

Montanaro European Smaller Companies Trust

31 October 2019

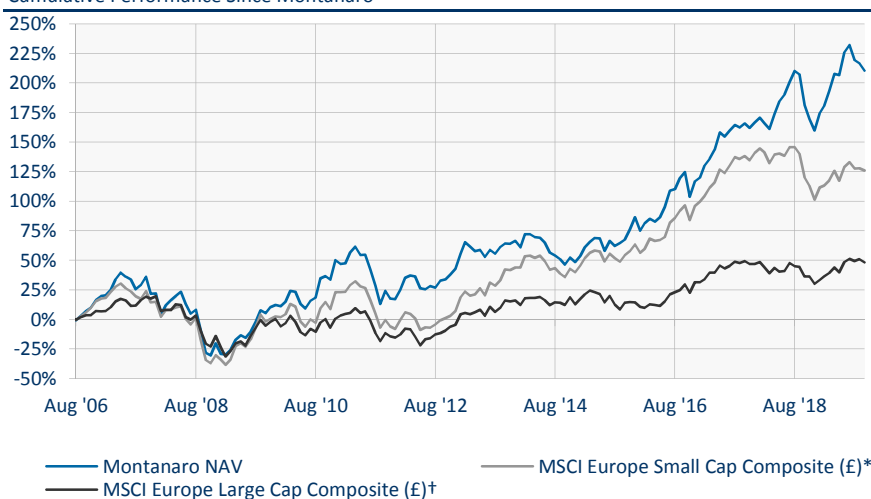
Fund Objective

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).

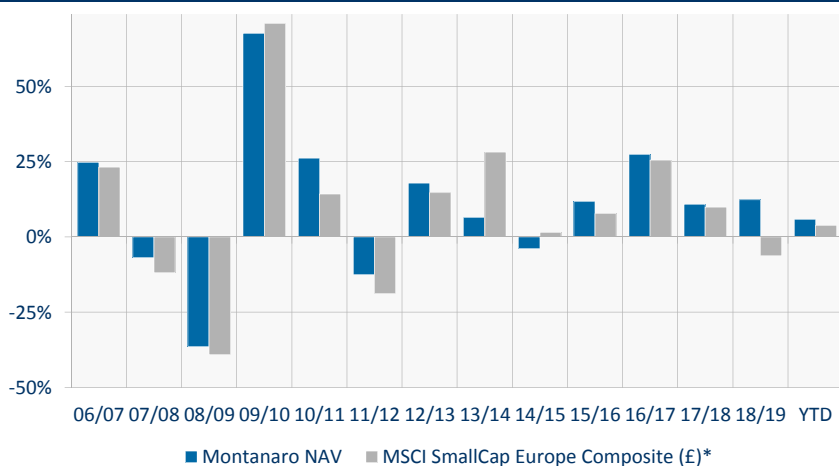
Performance

	FYTD	1M	3M	6M	12M	3Y	5Y	10Y	Montanaro
Fund (Price)	14.3%	-0.5%	-7.5%	5.1%	21.1%	55.3%	128.9%	211.6%	218.7%
Fund (NAV)**	5.9%	-1.9%	-6.5%	0.9%	10.4%	38.2%	112.1%	195.6%	210.5%
Index*	3.8%	-0.8%	-2.9%	0.2%	2.8%	15.1%	66.4%	130.4%	126.0%

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

Price	1017.5p
NAV**	1061.39p
Discount	-4.1%
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 £179 million
Gross Assets £180 million
Gearing 0.6%
No. of Holdings 55
Median Mkt Cap £2137 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 31/10/19)

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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	4.2%
CTS Eventim	4.0%
MTU Aero Engines	4.0%
IMCD	3.3%
Sartorius Stedim Biotech	2.9%
Belimo Holding	2.7%
Nemetschek	2.6%
Rational	2.6%
Merlin Properties	2.5%
Simcorp	2.5%
Total	31.4%

