

Montanaro European Smaller Companies Fund (€)

31 January 2020

Open Ended

Fund Objective

To outperform its Benchmark, the MSCI Europe SmallCap (Capital Return) Index. The Fund will invest primarily in SmallCap companies quoted in the EU (including UK), Iceland, Norway and Switzerland with a market capitalisation smaller than the largest constituent of the MSCI Europe (Capital Return) Index at the time of initial investment. No unquoted investments are permitted.

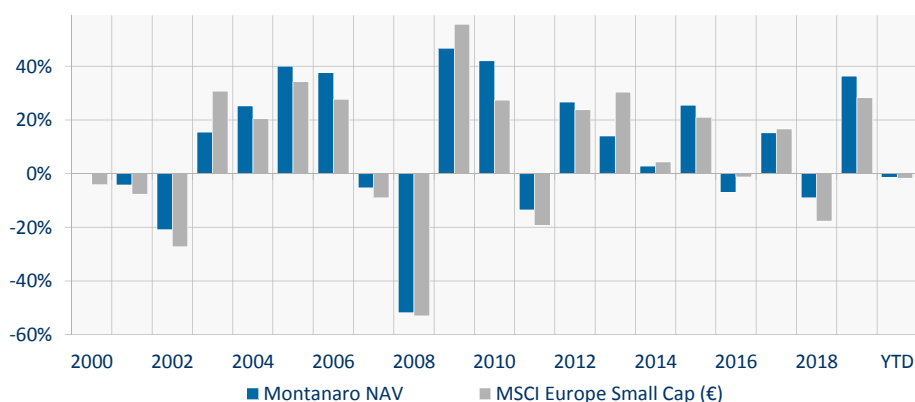
Performance

	YTD	1M	3M	6M	12M	3Y	5Y	Launch
Fund	-1.3%	-1.3%	8.8%	11.2%	25.1%	40.0%	55.6%	324.9%
Benchmark	-1.8%	-1.8%	6.9%	11.1%	15.8%	20.1%	36.2%	188.8%
Fund (TR)‡	-1.3%	-1.3%	8.8%	11.2%	25.2%	41.0%	58.8%	359.7%
MSCI Europe Small Cap (TR)†	-1.7%	-1.7%	7.2%	11.8%	18.5%	28.2%	51.7%	338.9%

Cumulative Performance Since Inception



Calendar Year Returns



Source: Montanaro, MSCI, Bloomberg. NAV to NAV, unrounded. NAV prior to class listing 30/11/06 based on GBP NAV. NAVs prior to 24/09/07 priced at close of business; between 24/09/07 and 01/10/09 priced at midday; since 2/10/09 priced at 4pm.

† The MSCI Europe SmallCap index (net TR) and the MSCI LargeCap index are used for comparison purposes only.

‡ Dividends reinvested at ex-date.

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 €3.2 billion.

Fund Facts

Fund Manager	Montanaro Team
Contact	Charles Montanaro
Fund Launch	December 2000
Year End	December
Currency	EUR
Class	Distribution
Benchmark	MSCI Europe Small Cap (€)
Ticker	MONESCE ID
ISIN	IE00B1FZRP01
Sedol	B1FZRP0
Fund Size	€522 million
NAV	€6.953
No. of Holdings	57
Median Mkt Cap	€3254 million
Cash	1.6%
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	Expected Q1
Reporting Fund Status	Approved
Management Fee	Annual 1.5%
Performance Fee	20% outperformance of Benchmark + 3%, with a hurdle of €7.047
Authorised for marketing in	Ireland, UK, Netherlands, France, Finland, Sweden, Switzerland, Norway, Austria, Germany, Spain, Iceland, Italy

Fund ESG Score 6.5

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)

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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

Sartorius Stedim Biotech	3.6%
Rightmove	3.6%
Marshalls	3.4%
CTS Eventim	3.3%
Simcorp	3.1%
Belimo Holding	3.0%
MTU Aero Engines	3.0%
Shaftesbury	2.6%
Kingspan	2.5%
St. James Place	2.5%
	30.6%

Risk Analysis

	Fund	Index
Jensen's Alpha (annual)	6.4%	
Beta	0.88	1.00
Standard Deviation	11.6%	12.2%
Sharpe Ratio	1.05	0.54
Tracking Error	4.4%	
Information Ratio	1.42	
Active Share	92.0%	

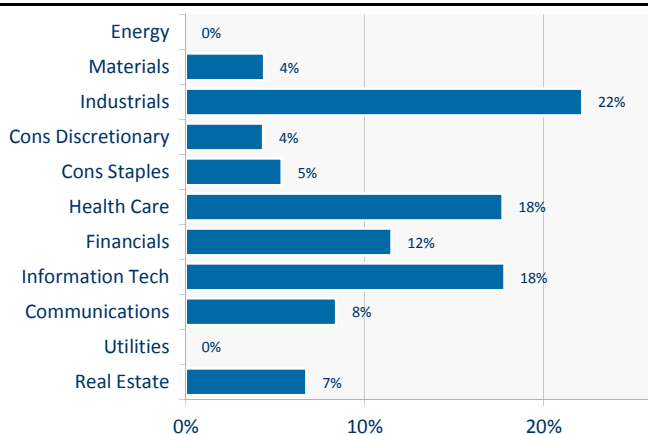
Note: risk statistics over three years

Portfolio Analysis

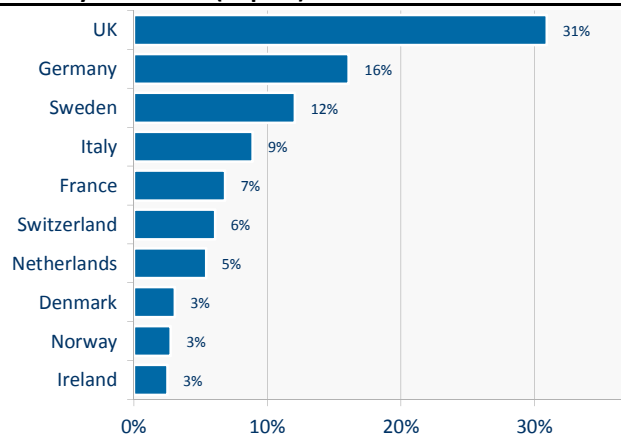
Price / Earnings 20F	26.6
EPS Growth 20F	12.8%
Dividend Yield 20F	1.8%
Dividend Growth 20F	8.7%
Return on Equity 20F	15.3%
EV/EBITDA 20F	21.6
EBIT Margin 20F	26.6%
Net Debt/Equity 20F	4.1%

Source: Factset consensus estimates

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 also played its part. 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 welcome.

During January, the NAV of the share class declined by 1.3% in Euro terms, an outperformance of 0.5% versus the MSCI Europe Small Cap benchmark index.

The strongest contribution during the month came from **Sartorius Stedim**, the developer of equipment used in the manufacture of biologic drugs, which rose as the company announced strong Q4 results and a confident outlook for 2020. **VZ Holdings**, the Swiss wealth manager, saw strong share price appreciation ahead of its February results announcement. **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 came from **Marshalls**, the leading hard landscaping manufacturer, which saw profit taking after a very strong 2019. **Loomis**, the provider of cash management services, continued to weaken after the German competition authorities blocked its acquisition of Zeimann. **Elekta**, the developer of clinical solutions for treating cancer and brain disorders, traded lower ahead of its quarterly results which are due next month.

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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