

Montanaro European Income Fund (£)

31 January 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.

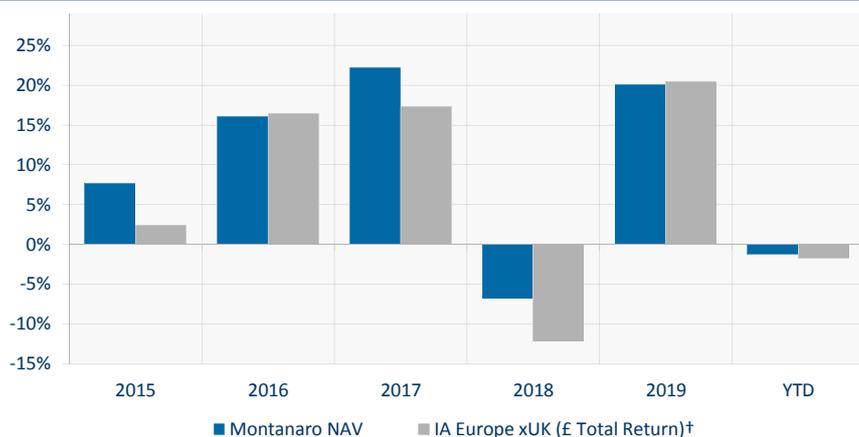
Performance

	YTD	1M	3M	6M	12M	3Y	5Y	Launch*
Fund (TR)	-1.3%	-1.3%	5.1%	0.7%	14.4%	31.7%		68.7%
IA: Europe xUK Sector (TR)†	-1.7%	-1.7%	2.1%	-0.8%	14.0%	20.1%		45.4%

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 £2.7 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	£312 million
NAV	196.5p
No. of Holdings	54
Median Mkt Cap	£2133 million
Cash	3.6%
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	3.4% (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 31/01/20)

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 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

Edenred	3.3%
Loomis	3.1%
Merlin Properties	2.9%
Galenica Santé	2.9%
Bureau Veritas	2.8%
Nolato	2.8%
Tryg	2.8%
Thule Group	2.8%
MTU Aero Engines	2.7%
CTS Eventim	2.7%
Total	28.9%

Portfolio Analysis

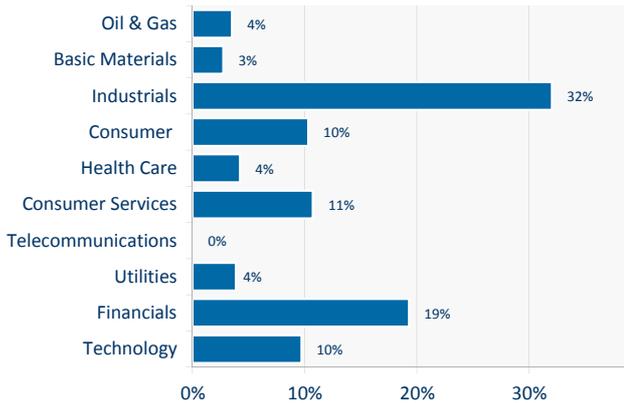
Price / Earnings 20F	19.4
EPS Growth 20F	10.9%
Dividend Yield 20F	3.4%
Dividend Growth 20F	7.6%
Return on Equity 20F	17.1%
EV/EBITDA 20F	15.3
EBIT Margin 20F	26.3%
Net Debt/Equity 20F	24.3%

Source: Factset consensus estimates

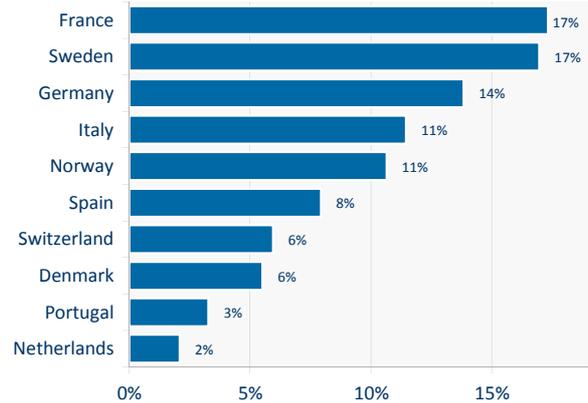
Market Capitalisation Allocation



Sector Allocation



Country Allocation (Top 10)



Monthly Commentary

Equity markets began the year in high spirits before volatility increased towards the end of the month. This was largely due to the coronavirus outbreak, although another notable geopolitical event – namely the flare up between the US and Iran – was a further reason for the strong performance of safe haven assets in January. Against this backdrop, it was little surprise that SmallCap delivered negative returns. Markets cannot always go up and after such a strong fourth quarter, a pullback was somewhat welcome.

In this context, the NAV of the share class declined by 1.3% (in GBP) in January.

The strongest contribution during the month came from **Galenica**, the Swiss pharmaceutical chain operator, which benefited from strong sales figures in 2019. **ENAV**, the Italian provider of air traffic control and navigation services, performed well and acted as a safe haven during a turbulent month. **MTU Aero Engines**, the aircraft engine maker, continued to benefit from expectations that the Airbus 320 could take share from the 737 Max.

The weakest contribution during the month came from **Loomis**, the provider of cash management services, which continued to weaken after the German competition authorities blocked its acquisition of Zeimann. **TGS Nopec**, the Norwegian multi-client seismic company, suffered from related exposure to the falling oil price. **Atea**, the software re-seller in the Nordics, experienced a profit warning after weakness in its Danish division.

The US yield curve inverted once again in January as investors fretted over the unknown consequences of the viral outbreak in Wuhan, China. Although at the time of writing this has not yet developed into a full blown pandemic, this is the type of “unknown” that can easily spook markets.

For now, omens of recession are few and far between. Economic data remains steady and Central Banks supportive. A concerted policy response in China seems likely if the coronavirus does have a meaningful impact on growth (for context, growth in China rebounded quickly following the SARS outbreak of 2003). In uncertain times, investors tend to favour the reliability of quality companies and this was in evidence in January. We would not be surprised if this persists in the months ahead. Quality is our investment style and one that we never waver from.

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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