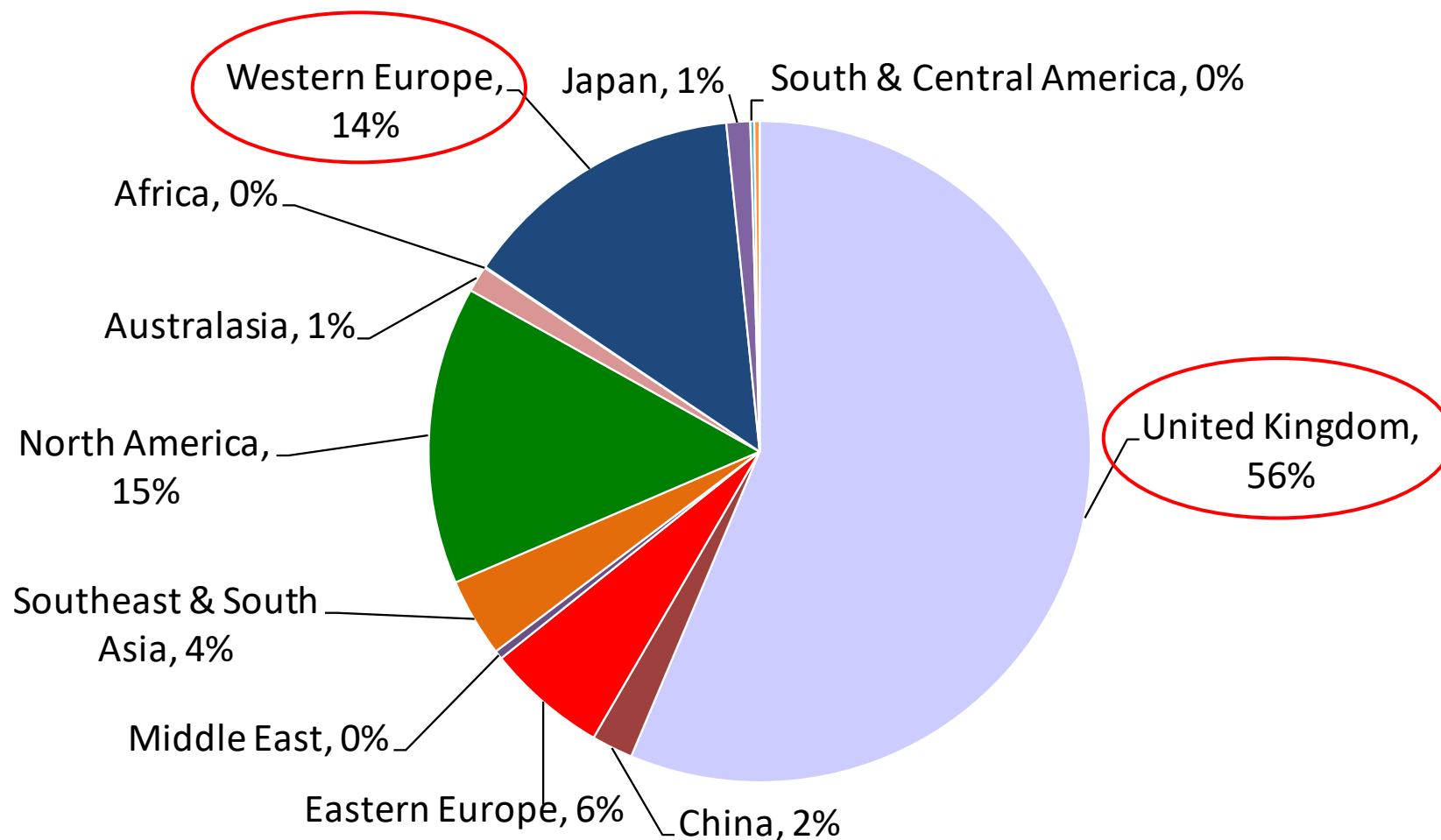
A Quality portfolio: 55% of companies have net cash

Portfolio Characteristics		
	MUSCIT	Numis SmallCap (ex-IC) Index
# Stocks	40	330
Weighted Market Cap (£bn)	1.1	1.0
EBIT Margin (25e)	22%	19%
RoE (25e)	20%	15%
% Companies with Net Cash (25e)	55%	20%

A quality portfolio that has consistently delivered

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025e	Ave 2015-24
Revenue Growth	11%	11%	14%	11%	9%	4%	21%	16%	8%	5%	7%	11%
10Y EPS Growth (Trail.)	n/a	11%	11%	11%	11%	12%	12%	13%	12%	12%	n/a	12%
EBIT Margin	20%	19%	16%	16%	16%	17%	18%	20%	21%	21%	22%	18%
RoE	17%	18%	18%	16%	17%	15%	20%	24%	25%	20%	20%	19%
Net Gearing	n/a	9%	17%	38%	10%	-1%	-2%	-8%	3%	-5%	-11%	7%
% Companies with Net Cash	36%	46%	47%	43%	42%	49%	51%	49%	51%	50%	55%	47%

