

Montanaro European Smaller Companies Trust

31 January 2020

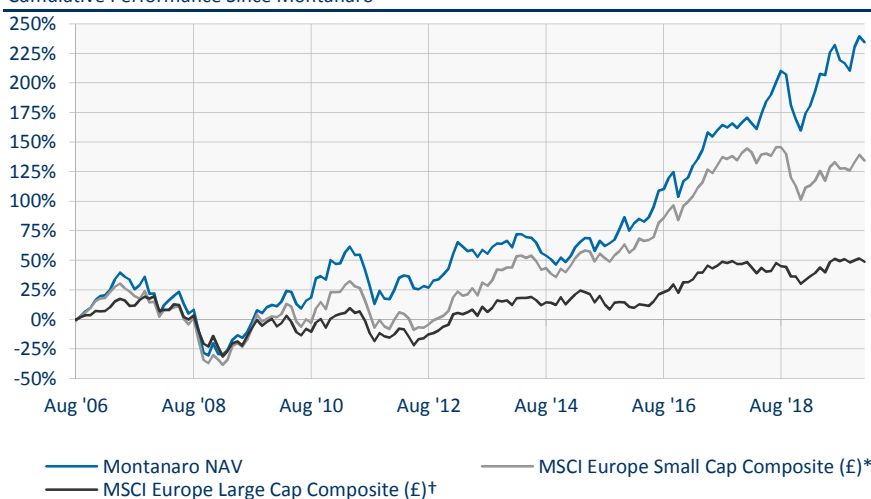
Fund Objective

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).

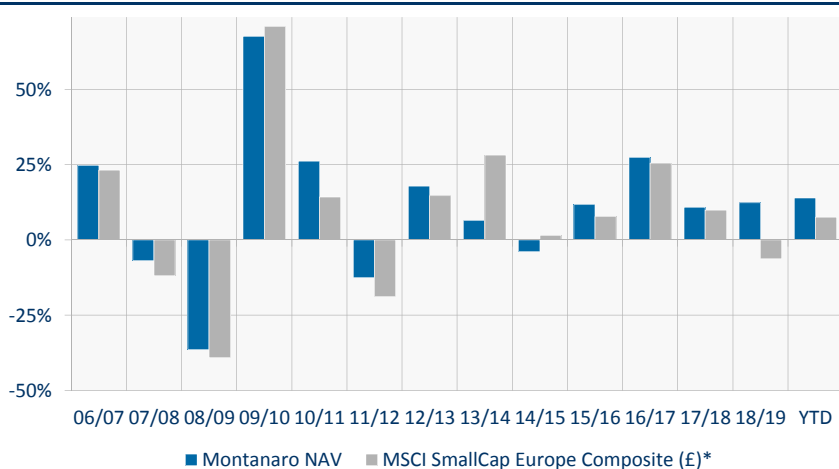
Performance

	FYTD	1M	3M	6M	12M	3Y	5Y	10Y	Montanaro
Fund (Price)	30.9%	4.0%	14.5%	5.9%	37.1%	82.3%	137.8%	236.2%	265.0%
Fund (NAV)**	14.0%	-1.4%	7.7%	0.7%	21.9%	51.9%	117.7%	200.8%	234.4%
Index*	7.6%	-2.1%	3.6%	0.6%	10.8%	17.3%	61.0%	129.7%	134.2%

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

Price	1165p
NAV**	1143.08p
Discount	1.9%
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	£193 million
Gross Assets	£201 million
Gearing	4.6%
No. of Holdings	56
Median Mkt Cap	£2107 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 31/01/20)

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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	4.0%
Fortnox	3.6%
CTS Eventim	3.6%
IMCD	3.3%
Nemetschek	3.1%
Sartorius Stedim Biotech	3.0%
VZ Holding	3.0%
MIPS	2.7%
Simcorp	2.7%
Belimo Holding	2.6%
Total	31.7%

Note: % of invested assets

Risk Analysis

	Fund	Index
Jensen's Alpha (annual)	9.5%	
Beta	0.99	1.00
Standard Deviation	11.8%	10.8%
Sharpe Ratio	1.29	0.53
Tracking Error	5.1%	
Information Ratio	2.06	
Active Share	90.1%	

