

## Montanaro European Smaller Companies Trust

29 November 2019

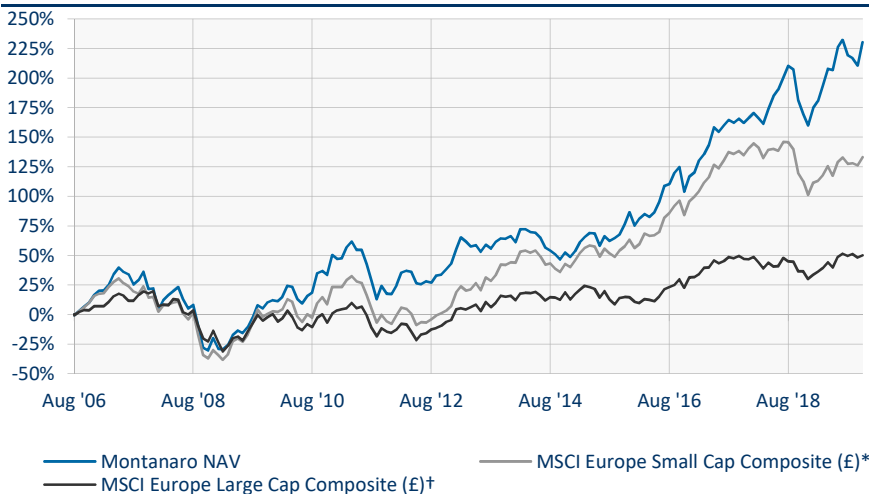
### Fund Objective

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).

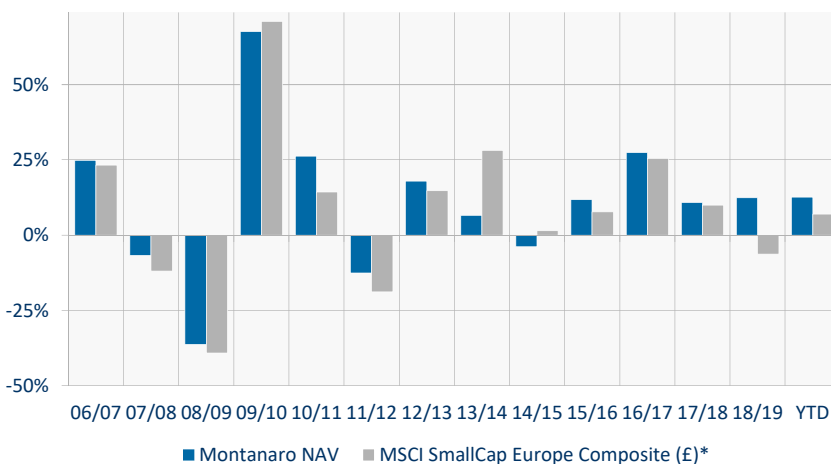
### Performance

	FYTD	1M	3M	6M	12M	3Y	5Y	10Y	Montanaro
<b>Fund (Price)</b>	22.2%	6.9%	4.6%	14.5%	26.5%	84.3%	139.0%	230.5%	240.7%
<b>Fund (NAV)**</b>	12.6%	6.4%	3.5%	7.7%	22.6%	62.1%	116.7%	199.6%	230.3%
<b>Index*</b>	7.0%	3.1%	2.4%	7.2%	9.4%	26.6%	63.2%	131.7%	132.9%

### 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 £2.4 billion.

### Fund Facts

<b>Price</b>	1087.5p
<b>NAV**</b>	1129.24p
<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>	£191 million
<b>Gross Assets</b>	£197 million
<b>Gearing</b>	3.2%
<b>No. of Holdings</b>	55
<b>Median Mkt Cap</b>	£2245 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 30/11/19)

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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**

Fortnox	3.8%
MTU Aero Engines	3.7%
CTS Eventim	3.7%
IMCD	3.3%
Sartorius Stedim Biotech	2.8%
Nemetschek	2.8%
Simcorp	2.7%
Belimo Holding	2.6%
VZ Holding	2.5%
Loomis	2.5%
<b>Total</b>	<b>30.4%</b>

Note: % of invested assets

**Risk Analysis**

	Fund	Index
Jensen's Alpha (annual)	9.5%	
Beta	0.98	1.00
Standard Deviation	12.0%	11.1%
Sharpe Ratio	1.47	0.76
Tracking Error	5.1%	
Information Ratio	2.08	
Active Share	90.1%	

