

## Montanaro European Smaller Companies Trust

30 April 2019

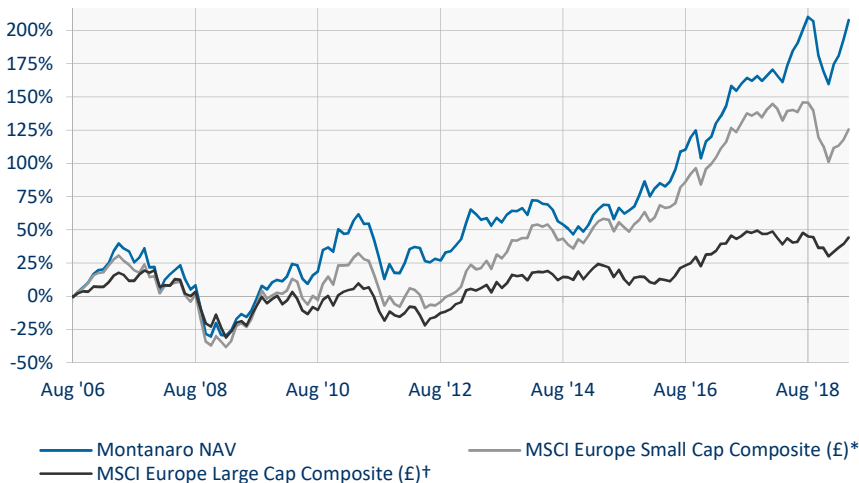
### Fund Objective

To achieve capital growth by investing principally in Continental European quoted smaller companies. The Company's benchmark index is the MSCI Europe SmallCap (ex UK) Index (in sterling terms).

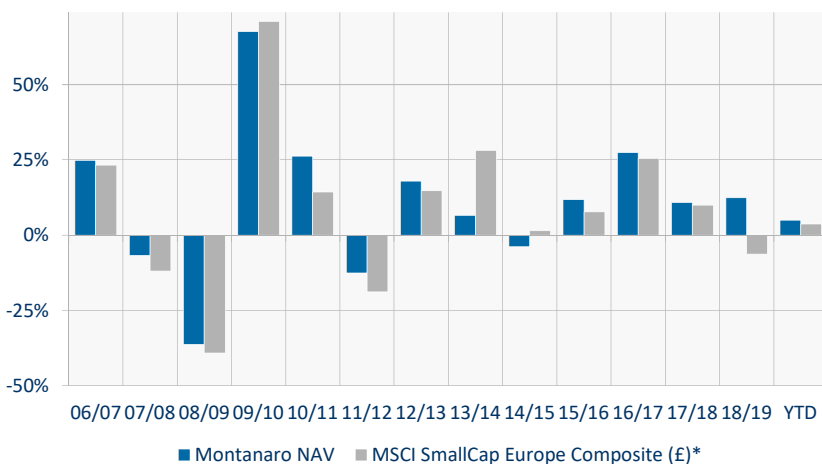
### Performance

	FYTD	1M	3M	6M	12M	3Y	5Y	10Y	Montanaro
<b>Fund (Price)</b>	8.8%	8.8%	13.9%	15.2%	19.1%	72.2%	79.3%	296.7%	203.2%
<b>Fund (NAV)**</b>	4.9%	4.9%	12.2%	9.4%	12.5%	68.6%	81.4%	272.1%	207.8%
<b>Index*</b>	3.6%	3.6%	6.7%	2.6%	-5.8%	35.6%	48.3%	192.0%	125.6%

### Cumulative Performance Since Montanaro



### Fiscal Year Returns



Source: Montanaro, Bloomberg. NAV to NAV, fully diluted.

\*Effective June 1st 2009 the index used in this factsheet for comparison purposes is the MSCI European Smaller Companies Index ex-UK (Capital Return). The performance history prior to June 1st 2009 was the MSCI European Smaller Companies Index (Capital Return). \*\*NAV ex income. † The MSCI Large Cap Composite index is for comparison purposes only.

### 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>Price</b>	968p
<b>NAV**</b>	1052.21p
<b>Discount</b>	-8.0%
<b>Ongoing Charge</b>	1.2% (As at 31 March 19)
<b>Benchmark</b>	MSCI Europe xUK Small Cap (£)

<b>Fund Manager</b>	Montanaro Team
<b>Lead Manager</b>	George Cooke

<b>Management Fee</b>	Annual 0.9% of Market Cap
<b>Performance Fee</b>	Nil

<b>Ticker</b>	MTE LN
<b>ISIN</b>	GB0004543517
<b>Sedol</b>	0454351
<b>Net Assets</b>	£178 million
<b>Gross Assets</b>	£179 million
<b>Gearing</b>	0.5%
<b>No. of Holdings</b>	55
<b>Median Mkt Cap</b>	£2128 million
<b>Managed Since</b>	September 2006
<b>Year End</b>	March
<b>Currency</b>	GBP
<b>Legal Status</b>	UK Investment Trust
<b>Listing</b>	London Stock Exchange
<b>Dividend Date</b>	January and July/August

**Trust ESG Score** 6.3

The Trust 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 30/04/19)

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The information contained within this document is for the use of Institutional and Professional investors only.

