

Montanaro European Smaller Companies Trust

30 August 2019

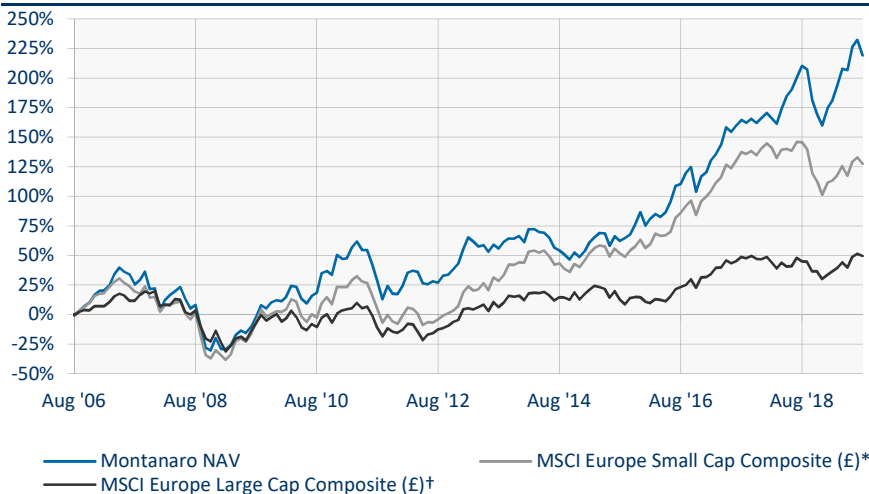
Fund Objective

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).

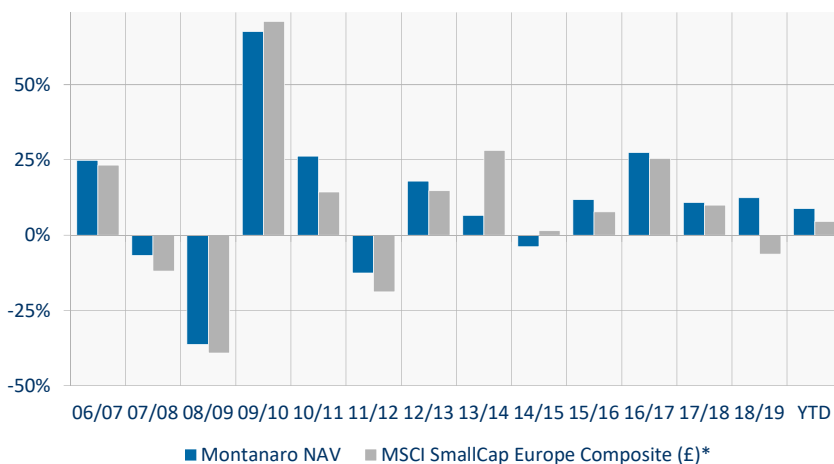
Performance

	FYTD	1M	3M	6M	12M	3Y	5Y	10Y	Montanaro
Fund (Price)	16.9%	-5.5%	9.5%	18.2%	8.3%	69.1%	121.9%	258.0%	225.8%
Fund (NAV)**	8.8%	-3.9%	4.1%	13.8%	2.9%	51.8%	107.3%	225.8%	219.2%
Index*	4.5%	-2.3%	4.7%	6.7%	-7.5%	22.4%	58.8%	144.2%	127.5%

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 £2.2 billion.

Fund Facts

Price	1040p
NAV**	1091.2p
Discount	-4.7%
Ongoing Charge	1.2% (As at 31 March 19)
Benchmark	MSCI Europe xUK Small Cap (£)

Fund Manager	Montanaro Team
Lead Manager	George Cooke

Management Fee	Annual 0.9% of Market Cap
Performance Fee	Nil

Ticker	MTE LN
ISIN	GB0004543517
Sedol	0454351
Net Assets	£186 million
Gross Assets	£187 million
Gearing	0.7%
No. of Holdings	57
Median Mkt Cap	£2108 million
Managed Since	September 2006
Year End	March
Currency	GBP
Legal Status	UK Investment Trust
Listing	London Stock Exchange
Dividend Date	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 31/08/19)

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Important Information

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	4.2%
Fortnox	3.8%
CTS Eventim	3.7%
IMCD	3.1%
Sartorius Stedim Biotech	3.1%
Nemetschek	2.8%
Simcorp	2.7%
VZ Holding	2.6%
MIPS	2.4%
Rational	2.4%
Total	30.8%

Note: % of invested assets

Risk Analysis

	Fund	Index
Jensen's Alpha (annual)	7.9%	
Beta	1.01	1.00
Standard Deviation	13.2%	12.0%
Sharpe Ratio	1.15	0.60
Tracking Error	5.1%	
Information Ratio	1.77	
Active Share	90.0%	

