

Montanaro European Smaller Companies Fund (£)

29 November 2019

Open Ended

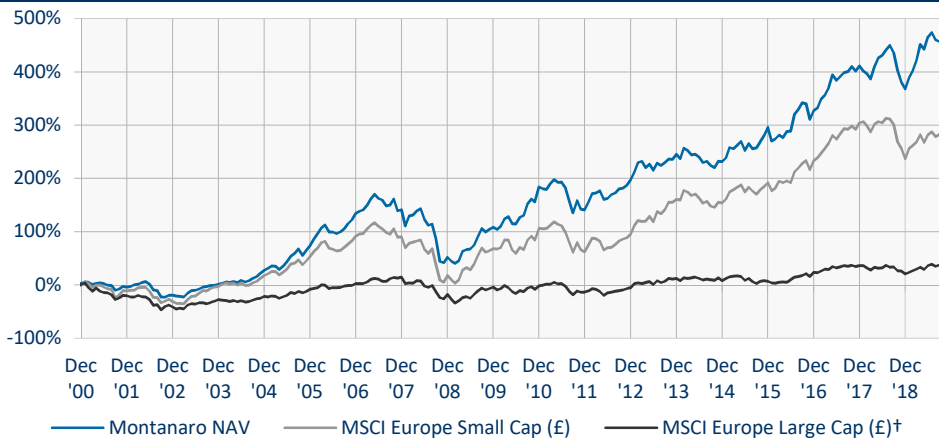
Fund Objective

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.

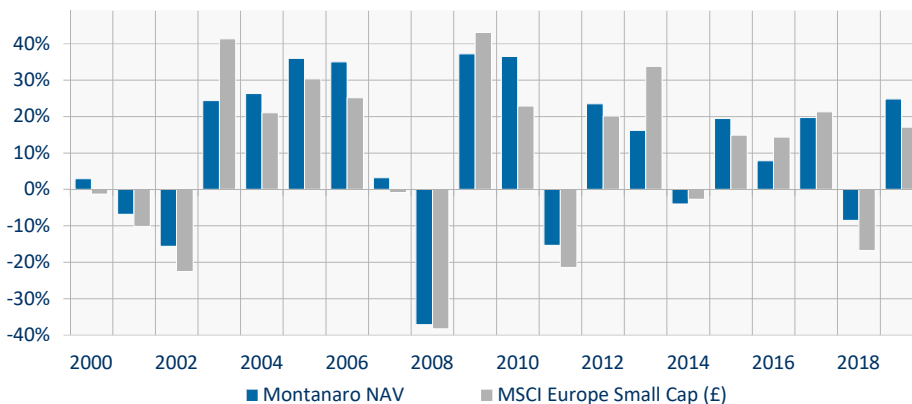
Performance

| | YTD | 1M | 3M | 6M | 12M | 3Y | 5Y | Launch |
|------------------------------------|-------|------|------|------|-------|-------|-------|--------|
| Fund | 24.8% | 5.0% | 4.4% | 7.7% | 21.6% | 42.2% | 76.1% | 484.2% |
| Benchmark | 17.1% | 3.3% | 4.2% | 7.2% | 10.7% | 24.5% | 54.4% | 294.1% |
| Fund (TR)‡ | 24.8% | 5.0% | 4.4% | 7.7% | 21.6% | 43.8% | 80.0% | 529.5% |
| MSCI Europe Small Cap (TR)† | 19.7% | 3.4% | 4.6% | 8.1% | 13.3% | 33.0% | 72.1% | 498.5% |

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 £2.4 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 | £443 million |
| NAV | 584.2p |
| No. of Holdings | 56 |
| Median Mkt Cap | £2865 million |
| Cash | 3.1% |
| 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 | 6.5 |

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 30/11/19)

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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

| | |
|--------------------------|--------------|
| Rightmove | 3.3% |
| Marshalls | 3.3% |
| CTS Eventim | 3.3% |
| Sartorius Stedim Biotech | 3.2% |
| Simcorp | 3.0% |
| Belimo Holding | 2.9% |
| MTU Aero Engines | 2.7% |
| Shaftesbury | 2.6% |
| St. James Place | 2.3% |
| Brembo | 2.3% |
| Total | 28.9% |

Risk Analysis

| | Fund | Index |
|-------------------------|-------|-------|
| Jensen's Alpha (annual) | 6.0% | |
| Beta | 0.86 | 1.00 |
| Standard Deviation | 10.1% | 10.7% |
| Sharpe Ratio | 1.25 | 0.74 |
| Tracking Error | 4.5% | |
| Information Ratio | 1.23 | |
| Active Share | 92.3% | |