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.

**Top 10 Holdings**

MTU Aero Engines	3.5%
IMCD	3.5%
CTS Eventim	3.4%
Nemetschek	3.2%
Fortnox	2.8%
Simcorp	2.7%
Sartorius Stedim Biotech	2.6%
Industria Macchine Automatic	2.5%
Merlin Properties	2.3%
Rational	2.3%
<b>Total</b>	<b>29.0%</b>

Note: % of invested assets

**Risk Analysis**

	Fund	Index
Jensen's Alpha (annual)	8.3%	
Beta	1.01	1.00
Standard Deviation	13.0%	11.9%
Sharpe Ratio	1.48	0.92
Tracking Error	5.1%	
Information Ratio	1.97	
Active Share	89.9%	

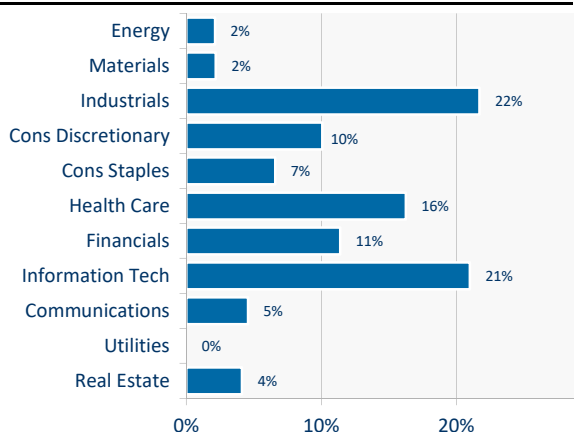
Note: risk statistics over three years

**Portfolio Analysis**

Price / Earnings 19F	24.3
EPS Growth 19F	10.2%
Dividend Yield 19F	2.1%
Dividend Growth 19F	10.2%
Return on Equity 19F	16.8%
EV/EBITDA 19F	18.9
EBIT Margin 19F	22.8%
Net Debt/Equity 19F	7.4%

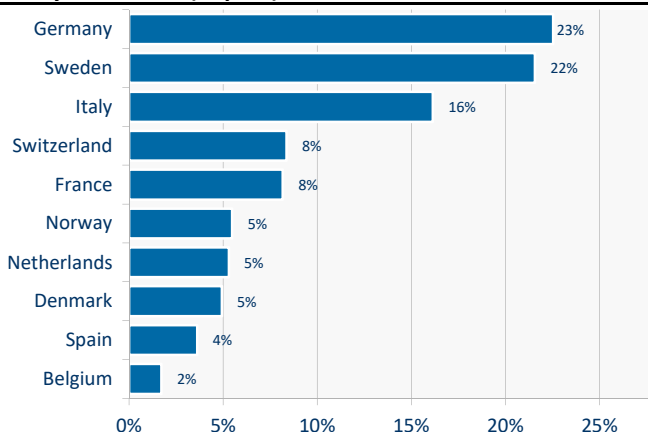
Source: Factset consensus estimates

**Sector Allocation**



Note: % of invested assets

**Country Allocation (Top 10)**



Note: % of invested assets

**Monthly Commentary**

The Goldilocks conditions that have been such a feature of this long Bull Market continued to be “just right” in April. Central Banks remained accommodative, particularly in Europe, while growth surprised in China and the US as talk of a Trade War diminished. This sustained the ascent of equity markets, with returns for the year moving firmly into double-digit territory. A further boost was provided by a solid start to the earnings season, although it is worth remembering that expectations had been revised down after the torrid end to 2018.

In this context, the NAV of the Trust increased by 4.9% (in GBP) in April, an outperformance of 1.3% versus the MSCI Europe SmallCap (ex UK) benchmark index.

The strongest contribution during the month came from **Melexis**, the supplier of sensors for the automotive industry, as the outlook for the sector improved due to better than expected macroeconomic data. **Fortnox**, the provider of cloud accounting software, continued to rise on positive sentiment following an excellent Q1 2019 report. **Mensch und Maschine**, the provider of computer-aided manufacturing software, also gained following a strong Q1 2019 report

The weakest contribution during the month came from **VZ Holding**, the Swiss wealth manager, which weakened due to increased margin pressures. **Vitrolife**, the leading supplier of products used for IVF treatments, saw profit taking after a strong run. **Elektta**, the developer of clinical solutions for treating cancer and brain disorders, drifted in a rising market as investors waited to see whether the company's execution issues in the last quarter were temporary or not.

Given the recent rise in equity markets, investors may be forgiven for wanting to draw breath. Indeed, a pause would be welcome. However, we would caution those preparing to “sell in May and go away”. Economic data is pointing towards a slowing world economy rather than one that is coming off the rails. Becoming bearish too early hurts: those who moved to cash in the fourth quarter of last year have had a painful few months.

It may be more prudent to think about equity exposure strategically. European markets continue to look cheap compared to those on the other side of the Atlantic. Meanwhile, European monetary policy remains among the most accommodative in the world: bank lending conditions are favourable, while it is unlikely that the ECB will raise interest rates in 2019. All of this should continue to support SmallCap companies, which are comfortably outperforming their LargeCap peers so far this year.

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