

## Montanaro European Smaller Companies Trust

31 December 2019

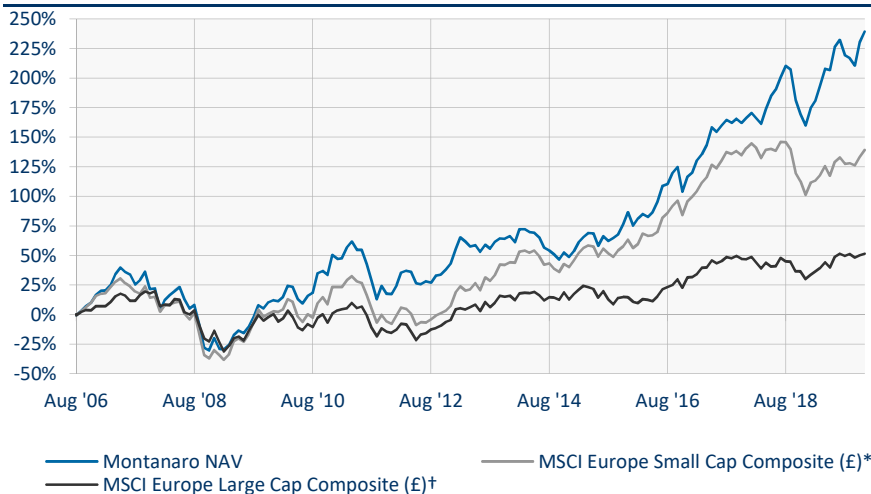
### Fund Objective

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).

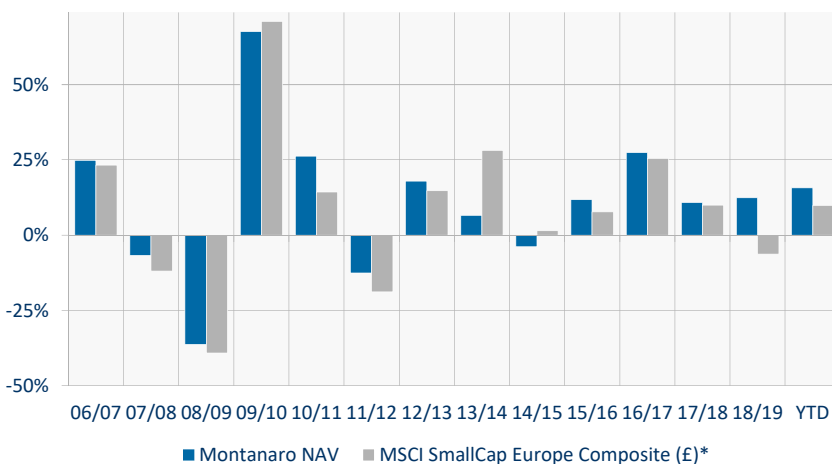
### Performance

	FYTD	1M	3M	6M	12M	3Y	5Y	10Y	Montanaro
<b>Fund (Price)</b>	25.8%	3.0%	9.5%	4.4%	37.0%	83.0%	152.5%	223.7%	250.9%
<b>Fund (NAV)**</b>	15.7%	2.7%	7.1%	4.1%	30.6%	56.6%	128.2%	202.4%	239.2%
<b>Index*</b>	9.9%	2.7%	4.9%	4.4%	18.8%	22.2%	71.0%	133.1%	139.2%

### 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 £2.7 billion.

### Fund Facts

<b>Price</b>	1120p
<b>NAV**</b>	1159.66p
<b>Discount</b>	-3.4%
<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>	£196 million
<b>Gross Assets</b>	£204 million
<b>Gearing</b>	4.3%
<b>No. of Holdings</b>	55
<b>Median Mkt Cap</b>	£2200 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 31/12/19)

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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	3.7%
Fortnox	3.7%
CTS Eventim	3.6%
IMCD	3.2%
Nemetschek	2.9%
Belimo Holding	2.8%
Sartorius Stedim Biotech	2.8%
Simcorp	2.7%
VZ Holding	2.6%
MIPS	2.6%
<b>Total</b>	<b>30.5%</b>

Note: % of invested assets

**Risk Analysis**

	Fund	Index
Jensen's Alpha (annual)	9.3%	
Beta	0.99	1.00
Standard Deviation	11.7%	10.7%
Sharpe Ratio	1.40	0.67
Tracking Error	5.1%	
Information Ratio	2.02	
Active Share	90.0%	