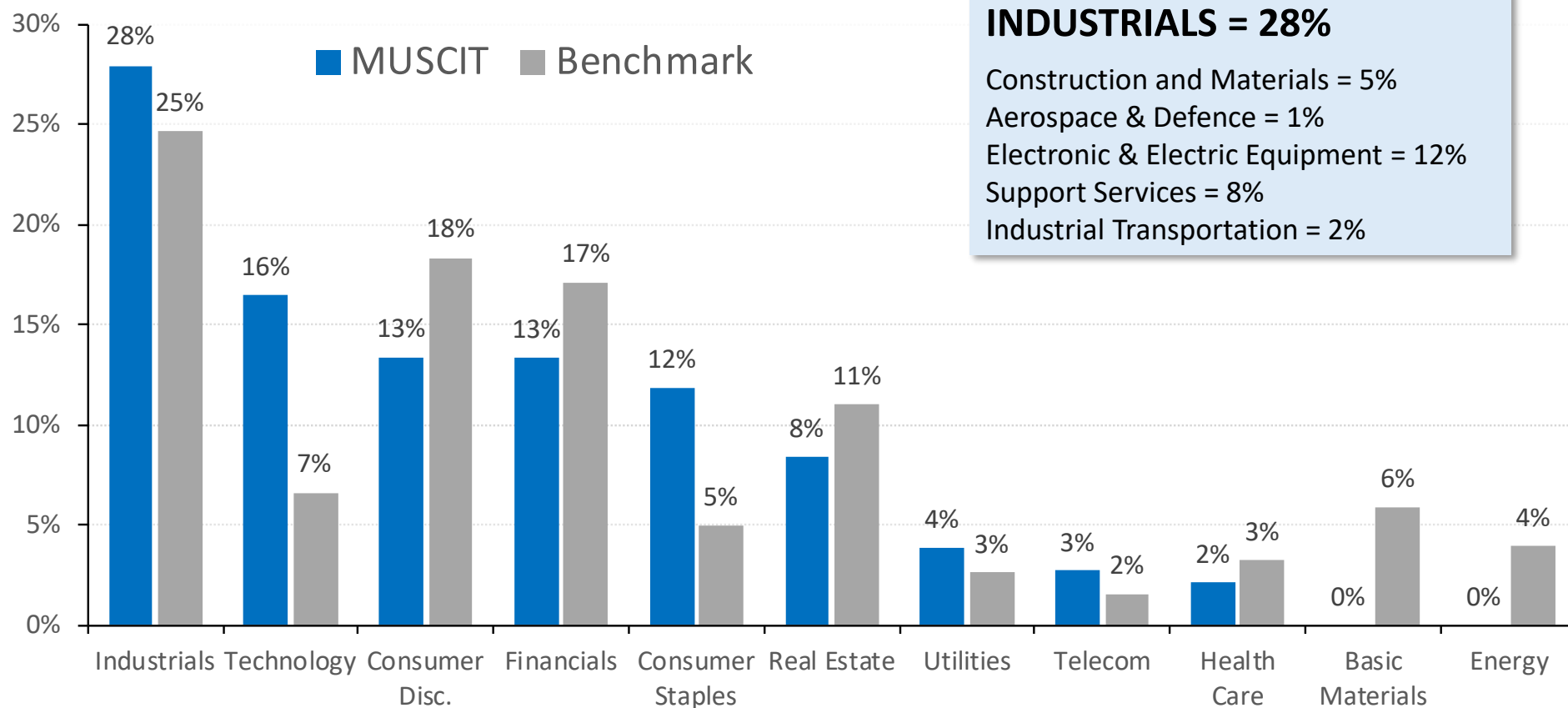
Over 70% of sales go to Europe



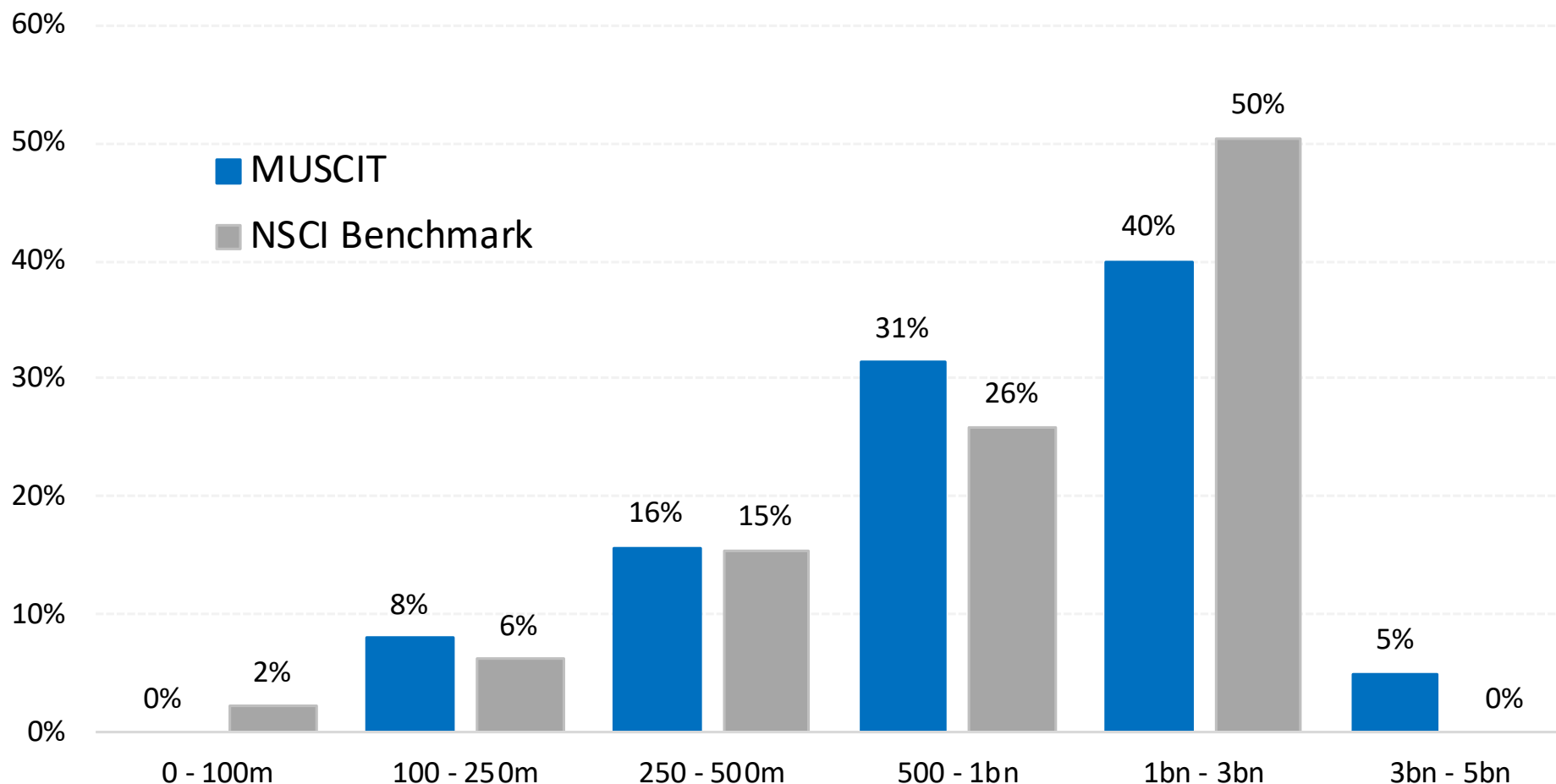
Source: Internal, Bloomberg.

Note: The Country weightings may not add up to 100% due to the presence of Cash.

Overweight growth sectors such as Technology



Size - a UK SmallCap portfolio



Source: Internal, Bloomberg. The Benchmark is the Numis Smaller Companies Index (ex-IC).

Note: Weightings may not add up to 100% due to the presence of Cash.

The smallest Market Cap is Tracsis (£110 million)

Over 6% dividend - paid as you wait for capital growth

1.5% of NAV each Quarter (6% p.a.)
from December 2024

Paid from income and capital

Natural portfolio yield = c. 3%
balance from reserves

**No need to sell investments
to pay the dividend**

Gearing facility of £30 million available

Dividends paid out:

February
August

May
November

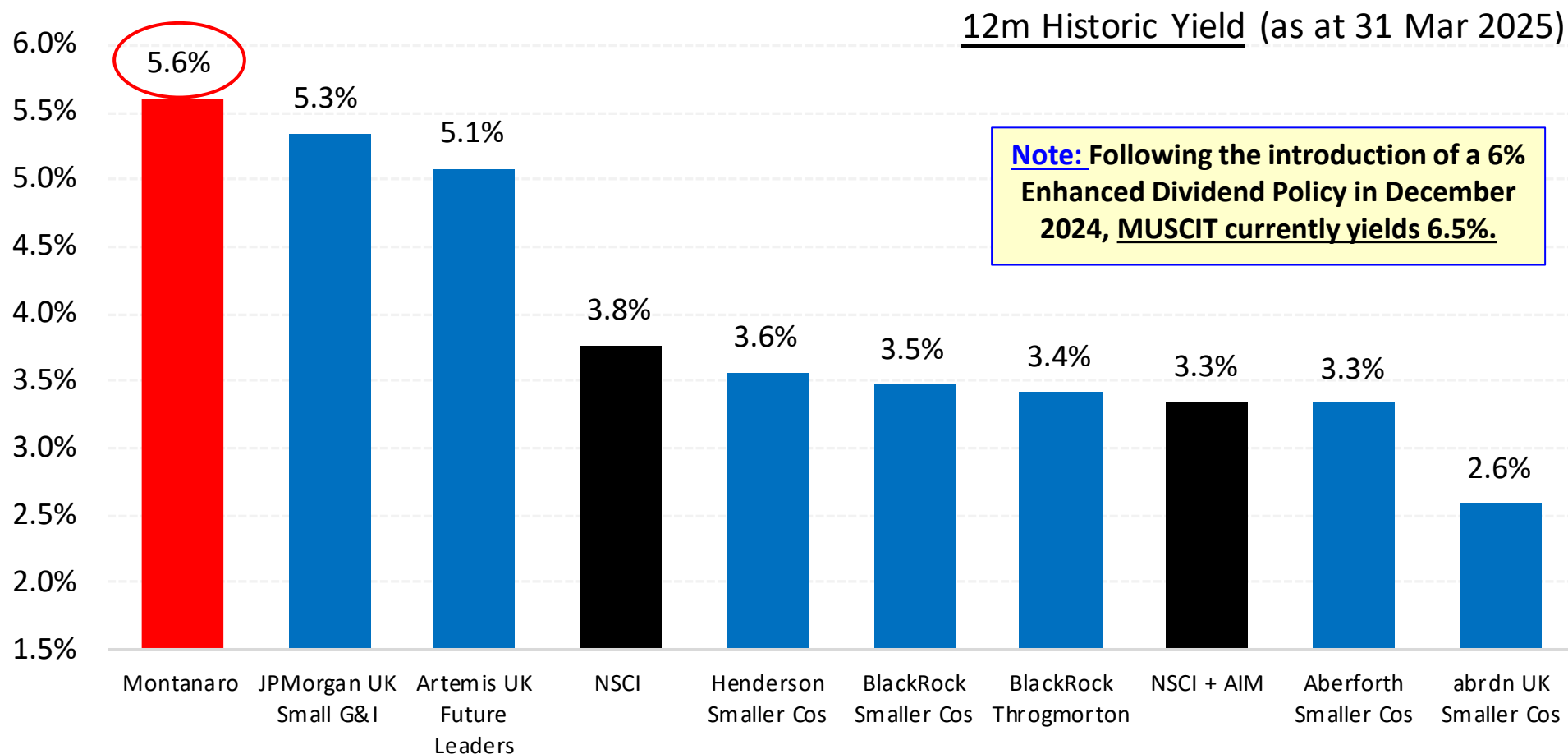
**Sufficient capital reserves for
over 28 years**

(assuming no growth in capital or income)

MUSCIT is a growth trust

investment strategy has never changed

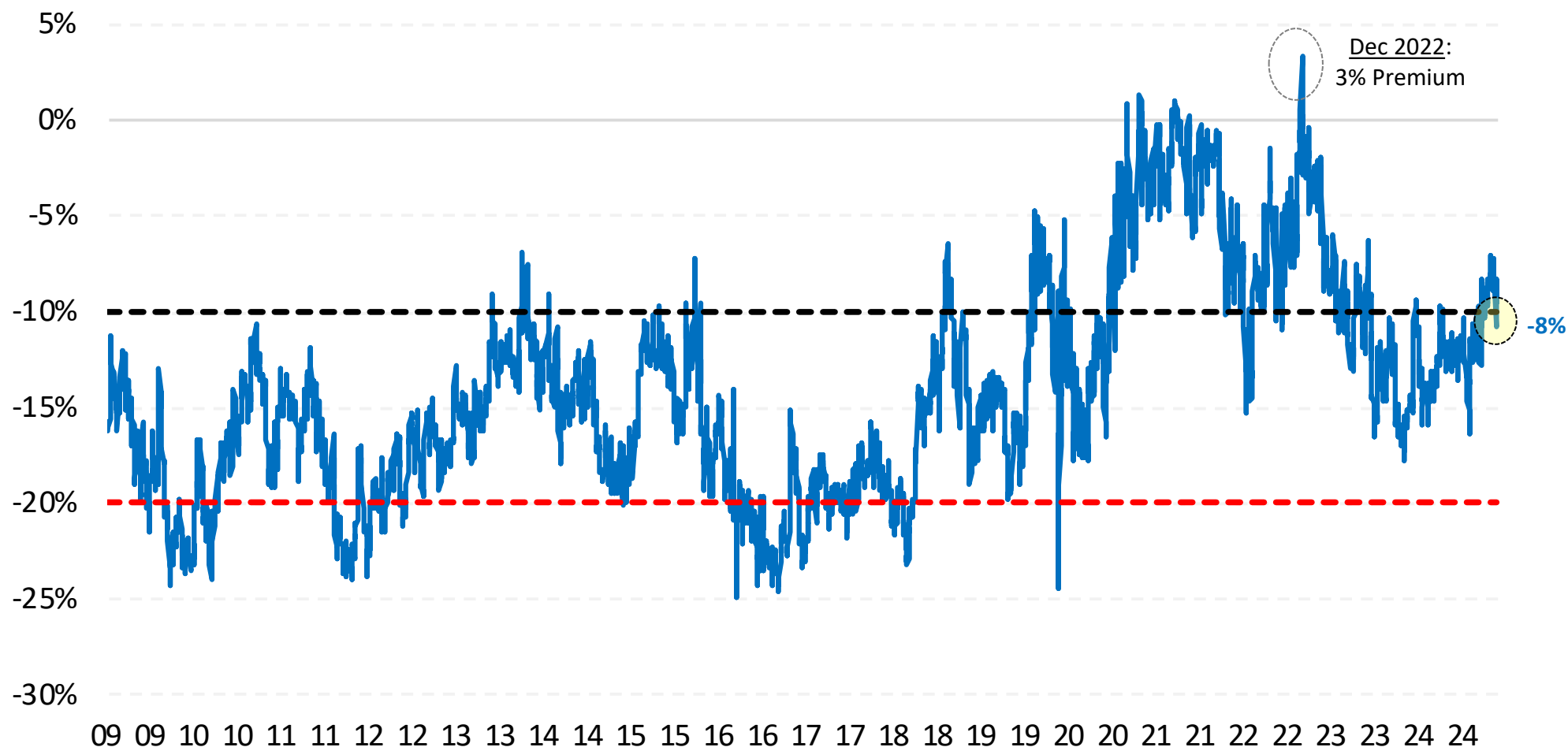
The highest dividend income within our peer group



Source: Numis, Internal.

