

## Montanaro European Smaller Companies Fund (€)

31 July 2019

Open Ended

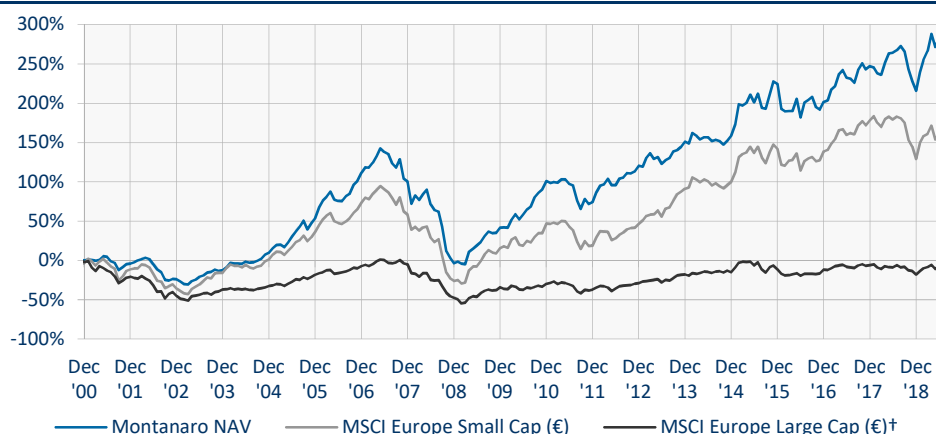
### Fund Objective

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.

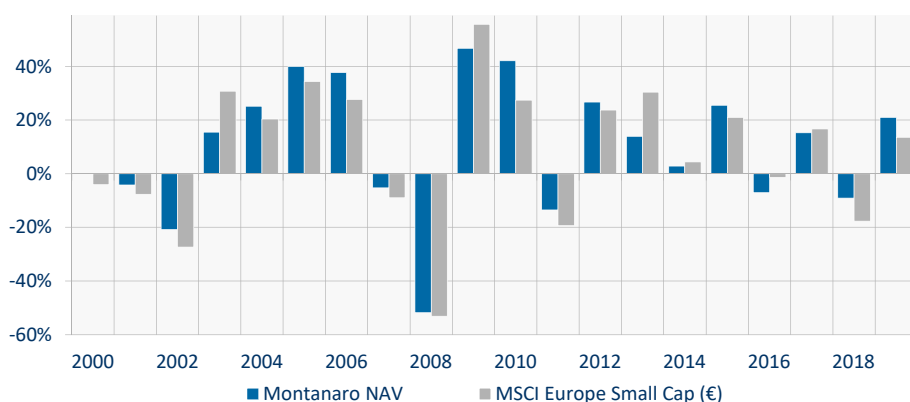
### Performance

	YTD	1M	3M	6M	12M	3Y	5Y	Launch
<b>Fund</b>	21.0%	-0.2%	-1.6%	12.5%	3.9%	27.1%	51.7%	281.9%
<b>Benchmark</b>	13.5%	-0.3%	-4.2%	4.2%	-8.0%	14.9%	33.1%	160.0%
<b>Fund (TR)‡</b>	21.0%	-0.2%	-1.6%	12.6%	4.0%	28.0%	54.8%	313.2%
<b>MSCI Europe Small Cap (TR)†</b>	15.6%	-0.2%	-3.3%	6.0%	-5.8%	22.7%	48.3%	292.7%

### 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 €2.4 billion.

### Fund Facts

<b>Fund Manager</b>	Montanaro Team
<b>Contact</b>	Charles Montanaro
<b>Fund Launch</b>	December 2000
<b>Year End</b>	December
<b>Currency</b>	EUR
<b>Class</b>	Distribution
<b>Benchmark</b>	MSCI Europe Small Cap (€)
<b>Ticker</b>	MONESCE ID
<b>ISIN</b>	IE00B1FZRP01
<b>Sedol</b>	B1FZRP0
<b>Fund Size</b>	€502 million
<b>NAV</b>	€6.251
<b>No. of Holdings</b>	59
<b>Median Mkt Cap</b>	€2772 million
<b>Cash</b>	2.1%
<b>Legal Status</b>	Irish OEIC
<b>Listing</b>	Irish Stock Exchange
<b>Valuation Time</b>	Daily 4pm Dublin time
<b>Minimum Investment</b>	€1,000
<b>Dealing Time</b>	12pm Dublin time
<b>Dividend Date</b>	Expected Q1
<b>Reporting Fund Status</b>	Approved
<b>Management Fee</b>	Annual 1.5%
<b>Performance Fee</b>	20% outperformance of Benchmark + 3%, with a hurdle of €5.304

**Authorised for marketing in** Ireland, UK, Netherlands, France, Finland, Sweden, Switzerland, Norway, Austria, Germany, Spain, Iceland, Italy

**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 31/07/19)

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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**

MTU Aero Engines	3.6%
Sartorius Stedim Biotech	3.5%
CTS Eventim	2.9%
Rightmove	2.9%
Rational	2.8%
Simcorp	2.8%
Belimo Holding	2.7%
Marshalls	2.6%
Elekta	2.6%
IMCD	2.4%
<b>Total</b>	<b>28.7%</b>