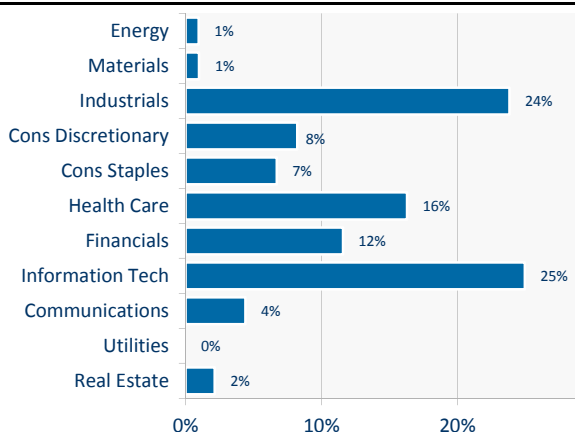
Note: risk statistics over three years

Portfolio Analysis

Price / Earnings 20F	25.3
EPS Growth 20F	14.2%
Dividend Yield 20F	2.1%
Dividend Growth 20F	11.5%
Return on Equity 20F	17.8%
EV/EBITDA 20F	19.9
EBIT Margin 20F	22.4%
Net Debt/Equity 20F	0.2%

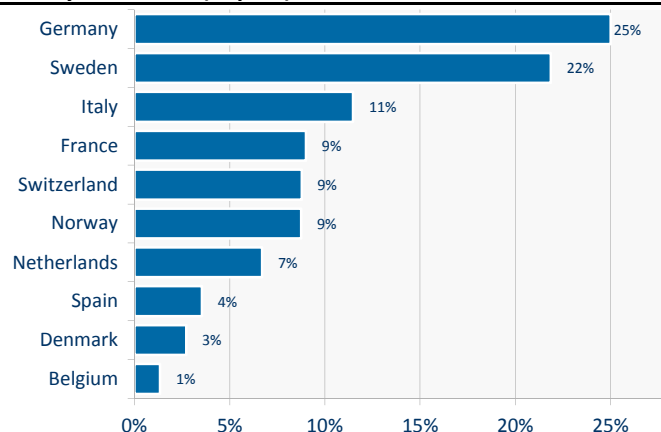
Source: Factset consensus estimates

Sector Allocation



Note: % of invested assets

Country Allocation (Top 10)



Note: % of invested assets

Monthly Commentary

Equity markets began the year in high spirits before volatility increased towards the end of the month. This was largely due to the coronavirus outbreak, although another notable geopolitical event – namely the flare up between the US and Iran – was a further reason for the strong performance of safe haven assets in January. Against this backdrop, it was little surprise that SmallCap delivered negative returns. Markets cannot always go up and after such a strong fourth quarter, a pullback was somewhat welcome.

In this context, the NAV of the Trust declined by 1.4% (in GBP) in January, 0.7% ahead of the MSCI Europe SmallCap (ex UK) benchmark index.

The strongest contribution during the month came from **VZ Holdings**, the Swiss wealth manager, which saw strong share price appreciation ahead of its February results announcement. **Esker**, the French provider of cloud software systems helping to improve back-office efficiency, rose following strong Q4 2019 sales figures and a positive outlook. **MTU Aero Engines**, the aircraft engine maker, continued to benefit from expectations that the Airbus 320 could take share from the 737 Max.

The weakest contribution during the month came from **Loomis**, the provider of cash management services, which continued to weaken after the German competition authorities blocked its acquisition of Zeimann. **Atea**, the software re-seller in the Nordics, experienced a slower than expected recovery in its Danish division. **Nilorn**, the Swedish clothing label maker, suffered from a lacklustre consumer environment in the UK, which is one of its major markets.

The US yield curve inverted once again in January as investors fretted over the unknown consequences of the viral outbreak in Wuhan, China. Although at the time of writing this has not yet developed into a full blown pandemic, this is the type of “unknown” that can easily spook markets.

For now, omens of recession are few and far between. Economic data remains steady and Central Banks supportive. A concerted policy response in China seems likely if the coronavirus does have a meaningful impact on growth (for context, growth in China rebounded quickly following the SARS outbreak of 2003). In uncertain times, investors tend to favour the reliability of quality companies and this was in evidence in January. We would not be surprised if this persists in the months ahead. Quality is our investment style and one that we never waver from.

Important Information

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