The Peer group is composed of all comparable UK SmallCap investment Trusts. MicroCap trusts are excluded.

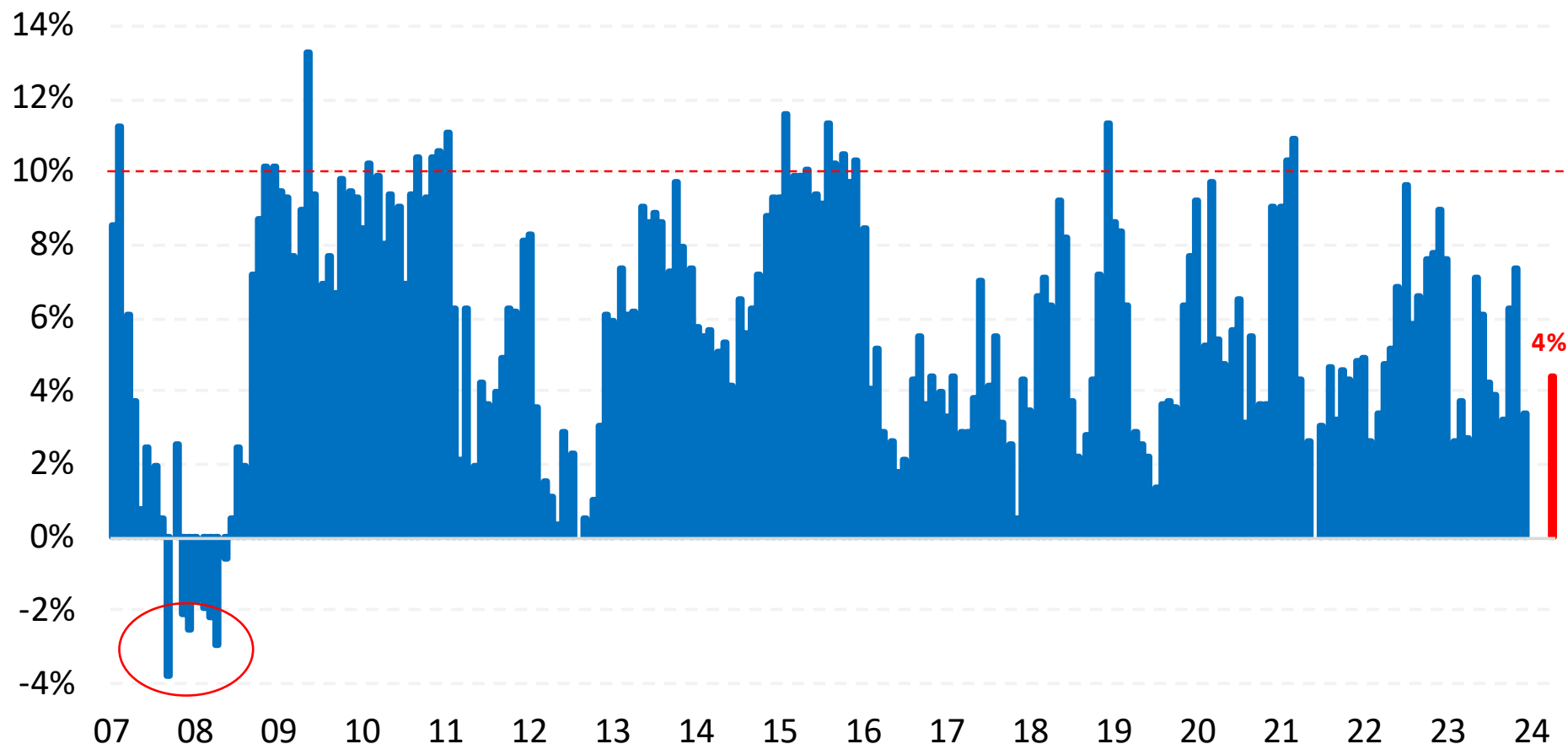
A discount of 8% is the lowest within the peer group



Source: Internal, Bloomberg. As at 31 March 2025. * Peer discounts as at 31 March 2025: Abridn UK Smaller = 10%; Henderson Smaller = 11%; Blackrock Throgmorton = 11%; JP Morgan UK Small Growth & Income = 11%; Blackrock Smaller = 12%; Aberforth Smaller = 12%; Artemis Smaller = 17%; Rights & Issues = 19%.

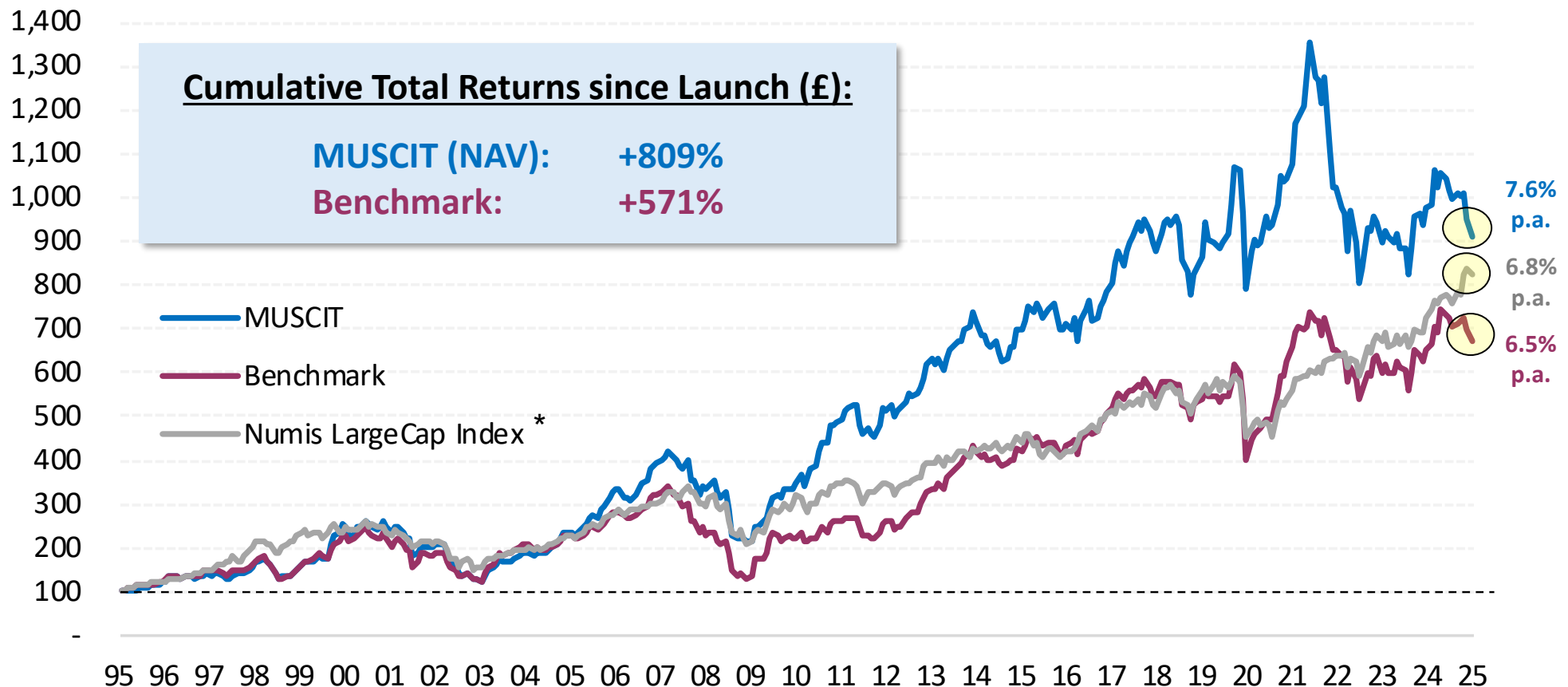
Gearing currently 4% (aiming to increase)

MUSCIT - Net Gearing History



Over 30 years MUSCIT has outperformed by 1.1% p.a.

Cumulative NAV Total Returns since MUSCIT launch (TR in GBP)

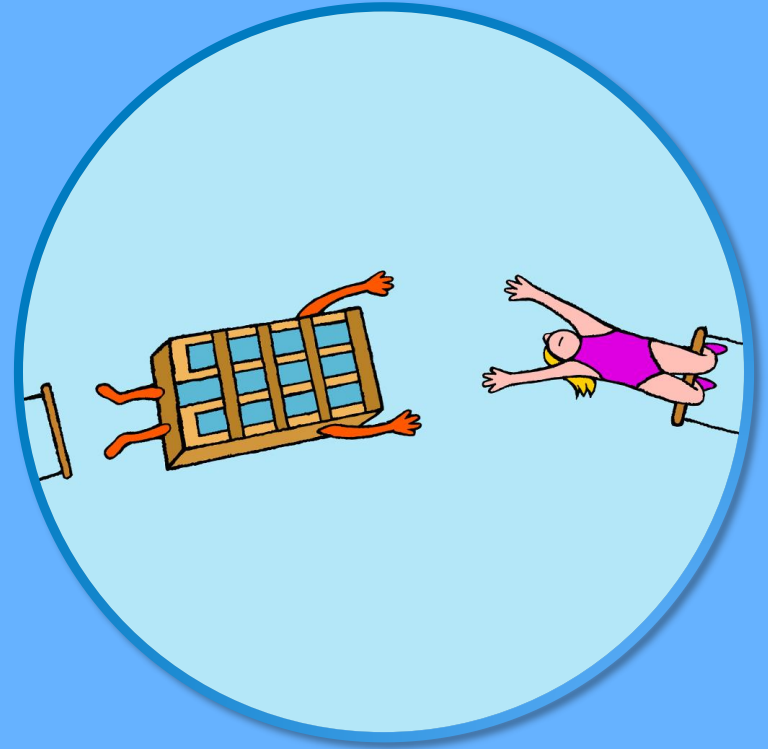


Source: Internal, Bloomberg.