**Risk Analysis**

	Fund	Index
Jensen's Alpha (annual)	4.2%	
Beta	0.88	1.00
Standard Deviation	11.3%	11.9%
Sharpe Ratio	0.76	0.42
Tracking Error	4.7%	
Information Ratio	0.83	
Active Share	92.0%	

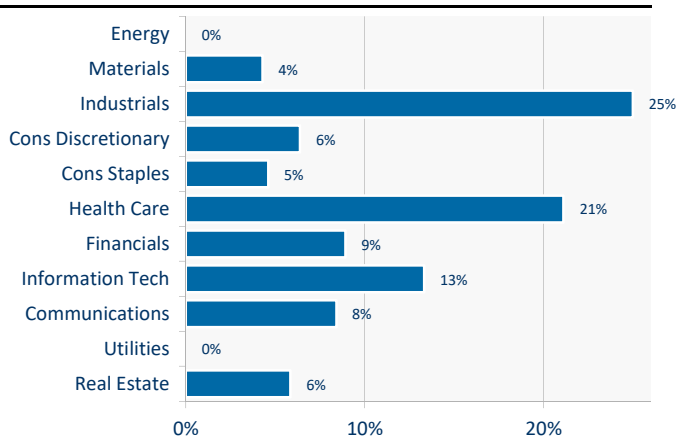
Note: risk statistics over three years

**Portfolio Analysis**

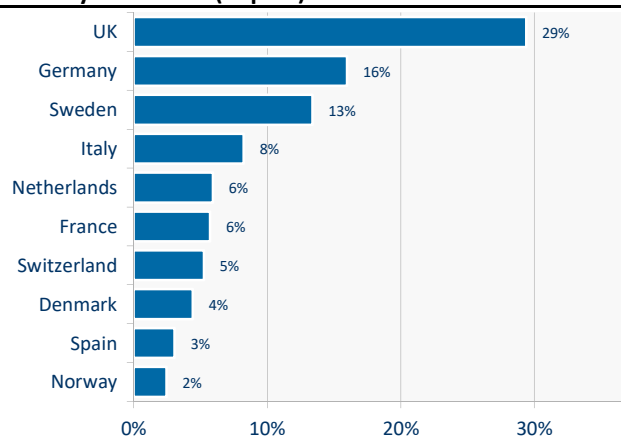
Price / Earnings 19F	25.3
EPS Growth 19F	4.2%
Dividend Yield 19F	2.0%
Dividend Growth 19F	4.8%
Return on Equity 19F	15.7%
EV/EBITDA 19F	20.5
EBIT Margin 19F	24.5%
Net Debt/Equity 19F	19.6%

Source: Factset consensus estimates

**Sector Allocation**



**Country Allocation (Top 10)**



**Monthly Commentary**

A summer lull fell upon equity markets in July. Amid typically thin trading volumes for this time of year, European SmallCap posted modest declines. This was no bad thing after such a strong opening half to the year. The month was not without its headlines, however. In the US, the Federal Reserve lowered interest rates for the first time in eleven years, while the European Central Bank indicated that further easing measures remained in the monetary pipeline. Thus far, the reporting season indicates a weakening in quarterly earnings and sales growth, although many companies have continued to beat market expectations. This is a true stock picker's market.

During July, the NAV of the share class declined by 0.2% in Euro terms, in line with the MSCI Europe Small Cap benchmark index.

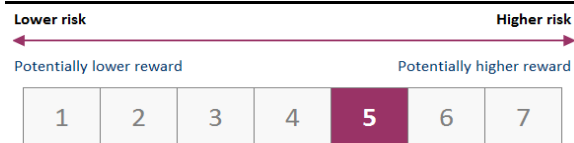
The strongest contributions during the month came from **MTU Aero Engines**, the German aircraft engine manufacturer, which outperformed following an acceleration in the production of the Geared Turbo Fan engine. **CTS Eventim**, the provider of ticketing services in Europe, announced a strategic partnership with the leading ticketing company in France. **James Fisher**, the marine services provider, rose after announcing the appointment of a new CEO alongside a number of contract wins in the offshore renewable energy sector.

The weakest contributions came from **St James's Place**, the UK wealth manager, following a modest decline in AUM growth alongside rising investment costs. **Grenke**, the specialist lease finance business for European SMEs, cited deteriorating credit performance and higher provisioning in its Q2 results. **Marshalls**, the hard landscaping manufacturer in the UK, saw some profit taking after a very strong run.

A re-escalation of the US/China trade war should come as little surprise to observers of this dispute. The rhetoric between the two countries ebbs and flows between economic resolution and tariff-related conflict. A sceptical analysis suggests that this will be a consistent feature of the investment backdrop in the run-up to 3 November 2020, the date of the next US presidential election. A well-timed "breakthrough" in negotiations could boost the economy – and the prospects of the White House incumbent.

In the meantime, it would be little surprise if investors retained a degree of caution during the remainder of the summer. Certainly, it would be unwise to extrapolate the returns of the last six months. Brexit will dominate headlines over the coming months which may add to uncertainty. Nevertheless, with monetary policy supportive and economic data suggesting a stable backdrop, there remains life in this Bull Market yet. In such an environment, companies that perform well will be rewarded and those that disappoint punished. This is as it should and always will be. We continue to focus on identifying high quality companies that have the potential to generate strong absolute and relative performance for our clients over the long-term.

**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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