

Montanaro European Income Fund (£)

28 February 2020

Open Ended

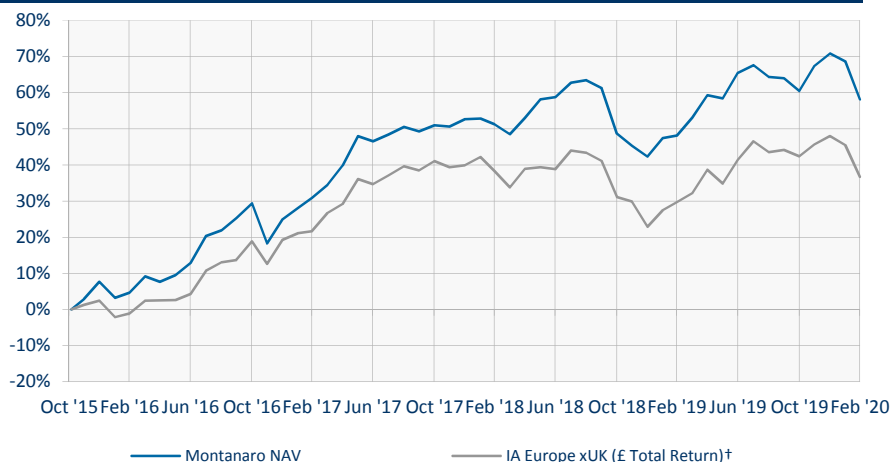
Fund Objective

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.

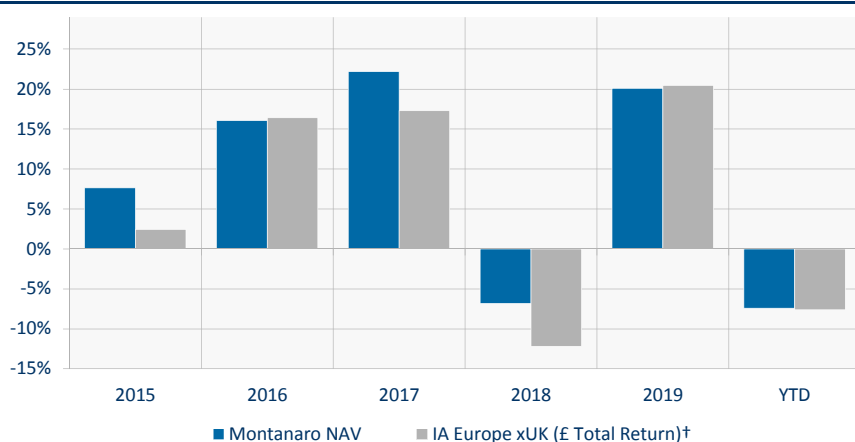
Performance

	YTD	1M	3M	6M	12M	3Y	5Y	Launch*
Fund (TR)	-7.4%	-6.2%	-5.5%	-3.8%	6.8%	20.9%		58.2%
IA: Europe xUK Sector (TR)†	-7.6%	-6.0%	-6.1%	-4.7%	5.4%	12.4%		36.7%

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 £2.6 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	£296 million
NAV	184.2p
No. of Holdings	54
Median Mkt Cap	£2082 million
Cash	4.5%
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 20F	3.7% (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 29/02/20)

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 Fundnetwork
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

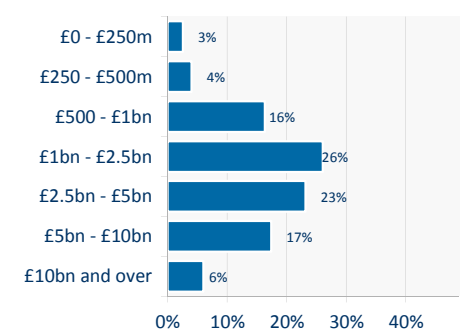
Edenred	3.4%
Loomis	3.2%
Galenica Santé	3.1%
Merlin Properties	2.9%
Thule Group	2.8%
Tryg	2.8%
Nolato	2.8%
Bureau Veritas	2.7%
CTS Eventim	2.5%
Fjordkraft Holding	2.5%
Total	28.6%