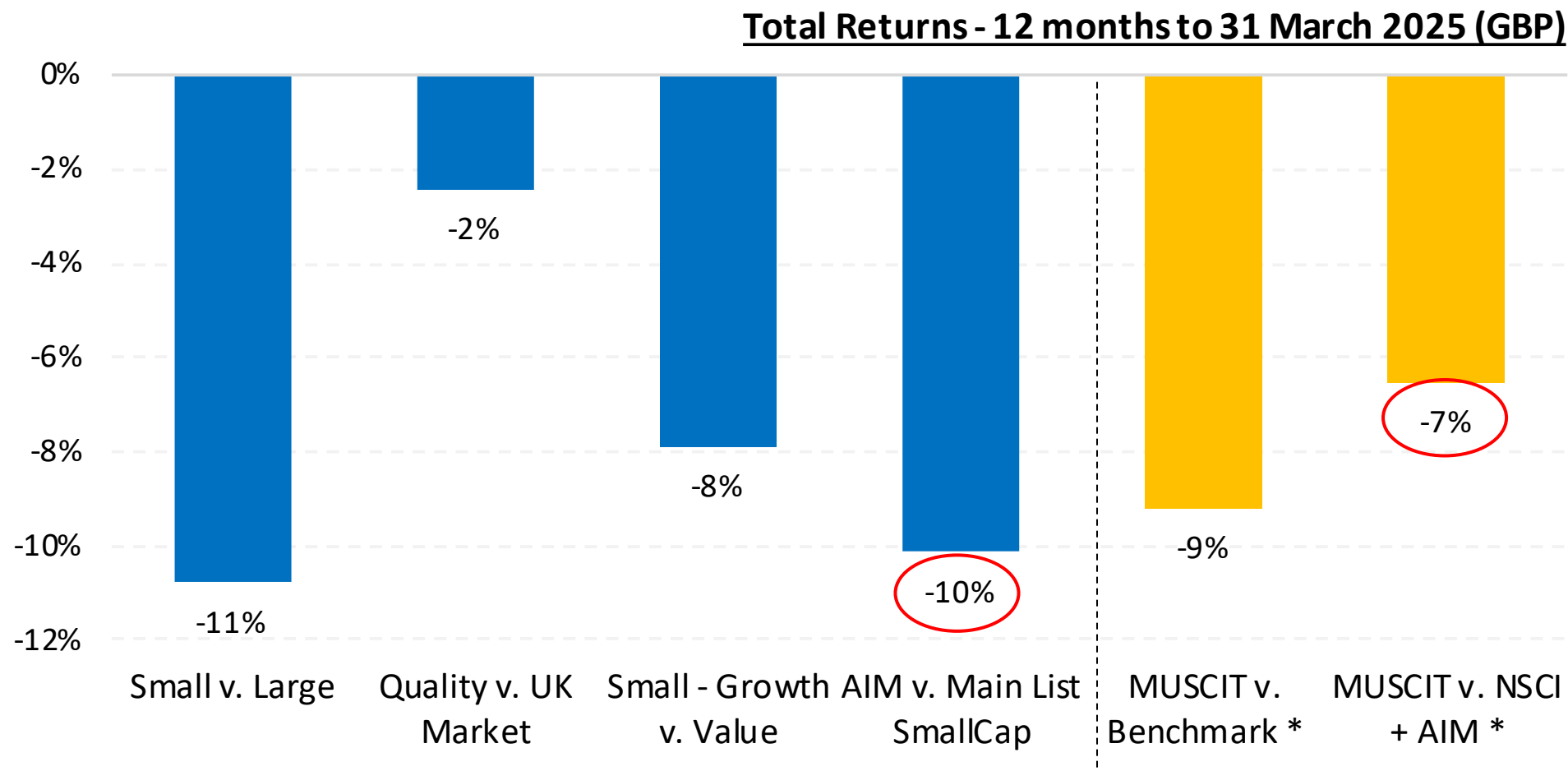
Benchmark: Composite of the FTSE Small Cap (ex-ICs) until 1 April 2013 and the Deutsche Numis Smaller Companies (ex-ICs) since then.

* The Numis LargeCap Index is shown for illustration purposes only.

Outlook

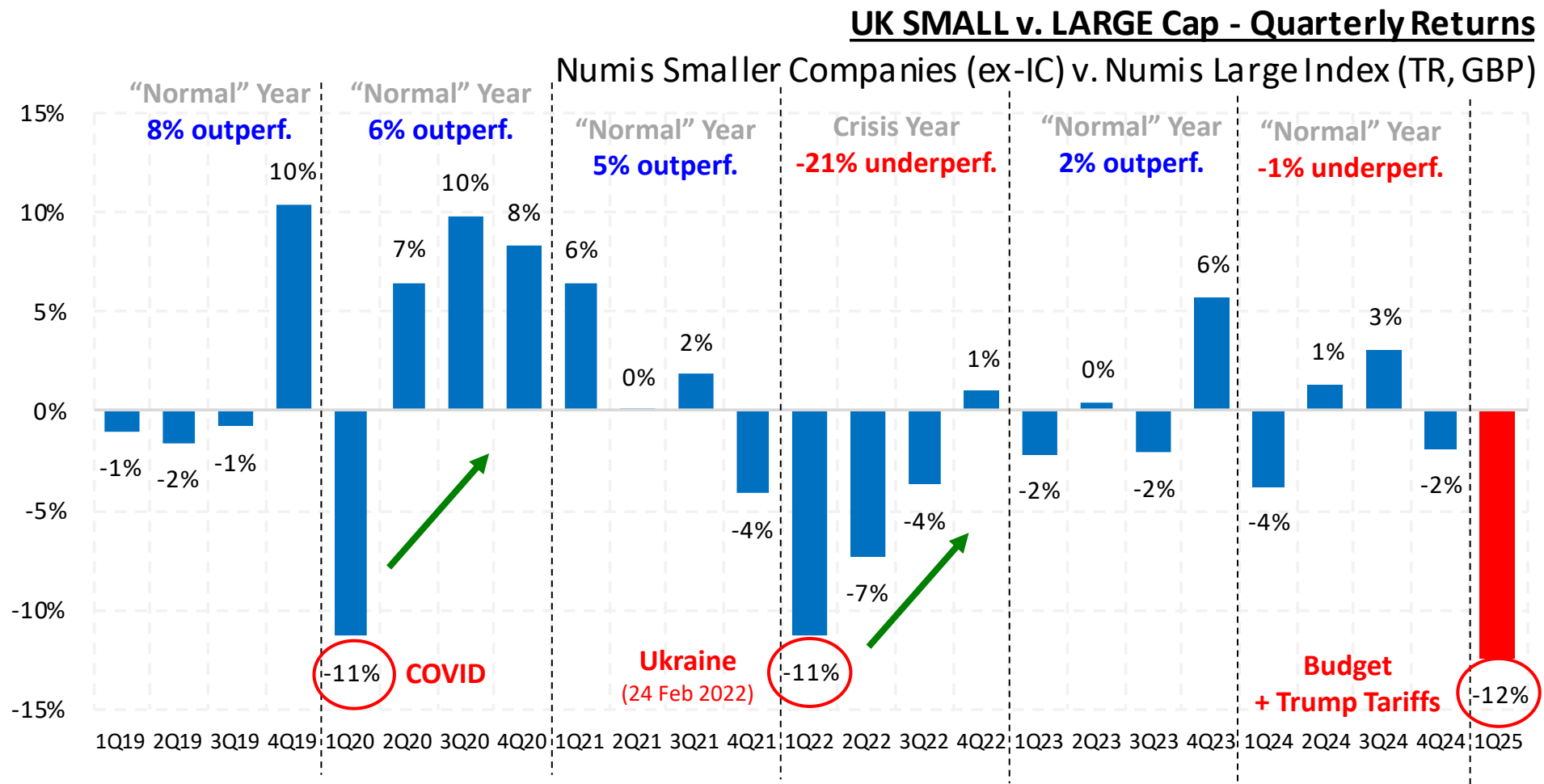


MUSCIT's returns are impacted by four key factors



Source: Internal, Numis. * The Benchmark is the NSCI (Numis Smaller Companies ex-Investment Companies Index). The NSCI + AIM is used for comparison purposes only. Notes: Quality v. UK Market = MSCI UK Quality v. MSCI UK Index; Small v. Large = Numis Smaller Companies (ex-IC) v. Numis Large Cap index; Small - Growth v. Value = Numis Small Cap Growth v. Value indices. AIM v. Main List SmallCap = Numis Alt Markets Index v. Numis Smaller Companies (ex-IC) index.

