

Montanaro European Smaller Companies Fund (£)

31 May 2019

Open Ended

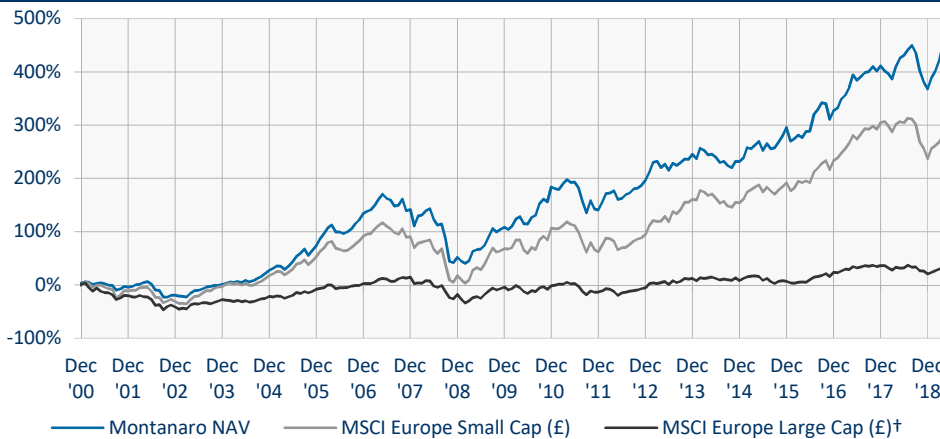
Fund Objective

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.

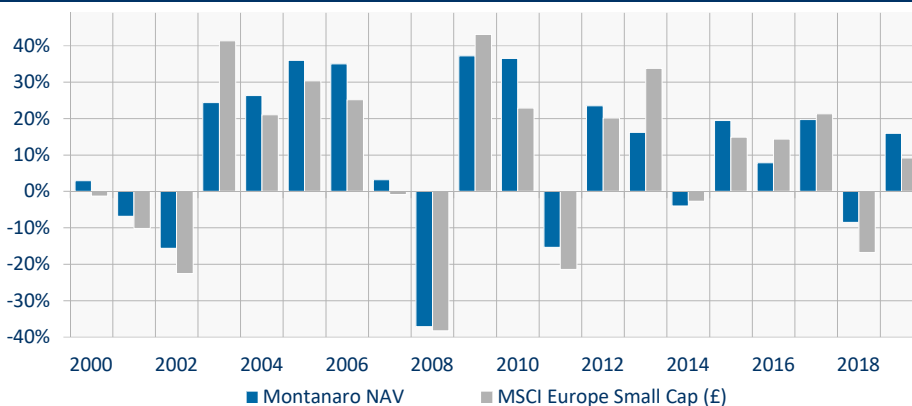
Performance

	YTD	1M	3M	6M	12M	3Y	5Y	Launch
Fund	16.0%	-1.6%	8.1%	13.0%	3.1%	39.9%	57.1%	442.6%
Benchmark	9.2%	-3.8%	1.7%	3.3%	-9.6%	24.3%	35.9%	267.7%
Fund (TR)‡	16.0%	-1.6%	8.1%	13.0%	3.1%	41.5%	60.6%	484.7%
MSCI Europe Small Cap (TR)†	10.8%	-3.2%	3.1%	4.9%	-7.4%	32.7%	51.3%	453.7%

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 £2.1 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	£441 million
NAV	542.6p
No. of Holdings	59
Median Mkt Cap	£2378 million
Cash	1.2%
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 467.9p
Authorised for marketing in	Ireland, UK, Switzerland, 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 31/05/19)

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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

Simcorp	3.5%
Rightmove	3.3%
MTU Aero Engines	3.1%
Sartorius Stedim Biotech	3.0%
Belimo Holding	2.8%
Marshalls	2.8%
Rational	2.6%
CTS Eventim	2.6%
IMCD	2.6%
Christian Hansen Holding	2.5%
Total	28.8%

Risk Analysis

	Fund	Index
Jensen's Alpha (annual)	5.1%	
Beta	0.90	1.00
Standard Deviation	11.3%	11.5%
Sharpe Ratio	1.07	0.68
Tracking Error	4.7%	
Information Ratio	1.04	
Active Share	92.0%	

