

Montanaro European Smaller Companies Fund (£)

31 December 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.

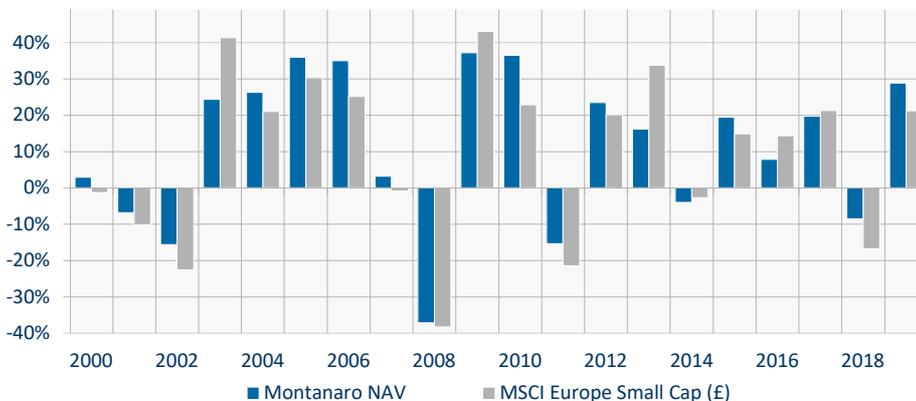
Performance

	YTD	1M	3M	6M	12M	3Y	5Y	Launch
Fund	28.9%	3.2%	8.3%	6.6%	28.9%	41.3%	82.0%	503.0%
Benchmark	21.2%	3.5%	6.7%	6.8%	21.2%	22.4%	60.7%	308.1%
Fund (TR)‡	28.9%	3.2%	8.3%	6.6%	28.9%	42.9%	86.0%	549.8%
MSCI Europe Small Cap (TR)†	24.1%	3.6%	7.0%	7.5%	24.1%	30.7%	79.1%	520.1%

Cumulative Performance Since Inception



Calendar Year Returns



Source: Montanaro, MSCI, Bloomberg. NAV to NAV, unrounded. 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 £2.7 billion.

Fund Facts

Fund Manager	Montanaro Team
Contact	Charles Montanaro
Fund Launch	December 2000
Year End	December
Currency	GBP
Class	Distribution
Benchmark	MSCI Europe Small Cap (£)
Ticker	MONESCF ID
ISIN	IE0001195316
Sedol	0119531
Fund Size	£457 million
NAV	603p
No. of Holdings	56
Median Mkt Cap	£2868 million
Cash	1.9%
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 603.0p
Authorised for marketing in	Ireland, UK, Switzerland, 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 31/12/19)

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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

Marshalls	3.6%
Rightmove	3.3%
CTS Eventim	3.2%
Sartorius Stedim Biotech	3.1%
Belimo Holding	3.1%
Simcorp	3.0%
MTU Aero Engines	2.7%
Shaftesbury	2.6%
St. James Place	2.4%
Kingspan	2.4%
Total	29.5%

Risk Analysis

	Fund	Index
Jensen's Alpha (annual)	6.2%	
Beta	0.87	1.00
Standard Deviation	10.1%	10.5%
Sharpe Ratio	1.24	0.69
Tracking Error	4.4%	
Information Ratio	1.35	
Active Share	92.3%	