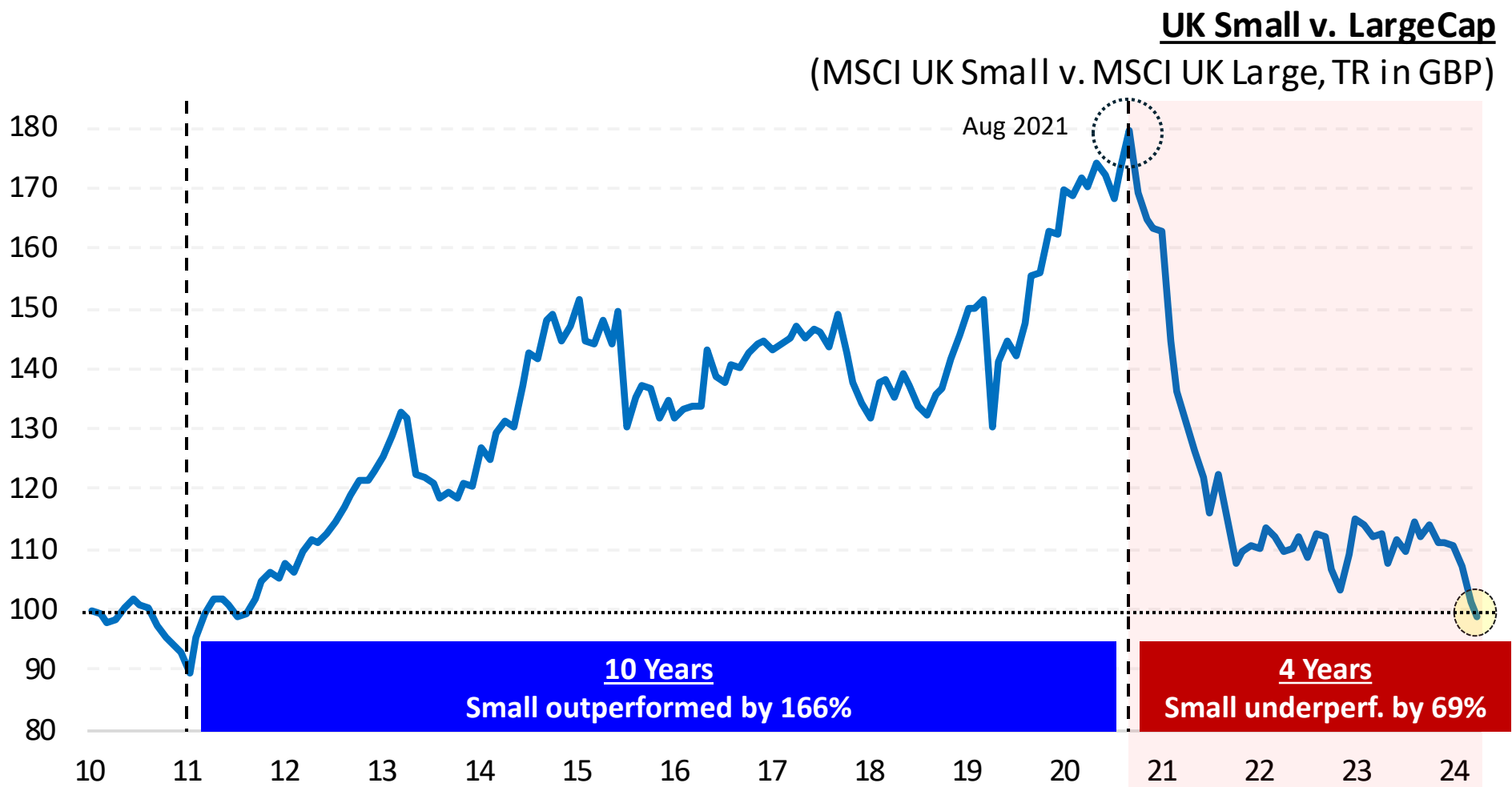
Q1: 2nd worst for UK SmallCap v LargeCap this century



Source: Internal, Numis.

Note: the worst quarter relative was 4Q08 (-12.9%).

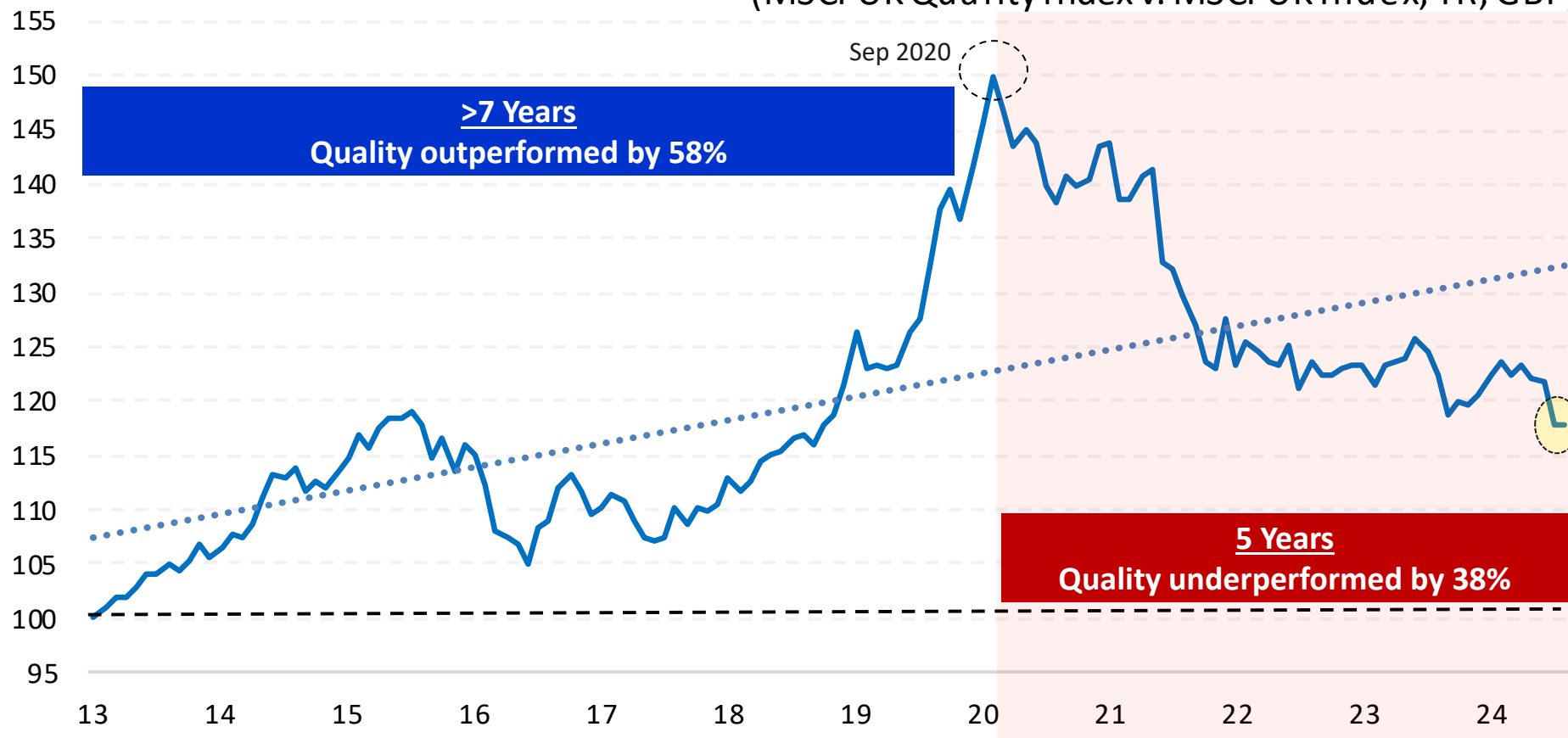
UK SmallCap has *underperformed* LargeCap by 69% since 2021



Quality has *underperformed* by 38% over the past 5 years

UK QUALITY v. Market - Relative Performance (rebased)

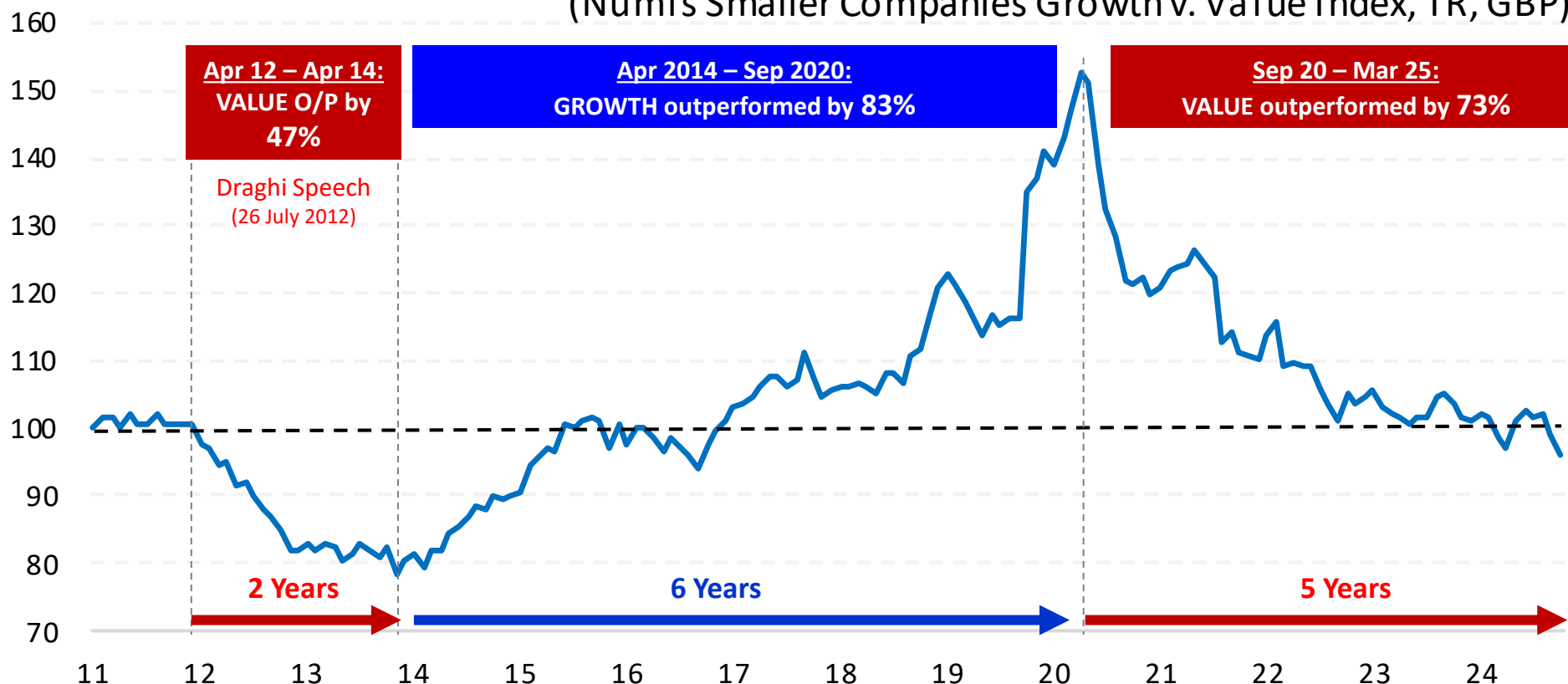
(MSCI UK Quality index v. MSCI UK Index, TR, GBP)