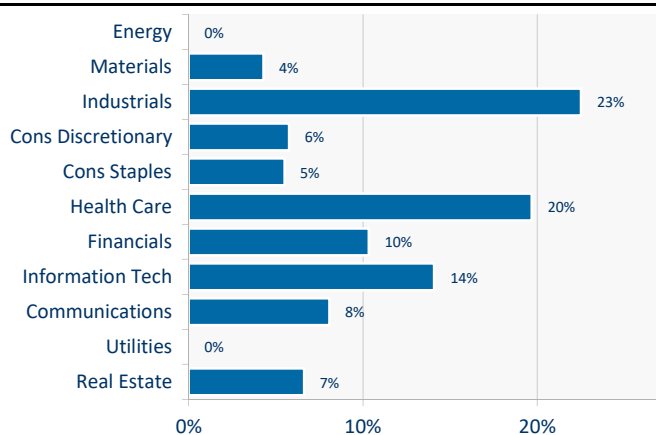
Note: risk statistics over three years

Portfolio Analysis

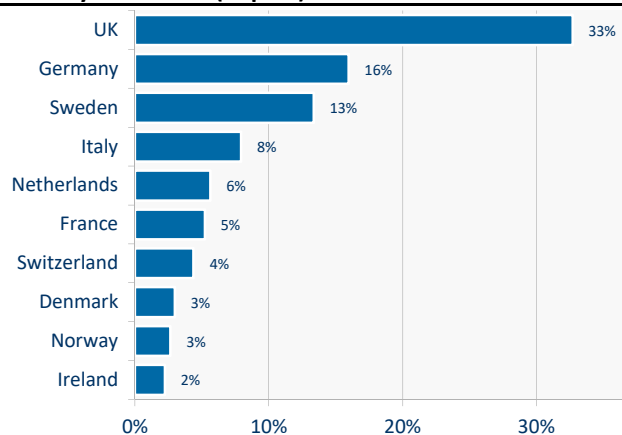
| | |
|----------------------|-------|
| Price / Earnings 20F | 25.3 |
| EPS Growth 20F | 12.7% |
| Dividend Yield 20F | 1.9% |
| Dividend Growth 20F | 9.2% |
| Return on Equity 20F | 15.6% |
| EV/EBITDA 20F | 20.7 |
| EBIT Margin 20F | 26.4% |
| Net Debt/Equity 20F | 7.9% |

Source: Factset consensus estimates

Sector Allocation



Country Allocation (Top 10)



Monthly Commentary

Equity markets enjoyed another positive month in November. European SmallCap is therefore on track to end the decade doing what it has done with such regularity: outperforming its LargeCap counterpart over a calendar year. Within this context, growth remains in vogue. In part, this is thanks to the continued support of Central Banks. Despite occasional worries about rising bond yields, which typically hurt growth stocks, the world of ultra-low interest rates seems set to stay. A sign of the times is that Denmark's third largest bank, Jyske Bank, now offers a 10-year fixed-rate mortgage at -0.5% per year. "Borrow more than you pay back". Oh, Brave New World!

During November, the NAV of the share class increased by 5.0% in Sterling terms, an outperformance of 1.7% versus the MSCI Europe Small Cap benchmark index.

The strongest contribution during the month came from **Consort Medical**, the provider of formulation and manufacturing solutions for pharmaceuticals, which received a takeover bid from Swedish peer Recipharm at a 40% premium. **SimCorp**, the system provider for asset managers, rose on the back of strong Q3 results. **Brembo**, the Italian disc brake specialist, saw renewed momentum following an optimistic quarterly investor call.

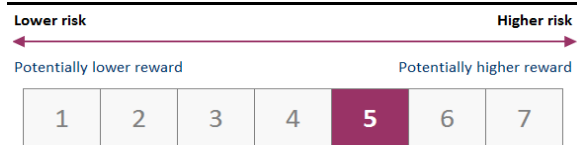
The weakest contribution came from **RaySearch**, the developer of advanced software for radiation therapy, which issued a profit warning after disappointing sales growth. **Elekta**, the developer of clinical solutions for treating cancer and brain disorders, also issued a profit warning after a short-term delay in the installation of high margin Gamma Knife units. **Shaftesbury**, the property company focused on London's West End, weakened after a decline in the net asset value of the portfolio.

Investors will be hoping for a quieter end to the year than was experienced in 2018. Last year, equity markets fell across the board on Christmas Eve, before swiftly rebounding. So extreme were the moves that the Dow Jones recorded its biggest ever daily points gain on December 26th. If ever there was an example of why selling heavily before the holidays was a bad idea, this was it.

With returns having been so strong this year, investors could be forgiven for hoping that markets merely trade sideways in the weeks ahead. This may be wishful thinking given the notable political events still ahead of us, such as the UK General Election. It is also unlikely that President Trump takes time off Twitter during the holiday season. Nevertheless, this has historically been a period in which SmallCap has enjoyed seasonal support. Let us hope that a Santa Rally visits us once again.

We wish you a very Merry Christmas and a Happy New Year!

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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