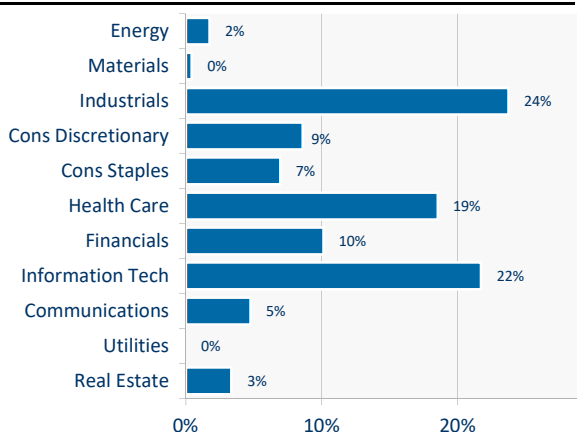
Note: risk statistics over three years

Portfolio Analysis

Price / Earnings 19F	25.2
EPS Growth 19F	8.2%
Dividend Yield 19F	2.1%
Dividend Growth 19F	6.0%
Return on Equity 19F	16.9%
EV/EBITDA 19F	20.3
EBIT Margin 19F	22.0%
Net Debt/Equity 19F	16.7%

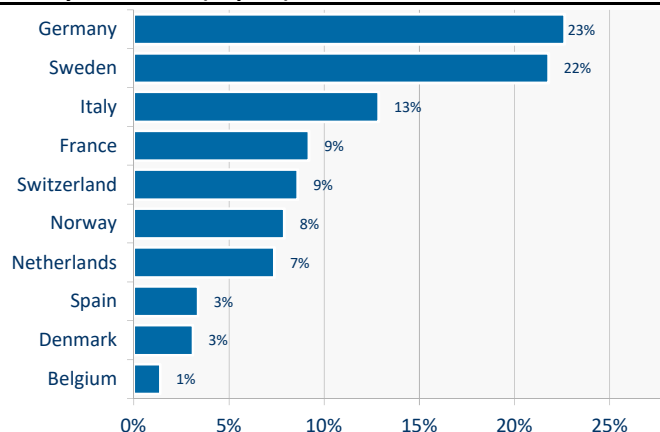
Source: Factset consensus estimates

Sector Allocation



Note: % of invested assets

Country Allocation (Top 10)



Note: % of invested assets

Monthly Commentary

August proved to be a volatile month for equity markets. A rise in the VIX index (a measure of market volatility) and equity market declines were influenced once again by the social media activity of the US President. Donald Trump announced another escalation in the Trade War with China by threatening to impose additional tariffs on over \$300 billion worth of Chinese imports. With trading volumes thin during the European holiday season, demand for “safe haven” assets soared. Global bond yields continued their decline, with the staggering consequence that the total market value of negative yielding debt reached over \$16 trillion. In Europe, the headlines were dominated by weak economic data, especially in Germany, and increasing political uncertainties, notably in Italy and the UK.

In this context, the NAV of the Trust declined by 3.9% (in GBP) in August, an underperformance of 1.6% versus the MSCI Europe SmallCap (ex UK) benchmark index.

The strongest contribution during the month came from **MTU Aero Engines**, the German aircraft engine manufacturer, which benefited from strong passenger numbers during the busy holiday period. **CTS Eventim**, the provider of ticketing services in Europe, announced the partial acquisition of France Billet, the ticketing distributor in France, with an option to acquire the remaining stake at a later date. **Fortnox**, the Swedish provider of cloud accounting software, gained after a strong set of results in which organic revenue grew by a staggering 43%.

The weakest contribution during the month came from **IMCD**, the speciality chemicals distributor, which declined following a set of results which highlighted slight weakness in the Europe, Middle East and Africa division. **Compugroup**, the German provider of software for the medical sector, weakened following a disappointing set of results. **Belimo**, the Swiss actuator manufacturer, experienced profit taking after a strong increase in the share price following the stock's inclusion in the STOXX 600 index in June.

We live in a world in which sentiment can be directed by a person living in a white house with a fondness for keying pithy statements into his phone. It is likely that the US President will become ever more volatile in the run-up to next year's election. Investors in Europe are perhaps a little more used to investing against a backdrop of political uncertainty. Italy, after all, is now on its 66th government since 1946.

Yet it is the prospects for growth that most concerns investors, given the weakness in economic data. As ever in this long Bull Market, Central Banks stand at the ready. Borrowing costs in Europe remain low – and the ECB is expected to unveil new stimulus measures in the coming month. Whether this will be enough to offset a general cooling of the world economy remains to be seen. Reason enough for investors to focus on companies with strong balance sheets that may be less exposed to slowing growth than their more leveraged counterparts.

Important Information

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