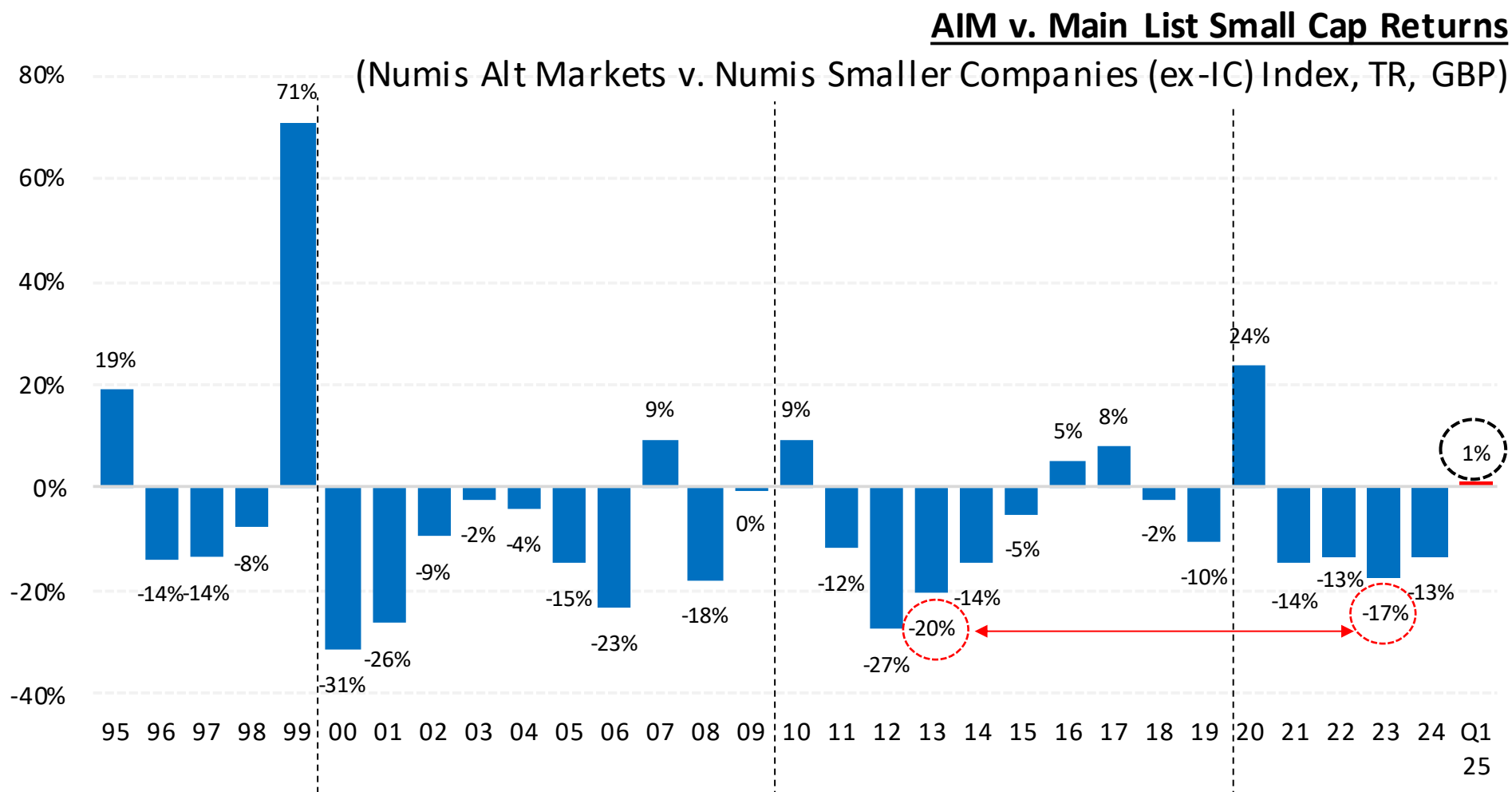
... and Growth has *underperformed* Value by 73%

UK SmallCap GROWTH v. VALUE - Relative Performance (rebased)

(Numis Smaller Companies Growth v. Value Index, TR, GBP)

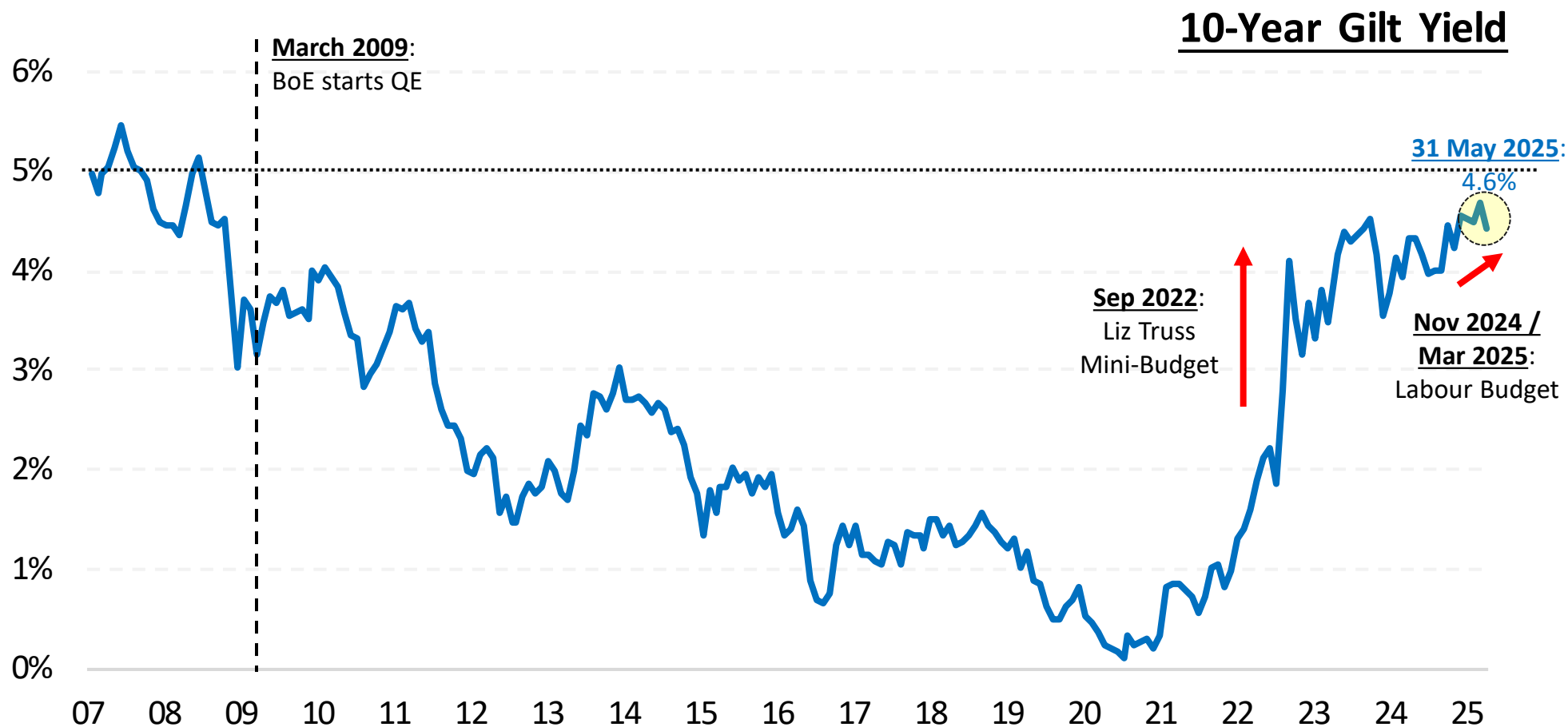


A.I.M. has *underperformed* for several years

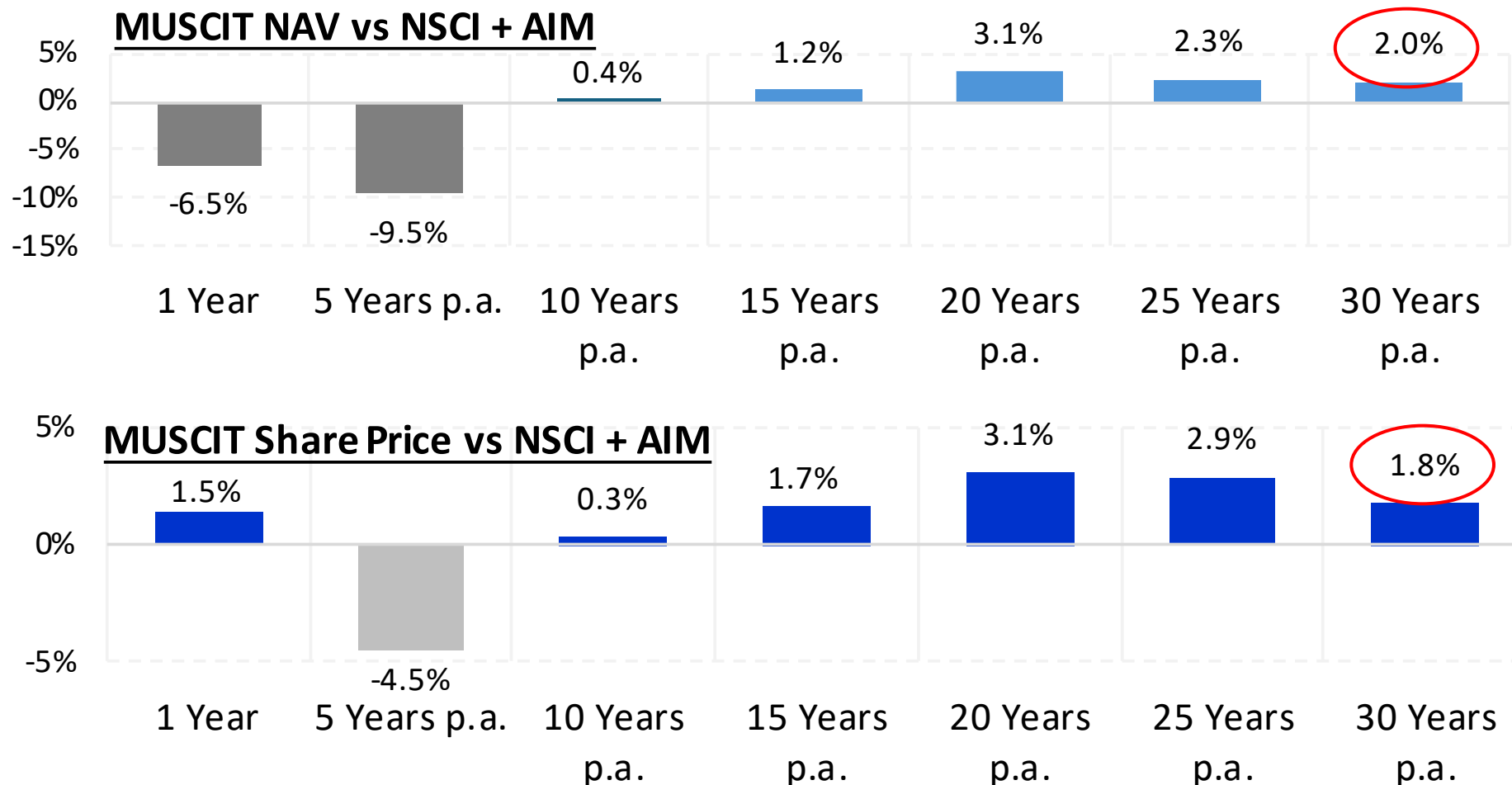


Source: Internal, Numis.