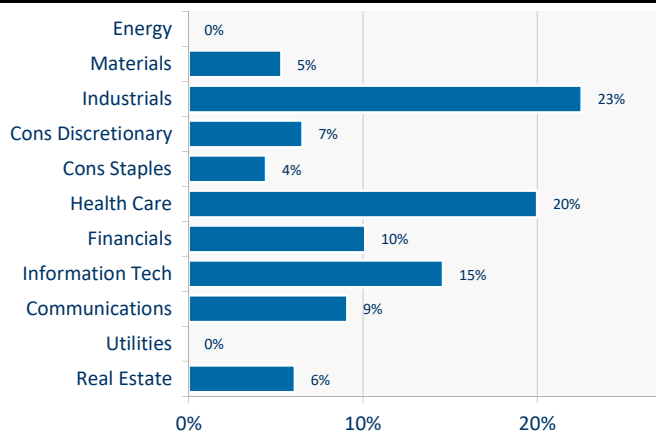
Note: risk statistics over three years

Portfolio Analysis

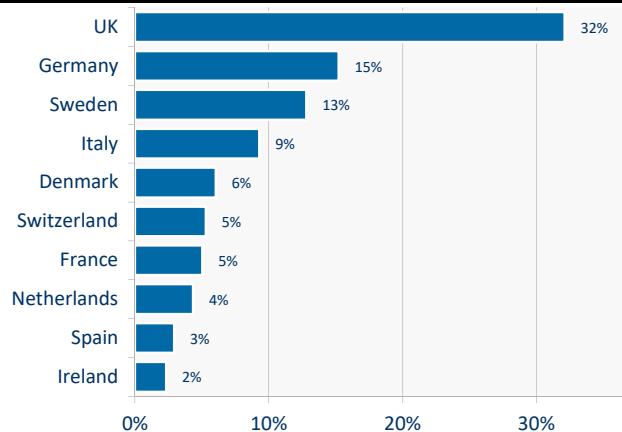
Price / Earnings 19F	23.7
EPS Growth 19F	6.7%
Dividend Yield 19F	2.1%
Dividend Growth 19F	7.9%
Return on Equity 19F	15.8%
EV/EBITDA 19F	19.1
EBIT Margin 19F	25.3%
Net Debt/Equity 19F	15.1%

Source: Factset consensus estimates

Sector Allocation



Country Allocation (Top 10)



Monthly Commentary

Politics reared its head once again in May, unsettling the market tranquillity that had prevailed in the earlier months of the year. The breakdown in trade negotiations between the US and China led to fears of a deterioration in economic conditions: rising inflation; lower growth; job losses; and falling consumer confidence. Meanwhile, European Parliament elections provided further evidence that Europe's political scene is fragmenting. Certainly, the UK remains as split as ever in relation to Brexit. Given this backdrop, it was little surprise that High Quality companies continued to outperform their Low Quality counterparts.

During May, the NAV of the share class declined by 1.6% in GBP terms, but 2.2% ahead of the MSCI Europe Small Cap benchmark index. After such a strong first quarter, it is unsurprising that stock markets have given back some of the gains.

The strongest contribution during the month came from **Elekta**, the developer of clinical solutions for treating cancer and brain disorders: a good set of results demonstrated strong demand from hospitals. **Rightmove**, the market leading online real estate portal, increased on the back of cheap relative valuations. **Sartorius Stedim**, the developer of equipment used in the manufacture of biologic drugs, saw strong growth in the US and a decline in CAPEX.

The weakest contribution came from **Brembo**, the braking specialist, which declined following the newly imposed 5% tariff for products made in Mexico. **De Longhi**, the small home appliance maker, suffered after management reduced the outlook for 2019, citing tougher competition. **CTS Eventim**, the leading provider of ticketing services in Europe, declined after a broker reduced its recommendation.

One month, talks between the US and China are progressing well; the next, they are off. This encapsulates the unpredictability of politics – and the corresponding madness of making investment decisions based on politics (or President Trump's tweets).

What has driven markets higher this year has largely been a re-rating following the correction that occurred at the end of 2018. It is unlikely that valuation expansion will play such a major role in the second half of the year. Rather, the trajectory of markets is likely to be driven by the outlook for growth and earnings. We believe that such an environment supports the case for owning Quality companies that are cash generative, with strong competitive advantages and managed by good management teams.

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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