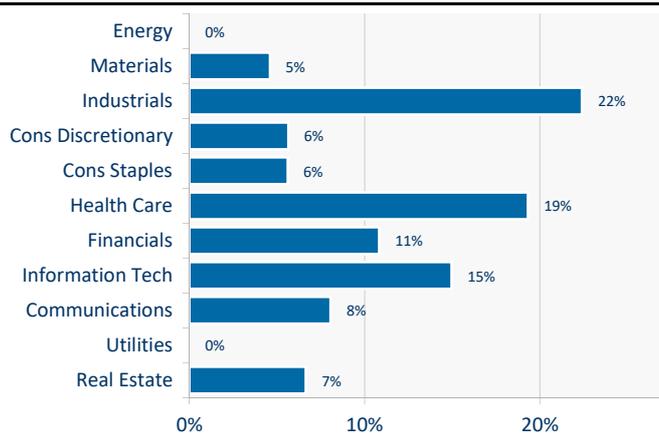
Note: risk statistics over three years

Portfolio Analysis

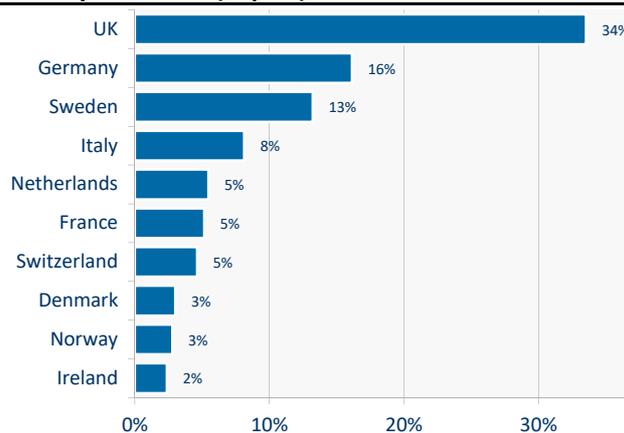
Price / Earnings 20F	26.2
EPS Growth 20F	13.2%
Dividend Yield 20F	1.9%
Dividend Growth 20F	8.3%
Return on Equity 20F	15.7%
EV/EBITDA 20F	21.4
EBIT Margin 20F	26.2%
Net Debt/Equity 20F	5.7%

Source: Factset consensus estimates

Sector Allocation



Country Allocation (Top 10)



Monthly Commentary

SmallCap enjoyed a strong 2019. The asset class was one of the top performers globally alongside the S&P 500, both of which delivered returns of +29% (in local currency terms). This marked a good end to the decade for SmallCap, which outperformed LargeCap in eight of the past ten years.

Few investors forecast such a strong year for equity markets after the declines of 2018. Yet markets responded positively to further support from Central Banks and tepid economic data that was neither too hot nor worryingly cold. Meanwhile, the great political risks – namely the Trade War and Brexit – showed tentative signs of progress towards the end of the year.

During December, the NAV of the share class increased by 3.2% in Sterling terms, an underperformance of 0.3% versus the MSCI Europe Small Cap benchmark index. For the year as a whole, the NAV increased by 28.9%, an outperformance of 7.7%.

The strongest contribution during the month came from **Marshalls**, the UK hard landscaping manufacturer, which rose following the Conservative Party election win. **Belimo**, the Swiss actuator manufacturer, increased after a positive broker update. **Kingspan**, the supplier of high performance insulation products for the construction industry, benefited from an improved outlook for the UK construction sector from which the company derives 20% of profits.

The weakest contribution came from **Marel**, the Icelandic food processing equipment manufacturer, which experienced profit taking after a good run following a positive quarterly report. **IMA**, the producer of packaging machines for the food and pharmaceutical industries, continued to suffer from short sellers due to high gearing and weak cash flow. **Loomis**, the provider of cash management services, declined after the German competition authorities blocked the acquisition of Ziemann.

Commentators are busy gazing into their crystal balls attempting to predict what the New Year has in store for investors. History suggests that this is a difficult task. Attempting to forecast the direction of global macro forces can be akin to reading the tea leaves – and both economists and tasseographers (those who read tea leaves) have a habit of leaving enough room in their predictions to claim that they were “right” after the event.

We do not spend time trying to make such predictions. Macro events that influence markets, such as those currently taking place in Iran and Iraq, sit outside our sphere of competence and are virtually impossible to predict. Rather, we spend our time meeting and listening to our companies. In our experience, this is where we can begin to understand the true drivers of growth that are so important to the trajectory of long-term investment returns.

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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