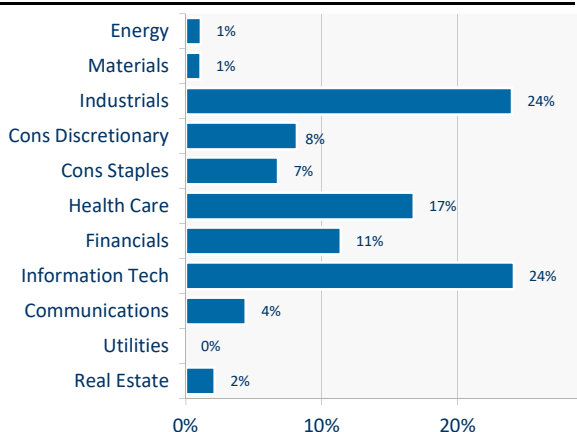
Note: risk statistics over three years

**Portfolio Analysis**

Price / Earnings 20F	25.0
EPS Growth 20F	14.4%
Dividend Yield 20F	2.1%
Dividend Growth 20F	11.1%
Return on Equity 20F	17.9%
EV/EBITDA 20F	19.7
EBIT Margin 20F	22.3%
Net Debt/Equity 20F	0.1%

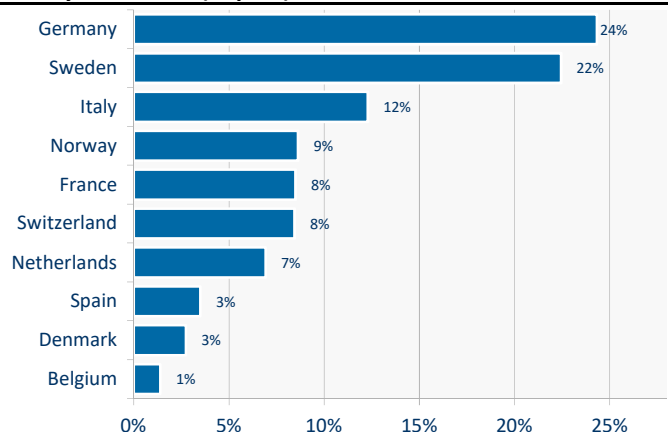
Source: Factset consensus estimates

**Sector Allocation**



Note: % of invested assets

**Country Allocation (Top 10)**



Note: % of invested assets

**Monthly Commentary**

European SmallCap enjoyed a strong 2019, delivering returns comfortably ahead of its LargeCap counterpart. This marked a good end to the decade for SmallCap, which outperformed LargeCap in eight of the past ten years.

Few investors forecast such a strong year for equity markets after the declines of 2018. Yet markets responded positively to further support from Central Banks and tepid economic data that was neither too hot nor worryingly cold. Meanwhile, the great political risks – namely the Trade War and Brexit – showed tentative signs of progress towards the end of the year.

In this context, the NAV of the Trust increased by 2.7% (in GBP) in December, a slight outperformance versus the MSCI Europe SmallCap (ex UK) benchmark index. For the calendar year as a whole, the NAV rose by 30.6%, a healthy outperformance of 11.8%.

The strongest contribution during the month came from **Kitron**, the Scandinavian electronics manufacturing services company, which continued to gain following the announcement of new client wins. **Belimo**, the Swiss actuator manufacturer, increased after a positive broker update. **MIPS**, the Swedish helmet insert maker aiming to reduce rotational impacts from falling, benefited from the first phase US-China tariff agreement.

The weakest contribution during the month came from **IMA**, the producer of packaging machines for the food and pharmaceutical industries, which weakened after a strong November. **Fortnox**, the Swedish provider of cloud accounting software, was broadly flat after a strong run in recent months, despite the unexpected news that the CEO will be replaced at the beginning of 2020. **Marel**, the Icelandic food processing equipment manufacturer, experienced profit taking after a good run following a positive quarterly report.

Commentators are busy gazing into their crystal balls attempting to predict what the New Year has in store for investors. History suggests that this is a difficult task. Attempting to forecast the direction of global macro forces can be akin to reading the tea leaves – and both economists and tasseographers (those who read tea leaves) have a habit of leaving enough room in their predictions to claim that they were “right” after the event.

We do not spend time trying to make such predictions. Macro events that influence markets, such as those currently taking place in Iran and Iraq, sit outside our sphere of competence and are virtually impossible to predict. Rather, we spend our time meeting and listening to our companies. In our experience, this is where we can begin to understand the true drivers of growth that are so important to the trajectory of long-term investment returns.

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