

Montanaro European Income Fund (£)

30 August 2019

Open Ended

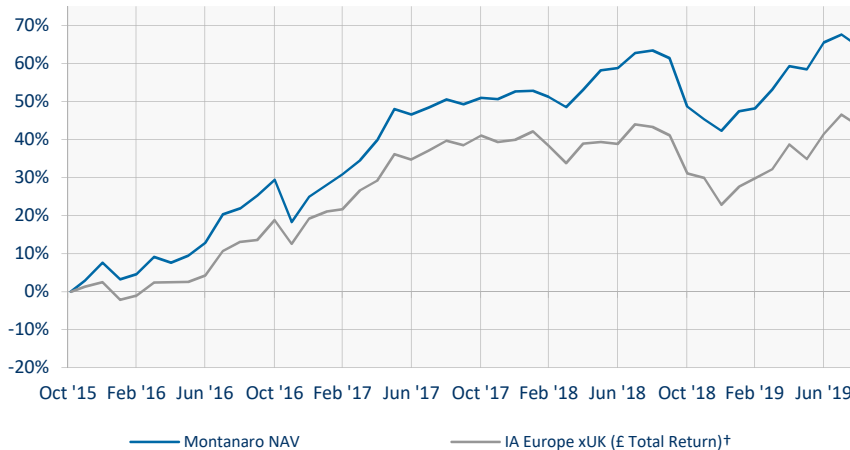
Fund Objective

Capital growth and income. The Fund will invest primarily in Small and MidCap companies quoted in the EU (excluding the UK), Iceland, Norway and Switzerland that offer an attractive dividend yield or the potential for dividend growth. No unquoted investments are permitted.

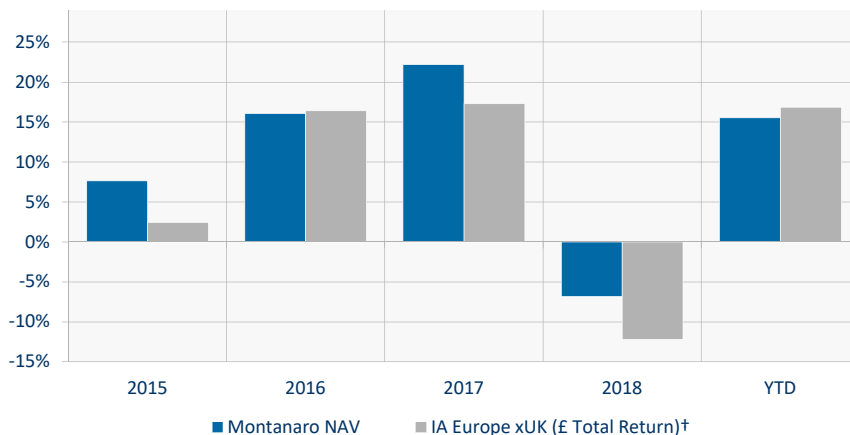
Performance

	YTD	1M	3M	6M	12M	3Y	5Y	Launch*
Fund (TR)	15.6%	-1.9%	3.7%	11.0%	0.6%	34.8%		64.4%
IA: Europe xUK Sector (TR)†	16.9%	-2.1%	6.4%	10.7%	0.2%	27.0%		43.6%

Cumulative Performance Since Inception*



Calendar Year Returns



Source: Montanaro, Bloomberg. NAV to NAV, unrounded.

*There was a change of strategy and name change for the European Income Fund as reflected in the addendum to the prospectus dated 5 November 2015. Performance history shown is therefore from this point.

† The IA Europe xUK Sector returns are shown for comparison purposes only. Please note that from 29/06/18 the Montanaro European Income Fund does not have a benchmark. The benchmark up to this date was the MSCI Europe xUK SmallCap Index.

About Montanaro

Montanaro, an independent specialist asset manager, was established in 1991 to research and invest in quoted Small & MidCap companies. Funds under management are currently £2.2 billion.

Fund Facts

Fund Manager	George Cooke
Fund Launch*	November 2015
Year End	December
Currency	GBP
Class	Distribution
Sector	Europe xUK
Ticker	MOCESCG ID
ISIN	IE00B3Q8KY24
Sedol	B3Q8KY2
Fund Size	£226 million
NAV	192.5p
No. of Holdings	56
Median Mkt Cap	£2088 million
Cash	3.8%
Legal Status	Irish OEIC
Listing	Irish Stock Exchange
Valuation Time	Daily 4pm Dublin time
Minimum Investment	£1,000
Dealing Time	12pm Dublin time
Dividend Date	Quarterly
Management Fee	Annual 0.75%
Performance Fee	Nil
Dividend Yield 19F	3.5% (Portfolio Yield)
Fund ESG Score	6.4

The Fund ESG Score is the weighted average of Montanaro's proprietary company ESG Checklist scores (0-10; 10 is best).

Ratings and Awards

★★★★★ – Morningstar Rating™
(as at 31/08/19)

Platforms

The fund is available to purchase on the following:

Novia	Nucleus
Transact	Ascentric
Amber	Hargreaves Lansdown
Aviva	Pershing Nexus
Cofunds	Standard Life
All Funds	James Hay
AJ Bell	Alliance Trust
FNZ Wealth	Fidelity Fundsnetwork
Interactive Investor	Old Mutual
Raymond James	

Important Information

All investments are subject to risk and the value of shares and the income from them can fall as well as rise due to stock market and currency movements. You may not get back as much as you originally invested.