Portfolio Analysis

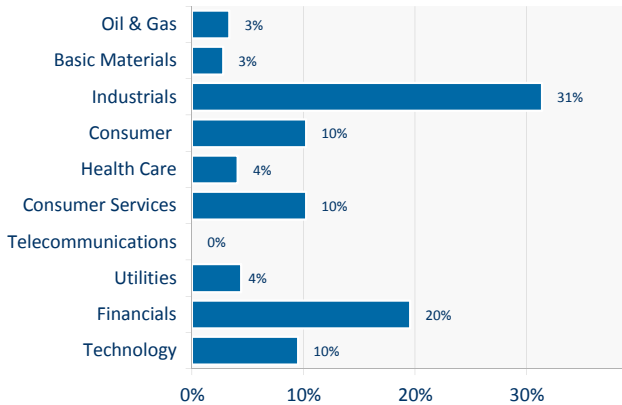
Price / Earnings 20F	18.0
EPS Growth 20F	10.4%
Dividend Yield 20F	3.7%
Dividend Growth 20F	7.6%
Return on Equity 20F	16.8%
EV/EBITDA 20F	14.3
EBIT Margin 20F	26.1%
Net Debt/Equity 20F	23.3%

Source: Factset consensus estimates

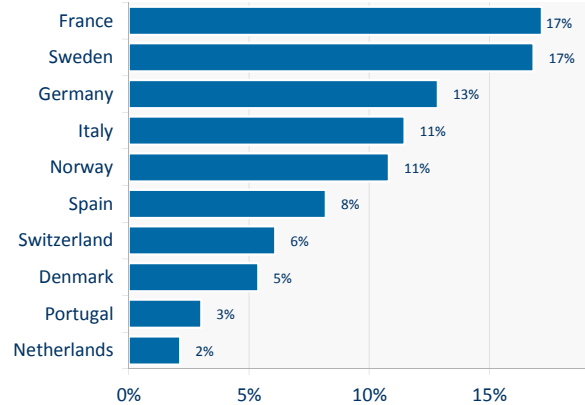
Market Capitalisation Allocation



Sector Allocation



Country Allocation (Top 10)



Monthly Commentary

It was Klemens von Metternich, a distinguished diplomat during the Napoleonic era, who came up with one of the most famous phrases about the economy. In an era when Europe dominated the world, he stated: "When France sneezes, Europe catches a cold." Once the United States had acquired economic dominance, this was adapted: "When America sneezes, the world catches a cold."

The same is now true of China, in both economic and health terms. The country has grown to 17% of global GDP. As the Coronavirus spread across the world, China – the workshop of the global economy – closed for business. The result was an indiscriminate sell-off in risk assets as fear overtook greed to become the dominant force in financial markets.

In this context, the NAV of the share class declined by 6.2% (in GBP) in February.

The strongest contribution during the month came from **Fjordkraft**, the Norwegian retailer of electricity, which benefited from strong growth in revenues and higher prices from new services to businesses. **Borregaard**, the producer of lignin and cellulose, announced cost-saving measures in its 2019 results. **Viscofan**, the leading supplier of artificial sausage casings, rose after announcing a set of results ahead of consensus estimates.

The weakest contributions came from companies that were all impacted by the Coronavirus fears: **MTU**, the aircraft engine manufacturer, declined as investors anticipated a slowdown in air traffic; **CTS Eventim**, the provider of ticketing services in Europe, weakened as ticket sales for concerts and public events plummeted; and **Amadeus FiRe**, the specialist German staffing company, de-rated on expectations that hiring demand would suffer.

Nobody knows what the impact of Covid-19 will be. Despite the uncertainty, it is clear that the regularity of daily life across the northern hemisphere is under threat to an extent rarely seen in peace time. Global growth will be negatively impacted due to the double whammy of supply and demand shocks. Yet it is too early to tell if growth will plummet, or be pushed back towards the warmer months of the year when the virus may become less virulent.

Away from predictions about the virus, it is worth pointing out that from a purely financial market standpoint, the fall in equity prices is to some extent welcome. Markets had again reached record highs and the "froth" of expensive valuations has been skimmed away. While the situation may well worsen – both in health and economic terms – we would caution against selling. It rarely pays to run for the hills after the market has fallen. One of the reasons that quality companies outperform over the long-term is because their strong balance sheets provide the resilience to outlive periods of economic turbulence. Market falls provide opportunity to the rational and long-term investor.

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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