

## Montanaro European Smaller Companies Trust

31 May 2019

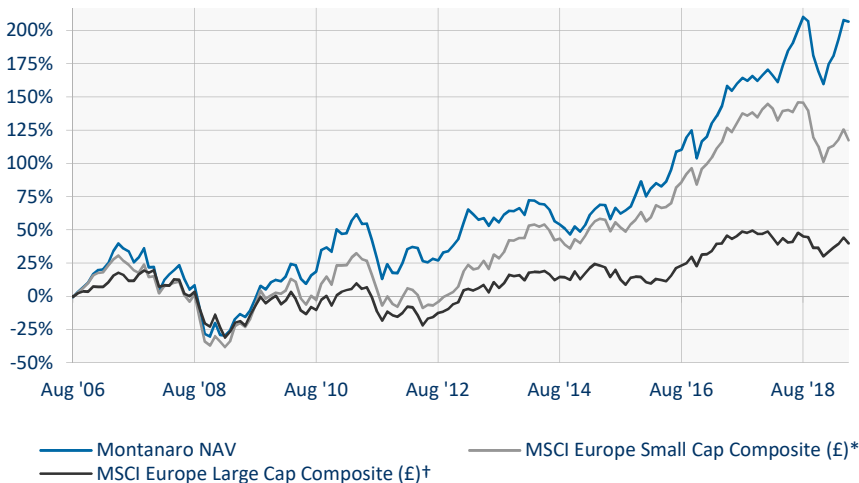
### Fund Objective

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).

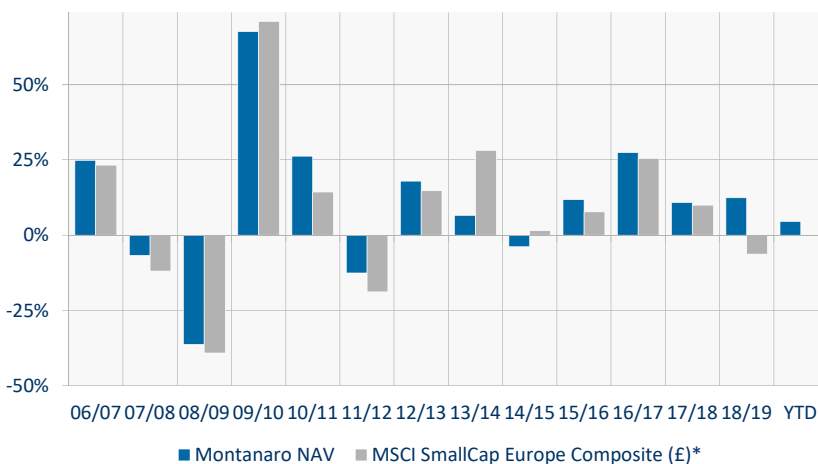
### Performance

	FYTD	1M	3M	6M	12M	3Y	5Y	10Y	Montanaro
<b>Fund (Price)</b>	6.7%	-1.9%	8.0%	10.5%	11.4%	68.4%	80.4%	253.2%	197.6%
<b>Fund (NAV)**</b>	4.6%	-0.4%	9.3%	13.8%	7.8%	64.5%	81.3%	254.9%	206.7%
<b>Index*</b>	-0.2%	-3.7%	2.0%	2.1%	-9.5%	30.1%	41.2%	172.8%	117.3%

### 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 £2.1 billion.

### Fund Facts

<b>Price</b>	950p
<b>NAV**</b>	1048.48p
<b>Discount</b>	-9.4%
<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>	£178 million
<b>Gross Assets</b>	£179 million
<b>Gearing</b>	0.6%
<b>No. of Holdings</b>	56
<b>Median Mkt Cap</b>	£1957 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 31/05/19)

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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	3.6%
MTU Aero Engines	3.3%
Fortnox	3.2%
CTS Eventim	3.1%
Simcorp	2.8%
Sartorius Stedim Biotech	2.8%
Mips	2.7%
Nemetschek	2.7%
Industria Macchine Automatic	2.6%
Merlin Properties	2.3%
	<b>29.0%</b>

Note: % of invested assets

**Risk Analysis**

	Fund	Index
Jensen's Alpha (annual)	9.1%	
Beta	0.98	1.00
Standard Deviation	13.1%	12.2%
Sharpe Ratio	1.40	0.77
Tracking Error	5.3%	
Information Ratio	1.97	
Active Share	90.0%	