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Top 10 Holdings

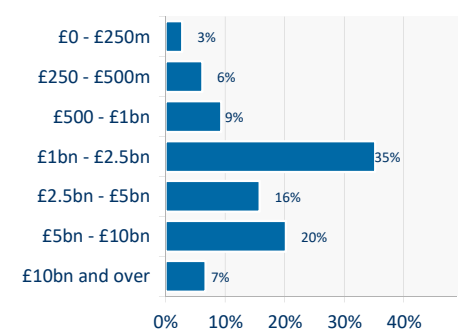
Tryg	3.4%
Loomis	3.1%
Galenica Santé	3.1%
Merlin Properties	2.9%
Marr	2.8%
Intertrust	2.6%
Bureau Veritas	2.6%
Euronext	2.6%
Nolato	2.5%
I.M.A.	2.5%
Total	28.0%

Portfolio Analysis

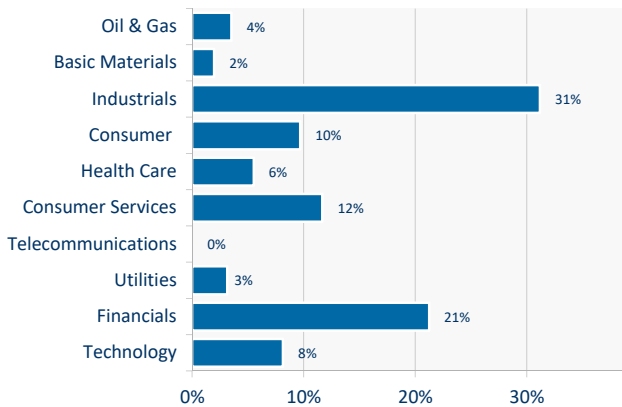
Price / Earnings 19F	19.4
EPS Growth 19F	3.7%
Dividend Yield 19F	3.5%
Dividend Growth 19F	6.1%
Return on Equity 19F	16.8%
EV/EBITDA 19F	15.6
EBIT Margin 19F	26.2%
Net Debt/Equity 19F	28.5%

Source: Factset consensus estimates

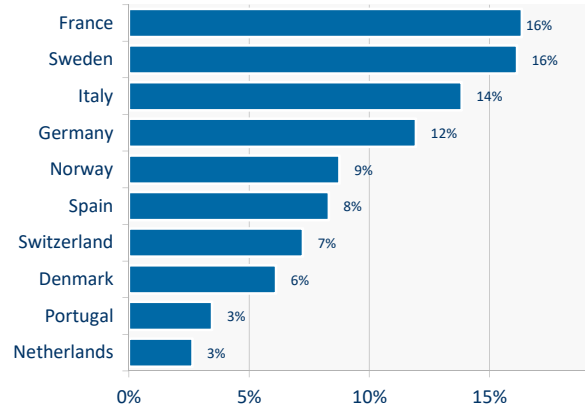
Market Capitalisation Allocation



Sector Allocation



Country Allocation (Top 10)



Monthly Commentary

August proved to be a volatile month for equity markets. A rise in the VIX index (a measure of market volatility) and equity market declines were influenced once again by the social media activity of the US President. Donald Trump announced another escalation in the Trade War with China by threatening to impose additional tariffs on over \$300 billion worth of Chinese imports. With trading volumes thin during the European holiday season, demand for “safe haven” assets soared. Global bond yields continued their decline, with the staggering consequence that the total market value of negative yielding debt reached over \$16 trillion. In Europe, the headlines were dominated by weak economic data, especially in Germany, and increasing political uncertainties, notably in Italy and the UK.

In this context, the NAV of the share class declined by 1.9% (in GBP) in August.

The strongest contribution during the month came from **Galenica**, the Swiss drug store chain, which rose due to better than expected profitability in the first half of the year. **MTU Aero Engines**, the German aircraft engine manufacturer, benefited from strong passenger numbers during the busy holiday period. **CTS Eventim**, the provider of ticketing services in Europe, announced the partial acquisition of France Billet, the ticketing distributor in France, with an option to acquire the remaining stake at a later date.

The weakest contribution during the month came from **IMA**, the producer of packaging machines for the food and pharmaceutical industries, which declined due to broker downgrades following an in-line set of results. **Prosegur Cash**, the cash management business, weakened due to the significant exposure to Argentina which is in the midst of a currency crisis. **Thule**, the manufacturer of sports and outdoor goods, was negatively influenced by Trade War worries.

We live in a world in which sentiment can be directed by a person living in a white house with a fondness for keying pithy statements into his phone. It is likely that the US President will become ever more volatile in the run-up to next year’s election. Investors in Europe are perhaps a little more used to investing against a backdrop of political uncertainty. Italy, after all, is now on its 66th government since 1946.

Yet it is the prospects for growth that most concerns investors, given the weakness in economic data. As ever in this long Bull Market, Central Banks stand at the ready. Borrowing costs in Europe remain low – and the ECB is expected to unveil new stimulus measures in the coming month. Whether this will be enough to offset a general cooling of the world economy remains to be seen. Reason enough for investors to focus on companies with strong balance sheets that may be less exposed to slowing growth than their more leveraged counterparts.

Risk and Reward Profile



These numbers rate how the Fund may perform and the risk of losing some or all of your investment. In general the potential for higher returns also implies a higher level of risk. However, the lowest category (1) does not mean a risk free investment.

This risk rating is based on historical data which may not be a reliable indication of the future risks and rewards of the fund. The risk rating of the fund may change over time.

Past performance is not a reliable indicator of future results. All investments are subject to risk and the value of shares and the income from them can fall as well as rise due to stock market and currency movements. You may not get back as much as you originally invested.

For further information please see the Risk and Reward section of the Key Investor Information Document (KIID).

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