

# Montanaro European Smaller Companies Fund (£)

28 February 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.

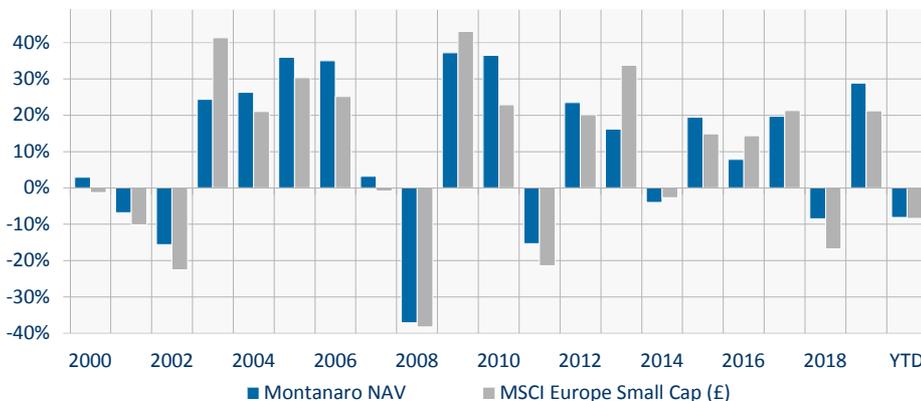
## Performance

	YTD	1M	3M	6M	12M	3Y	5Y	Launch
<b>Fund</b>	-8.1%	-6.2%	-5.2%	-1.0%	10.4%	23.4%	54.6%	453.9%
<b>Benchmark</b>	-8.3%	-6.0%	-5.1%	-1.1%	3.5%	7.7%	36.2%	274.0%
<b>Fund (TR)‡</b>	-8.1%	-6.2%	-5.2%	-1.0%	10.4%	24.8%	58.1%	496.9%
<b>MSCI Europe Small Cap (TR)†</b>	-8.3%	-5.9%	-5.0%	-0.6%	5.9%	15.0%	51.7%	468.8%

## 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 £2.6 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>	GBP
<b>Class</b>	Distribution
<b>Benchmark</b>	MSCI Europe Small Cap (£)
<b>Ticker</b>	MONESCF ID
<b>ISIN</b>	IE0001195316
<b>Sedol</b>	0119531
<b>Fund Size</b>	£407 million
<b>NAV</b>	553.9p
<b>No. of Holdings</b>	57
<b>Median Mkt Cap</b>	£2639 million
<b>Cash</b>	2.5%
<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 603.0p
<b>Authorised for marketing in</b>	Ireland, UK, Switzerland, Italy
<b>Fund ESG Score</b>	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 29/02/20)

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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	3.5%
Marshalls	3.2%
CTS Eventim	3.0%
Belimo Holding	2.8%
Kingspan	2.8%
Simcorp	2.7%
Shaftesbury	2.4%
St. James Place	2.4%
MTU Aero Engines	2.3%
<b>Total</b>	<b>28.8%</b>

**Risk Analysis**

	Fund	Index
Jensen's Alpha (annual)	5.1%	
Beta	0.90	1.00
Standard Deviation	10.9%	11.2%
Sharpe Ratio	0.70	0.25
Tracking Error	4.4%	
Information Ratio	1.14	
Active Share	92.0%	

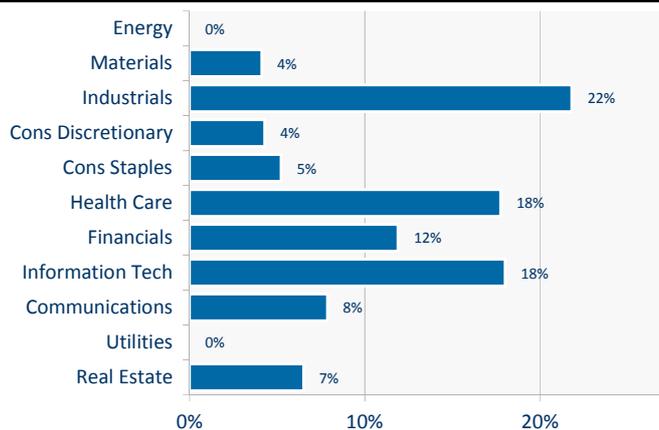
Note: risk statistics over three years

**Portfolio Analysis**

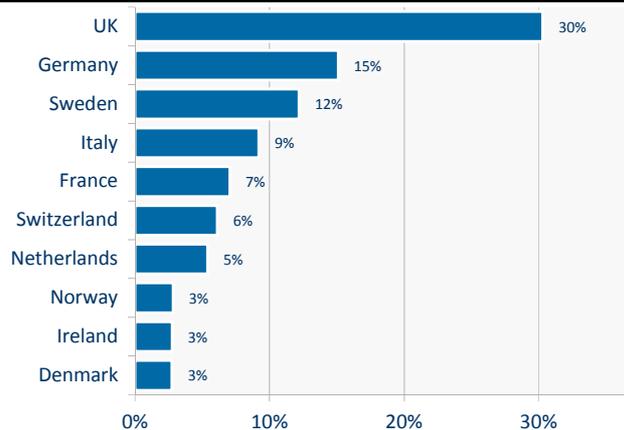
Price / Earnings 20F	24.7
EPS Growth 20F	10.9%
Dividend Yield 20F	2.0%
Dividend Growth 20F	7.5%
Return on Equity 20F	15.1%
EV/EBITDA 20F	20.3
EBIT Margin 20F	26.4%
Net Debt/Equity 20F	6.6%

Source: Factset consensus estimates

**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.

During February, the NAV of the share class declined by 6.2% in Sterling terms, in line with 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 continued to rise after delivering strong results and a confident outlook. **Kingspan**, the global supplier of high performance insulation products for the construction industry, also gained after announcing a good set of results. **Avanza**, Sweden's leading online broker and pension provider, benefited from high trading volumes.

The weakest contributions came from companies that were all impacted by the Coronavirus: **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 **4imprint**, the supplier of promotional merchandise, traded lower as their supply chain faced disruption in China.

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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