Rising interest rates have not been helpful



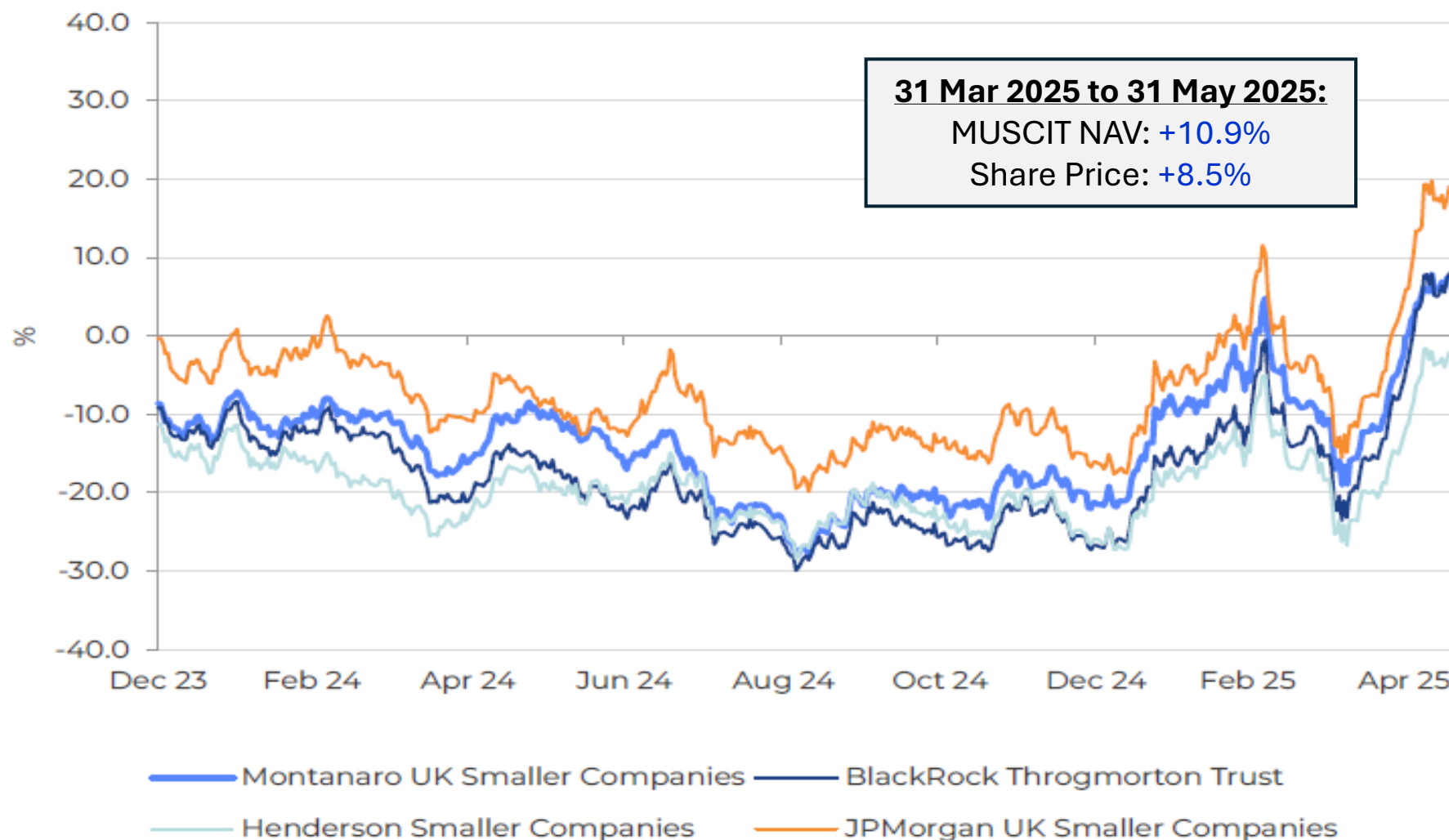
These extreme headwinds have hurt returns recently



We have done ok vs our peers (third over 3 years)

<i>(Share Price Returns to 31 Mar 2025, GBP)</i>	3m	6m	1y	3y	5y	10y
Aberforth Smaller Cos	6	6	4	1	1	5
abrdn UK Smaller Companies Growth	3	1	1	4	7	3
Artemis UK Future Leaders	8	8	8	8	8	7
BlackRock Smaller Cos	7	7	6	6	3	4
BlackRock Throgmorton Trust	5	3	7	7	6	2
Henderson Smaller Companies	2	4	3	5	4	6
JPMorgan UK Small Cap Growth & Income	1	5	2	2	2	1
Montanaro UK SmCos	4	2	5	3	5	8

MUSCIT has seen a strong bounce in the past 2 months

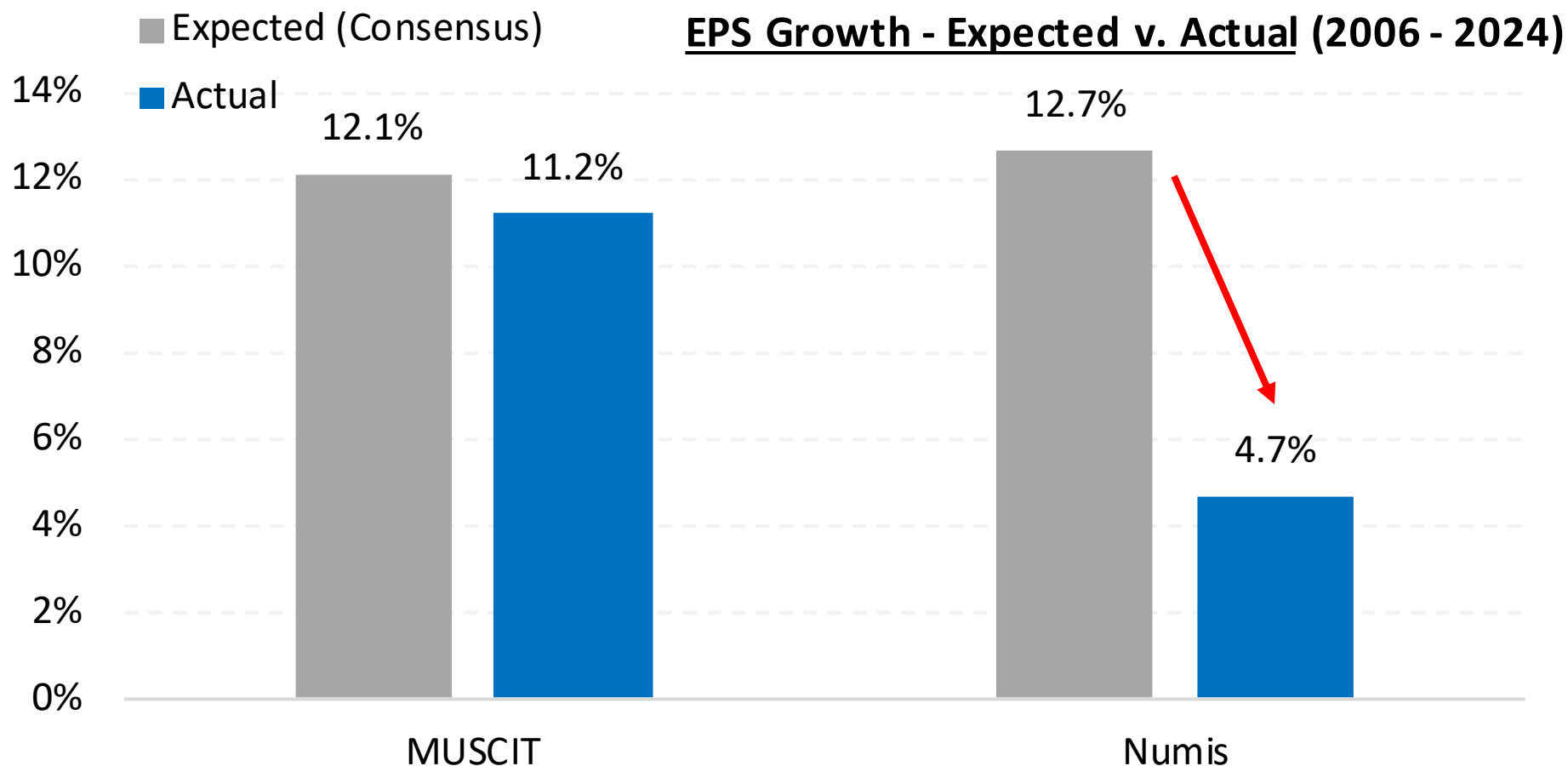


Earnings forecasts and valuations look attractive

Growth (2025e)		
	MUSCIT	Numis SmallCap (ex-IC) Index
Sales Growth	7.3%	6.9%
EPS Growth	12.6%	6.1%

Valuation (2025e)		
	MUSCIT	Numis SmallCap (ex-IC) Index
P/E	14.9	10.5
Portfolio Yield	3.4%	4.1%

It is worth paying a premium for greater certainty



Source: Internal, Factset.

Note: The Deutsche Numis Smaller Companies (ex-IC) index became the official benchmark on 1 April 2013.

