

## Montanaro European Smaller Companies Trust

28 June 2019

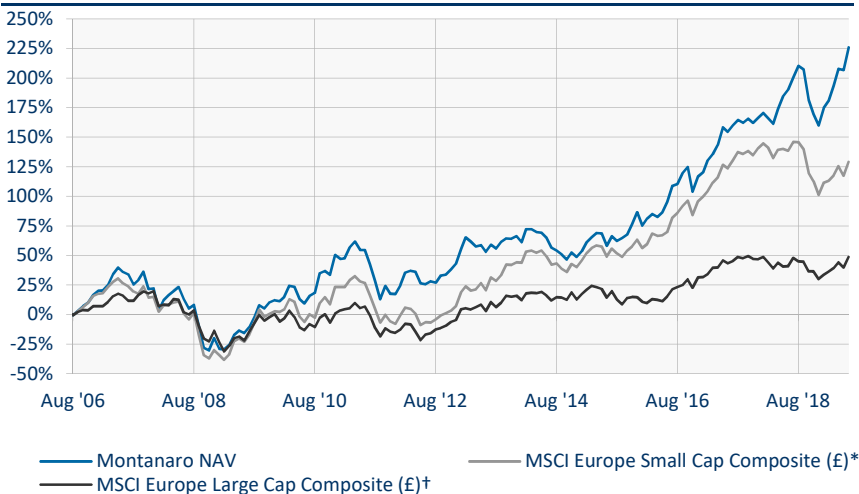
### Fund Objective

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).

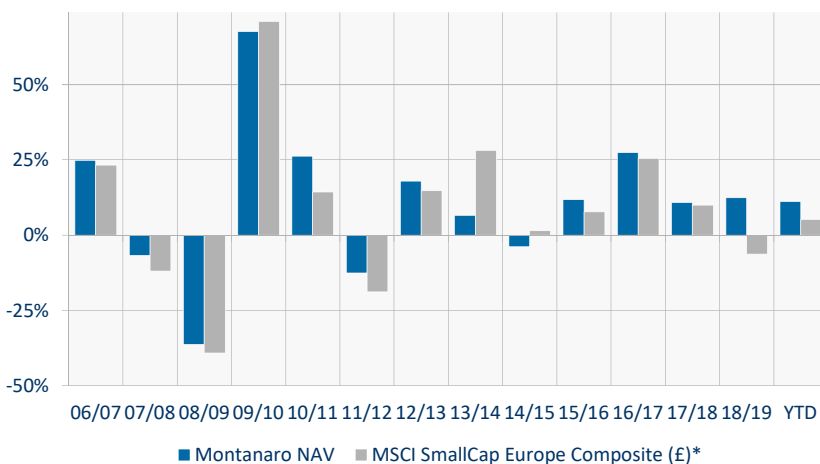
### Performance

	FYTD	1M	3M	6M	12M	3Y	5Y	10Y	Montanaro
<b>Fund (Price)</b>	20.5%	12.9%	20.5%	31.2%	17.9%	100.1%	108.3%	305.5%	236.0%
<b>Fund (NAV)**</b>	11.1%	6.2%	11.1%	25.4%	12.3%	67.0%	97.4%	286.7%	225.9%
<b>Index*</b>	5.2%	5.4%	5.2%	13.8%	-4.0%	34.9%	53.4%	198.1%	129.0%

### 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

<b>Price</b>	1072.5p
<b>NAV**</b>	1113.91p
<b>Discount</b>	-3.7%
<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>	£190 million
<b>Gross Assets</b>	£190 million
<b>Gearing</b>	0.3%
<b>No. of Holdings</b>	56
<b>Median Mkt Cap</b>	£2138 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 30/06/19)

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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**

IMCD	3.8%
MTU Aero Engines	3.5%
Fortnox	3.4%
Nemetschek	3.0%
CTS Eventim	3.0%
Sartorius Stedim Biotech	2.9%
MIPS	2.7%
Simcorp	2.6%
I.M.A.	2.6%
Belimo Holding	2.5%
<b>Total</b>	<b>30.1%</b>

Note: % of invested assets

**Risk Analysis**

	Fund	Index
Jensen's Alpha (annual)	8.4%	
Beta	0.98	1.00
Standard Deviation	13.2%	12.5%
Sharpe Ratio	1.43	0.86
Tracking Error	5.1%	
Information Ratio	1.91	
Active Share	89.9%	