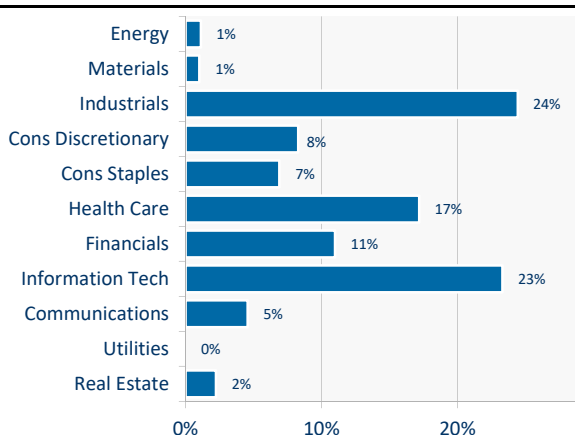
Note: risk statistics over three years

**Portfolio Analysis**

Price / Earnings 20F	24.3
EPS Growth 20F	13.9%
Dividend Yield 20F	2.1%
Dividend Growth 20F	11.1%
Return on Equity 20F	18.1%
EV/EBITDA 20F	19.1
EBIT Margin 20F	22.4%
Net Debt/Equity 20F	0.2%

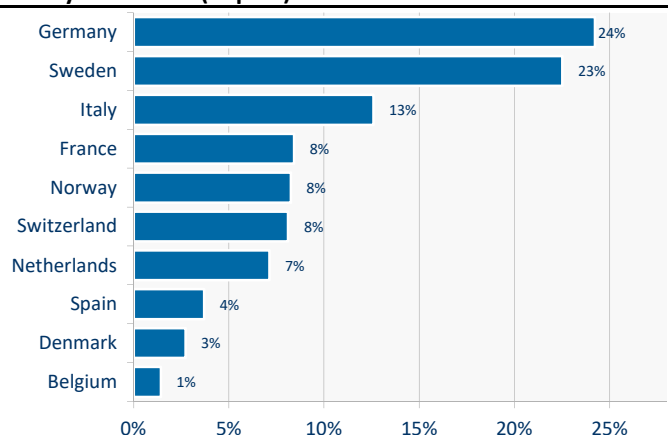
Source: Factset consensus estimates

**Sector Allocation**



Note: % of invested assets

**Country Allocation (Top 10)**



Note: % of invested assets

**Monthly Commentary**

Equity markets enjoyed another positive month in November. European SmallCap is therefore on track to end the decade doing what it has done with such regularity: outperforming its LargeCap counterpart over a calendar year. Within this context, growth remains in vogue. In part, this is thanks to the continued support of Central Banks. Despite occasional worries about rising bond yields, which typically hurt growth stocks, the world of ultra-low interest rates seems set to stay. A sign of the times is that Denmark's third largest bank, Jyske Bank, now offers a 10-year fixed-rate mortgage at -0.5% per year. "Borrow more than you pay back". Oh, Brave New World!

In this context, the NAV of the Trust declined by 6.4% (in GBP) in November, an outperformance of 3.3% versus the MSCI Europe SmallCap (ex UK) benchmark index.

The strongest contribution during the month came from **MIPS**, the Swedish helmet insert aiming to reduce rotation impact to brain, which saw good performance post a positive set of results and key wins in the German market. **NCAB**, the full-service supplier of circuit boards, traded higher following a good set of results. **SimCorp**, the system provider for asset managers, rose on the back of strong Q3 results.

The weakest contribution during the month came from **RaySearch**, the developer of advanced software for radiation therapy, which issued a profit warning after disappointing sales growth. **Elekta**, the developer of clinical solutions for treating cancer and brain disorders, also issued a profit warning after a short-term delay in the installation of high margin Gamma Knife units. **Fortnox**, the Swedish provider of cloud accounting software, was broadly flat following a very strong performance in 2019.

Investors will be hoping for a quieter end to the year than was experienced in 2018. Last year, equity markets fell across the board on Christmas Eve, before swiftly rebounding. So extreme were the moves that the Dow Jones recorded its biggest ever daily points gain on December 26<sup>th</sup>. If ever there was an example of why selling heavily before the holidays was a bad idea, this was it.

With returns having been so strong this year, investors could be forgiven for hoping that markets merely trade sideways in the weeks ahead. This may be wishful thinking given the notable political events still ahead of us, such as the UK General Election. It is also unlikely that President Trump takes time off Twitter during the holiday season. Nevertheless, this has historically been a period in which SmallCap has enjoyed seasonal support. Let us hope that a Santa Rally visits us once again.

We wish you a very Merry Christmas and a Happy New Year!

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