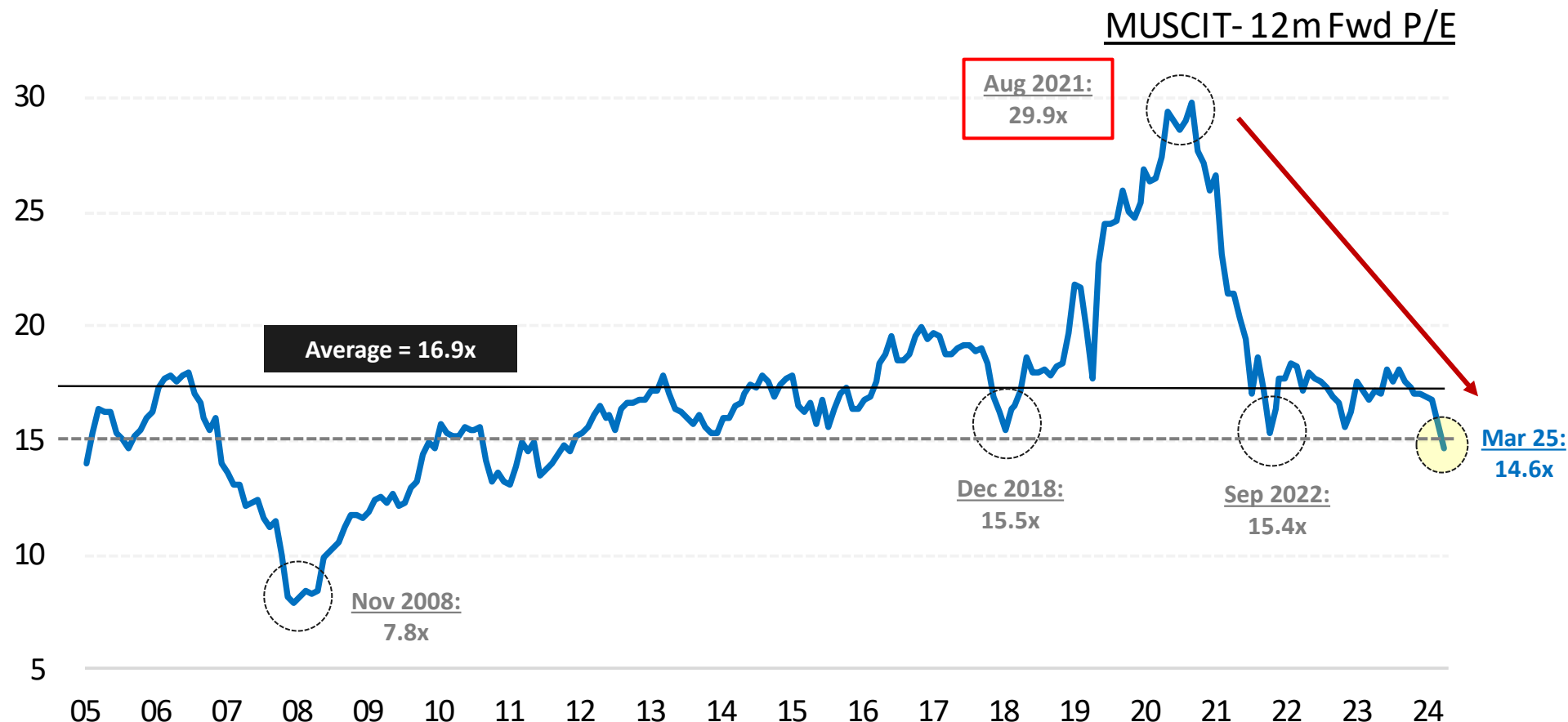
MUSCIT is at the smallest P/E premium in 8 years ...



Source: Internal, Deutsche Numis, Factset.

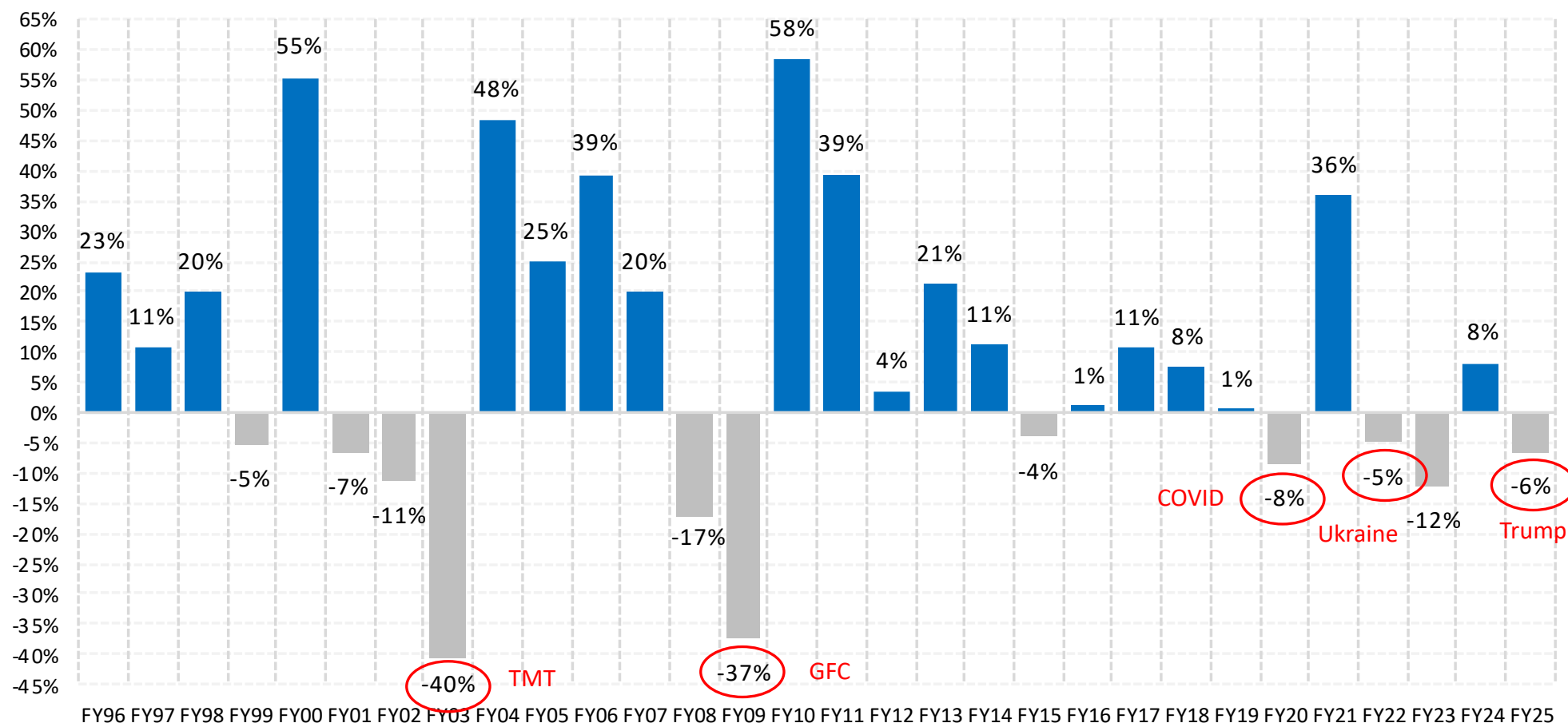
Note: MUSCIT P/E is relative to the Benchmark, the Deutsche Numis Smaller Companies ex-IC Index,

... and is valued at the lowest P/E in over a decade



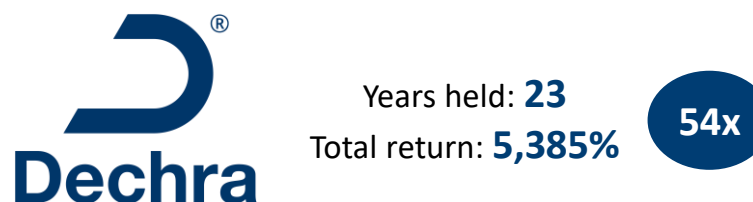
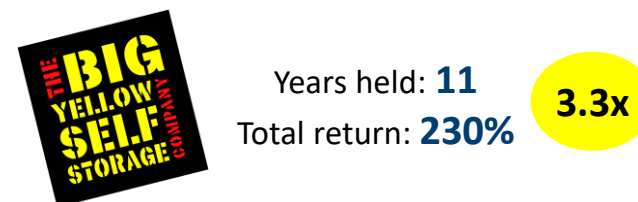
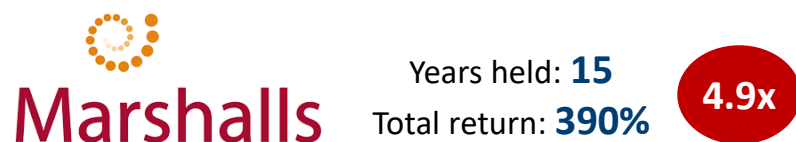
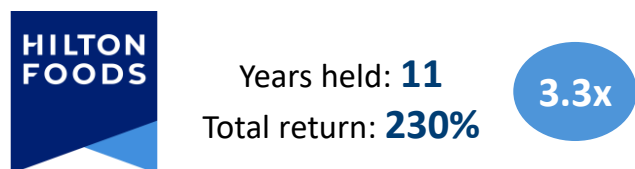
Easy to forget that we have seen some good times too!

MUSCIT - Financial Year NAV Returns (TR, GBP)



Source: Internal, Numis.

Some of our hidden gems



Recent developments

FY 2025

- SABA no longer an investor
- New Buy Back policy announced aiming to keep discounts in single digits
- MUSCIT had a strong April and May:

31 Mar 2025 to 31 May 2025:

MUSCIT NAV: +10.9%

Share Price: +8.5%

- in line with benchmark *
- UK SmallCap outperformed by 8% ** - YES: **OUTPERFORMED!!!!**

Source: Internal.

* Deutsche Numis Smaller Companies (ex-IC) Index: +10.9%.

** Deutsche Numis Smaller Companies (ex-IC) v. Numis Large Cap Index.

Why invest in MUSCIT?



30-year track record

NAV outperformed by 1.1% p.a.



Experienced Manager

with one of the largest specialist SmallCap teams in Europe



Discount Opportunity

8% discount vs a 3% premium at end of 2022



Interests firmly aligned
our biggest investment



Good timing

UK SmallCap has rarely been so attractive. Headwinds ending?



Over 6.5% annual income
(based on current discount)
among the **top 10 trusts** for yield

Disclaimer

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