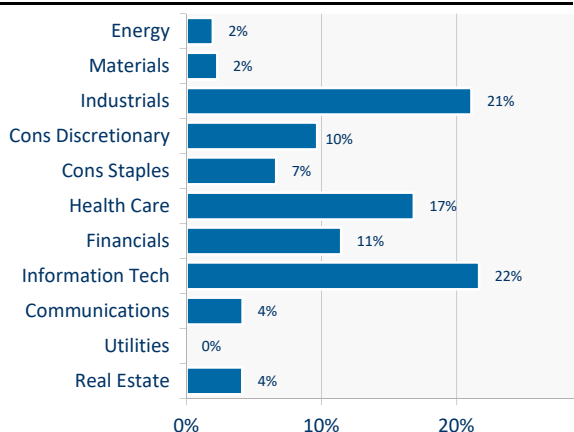
Note: risk statistics over three years

**Portfolio Analysis**

Price / Earnings 19F	23.7
EPS Growth 19F	10.3%
Dividend Yield 19F	2.2%
Dividend Growth 19F	8.9%
Return on Equity 19F	16.8%
EV/EBITDA 19F	18.5
EBIT Margin 19F	23.0%
Net Debt/Equity 19F	8.2%

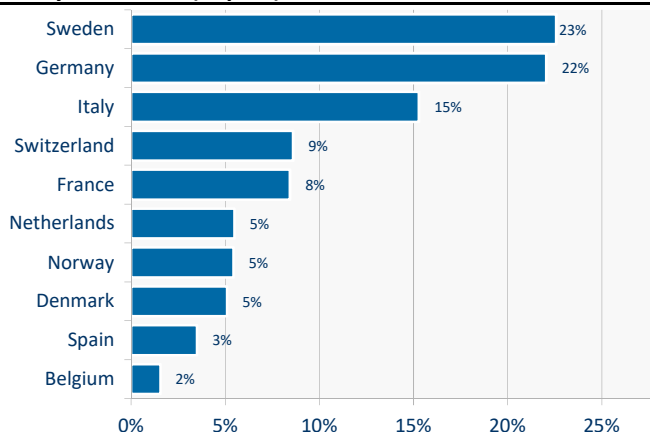
Source: Factset consensus estimates

**Sector Allocation**



Note: % of invested assets

**Country Allocation (Top 10)**



Note: % of invested assets

**Monthly Commentary**

Politics reared its head once again in May, unsettling the market tranquillity that had prevailed in the earlier months of the year. The breakdown in trade negotiations between the US and China led to fears of a deterioration in economic conditions: lower growth; job losses; and falling consumer confidence. Meanwhile, European Parliament elections provided further evidence that Europe's political scene is fragmenting. Certainly, the UK remains as split as ever in relation to Brexit. Given this backdrop, it was little surprise that High Quality companies continued to outperform their Low Quality counterparts.

In this context, the NAV of the Trust decreased by 0.4% (in GBP) in May, an outperformance of 3.3% versus the MSCI Europe SmallCap (ex UK) benchmark index.

The strongest contribution during the month came from **MIPS**, the developer of helmet inserts protecting against rotational motion, which advanced on the acquisition of Fluid, the developer of an adjacent technology. **Fortnox**, the provider of cloud accounting software, continued to rise following a very strong Q1 report. **VZ Holdings**, the Swiss wealth manager, recovered somewhat after a period of fee pressure.

The weakest contribution during the month came from **Nemetschek**, the provider of design software for the architecture and construction industries, which experienced profit taking following a very strong period of performance. **Brembo**, the braking specialist, declined due to concerns over tariffs between the US and Mexico. **De Longhi**, the small home appliance maker, suffered after management reduced the outlook for 2019.

One month, talks between the US and China are progressing well; the next, they are off. This encapsulates the unpredictability of politics – and the corresponding madness of making investment decisions based on such events (or President Trump's tweets).

What has driven markets higher this year has largely been a re-rating following the correction that occurred at the end of 2018. It is unlikely that valuation expansion will play such a major role in the second half of the year. Rather, the trajectory of markets is likely to be driven by the outlook for growth and earnings. We believe that such an environment supports the case for owning Quality companies that are cash generative, with strong competitive advantages and managed by good management teams.

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