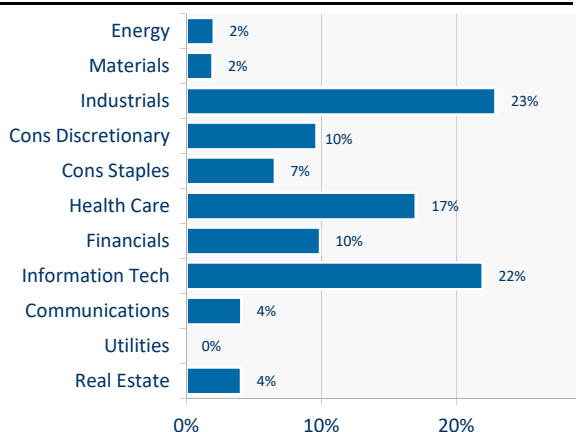
Note: risk statistics over three years

**Portfolio Analysis**

Price / Earnings 19F	25.7
EPS Growth 19F	10.5%
Dividend Yield 19F	2.0%
Dividend Growth 19F	7.7%
Return on Equity 19F	16.9%
EV/EBITDA 19F	20.0
EBIT Margin 19F	22.5%
Net Debt/Equity 19F	8.5%

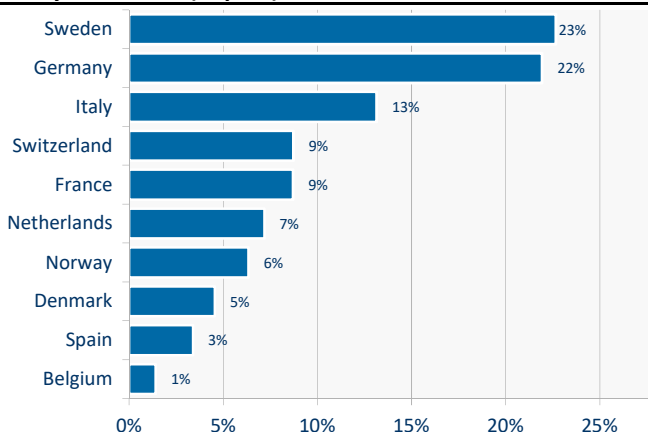
Source: Factset consensus estimates

**Sector Allocation**



Note: % of invested assets

**Country Allocation (Top 10)**



Note: % of invested assets

**Monthly Commentary**

The wobble experienced by markets in May was greeted with the balm that has become so familiar during this Bull Market: the soothing words of Central Bankers. This had the “new normal” effect of turning bad economic data into good news for investors. Equities thus resumed their upwards momentum in June, even as safe haven assets – such as gold – also saw decent gains.

At the mid-point of the year, it is worth noting just how strong equity returns have been. All major equity indices are in positive territory, with European and US markets posting double-digit gains. Even the UK, where Brexit has proven such a headwind to sentiment, experienced good returns. Investors who have tried to “time” the end to the Bull Market have again been caught out.

In this context, the NAV of the Trust increased by 6.2% (in GBP) in June, an outperformance of 0.9% versus the MSCI Europe SmallCap (ex UK) benchmark index. Since the beginning of calendar year, the NAV has increased by over 25%, an outperformance of almost 12%. A result of this was that for the first time in its history, the Trust moved to a premium at the end of June.

The strongest contribution during the month came from **Hypoport**, the leading B2B mortgage platform in Germany, which traded higher in expectation of a good set of results to be published in early August. **Fortnox**, the provider of cloud accounting software, continued its strong run driven by positive results and news of new product add-ons. **Nemetschek**, the provider of design software for the architecture and construction industries, rose sharply at the end of the month on little news.

The weakest contribution during the month came from **Chr Hansen**, the supplier of bioscience based natural ingredients to the food, health and animal feed industries, which suffered due to weak Chinese growth. **Vitrolife**, the leading supplier of products used for IVF treatments, declined due to a high valuation and a slight miss on Q1 growth expectations. **SimCorp**, the system provider for asset managers, experienced profit taking after a strong run.

Incredibly, two-year sovereign debt for every single country in the Eurozone now trades on negative yields. The probable appointment of Christine Lagarde as President of the ECB, who is seen as even more dovish than the incumbent Mario Draghi, is expected to lead to a continuation of loose monetary policy in Europe. Recent history suggests that this should support equity markets.

Set against this is the likelihood that the narrative of the second half of 2019 may mirror that of the first: politics and the trade war could dominate the headlines once again. With this in mind, we continue to believe that the environment remains supportive of owning “Quality” companies. Such businesses are in control of their own destiny and have the resilience and strength to weather periods of market turbulence, which any long-term investor should expect to experience from time to time.

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