Note: % of invested assets

Risk Analysis

	Fund	Index
Jensen's Alpha (annual)	6.7%	
Beta	1.02	1.00
Standard Deviation	13.2%	11.9%
Sharpe Ratio	0.89	0.41
Tracking Error	5.2%	
Information Ratio	1.42	
Active Share	90.1%	

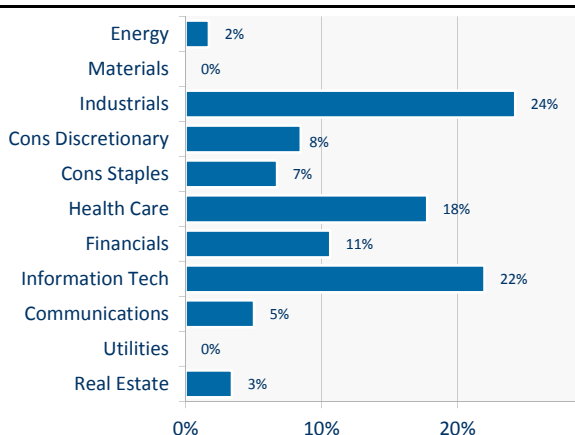
Note: risk statistics over three years

Portfolio Analysis

Price / Earnings 20F	22.4
EPS Growth 20F	14.5%
Dividend Yield 20F	2.2%
Dividend Growth 20F	11.4%
Return on Equity 20F	17.4%
EV/EBITDA 20F	17.7
EBIT Margin 20F	23.0%
Net Debt/Equity 20F	1.9%

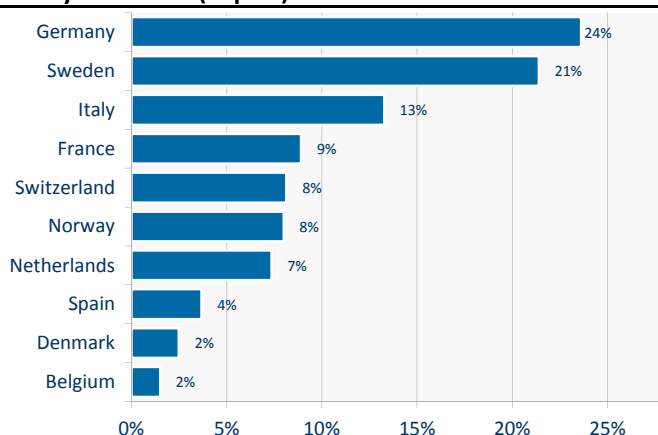
Source: Factset consensus estimates

Sector Allocation



Note: % of invested assets

Country Allocation (Top 10)



Note: % of invested assets

Monthly Commentary

Easing political tensions provided support to equity markets in October. A consequence of this was that SmallCap had one of its strongest months so far this year relative to European LargeCap, outperforming by some 2%. With two months to go until the end of the year, SmallCap is now on track to outperform LargeCap in 2019. As President Trump celebrated a "Phase One Trade Deal" with China, the UK stepped back from the apparent precipice of a "no deal" Brexit. Meanwhile, Central Banks reiterated their dovish stances as Mario Draghi, the architect of Europe's "whatever it takes" stimulus strategy, stepped aside for Christine Lagarde.

In this context, the NAV of the Trust declined by 1.9% (in GBP) in October, an underperformance of 1.1% versus the MSCI Europe SmallCap (ex UK) benchmark index.

The strongest contribution during the month came from **Hypoport**, the leading B2B mortgage platform in Germany, which announced a strong Q3 with 30% growth in revenues. **Belimo**, the actuator manufacturer, sustained its upward momentum due to a positive broker report. **Mensch und Maschine**, the German provider of computer aided manufacturing, rose after posting excellent Q3 results

The weakest contribution during the month came from **MIPS**, the Swedish helmet insert helping to reduce the incidence of concussion, which weakened despite an alleviation in trade war fears. **VZ Holding**, the Swiss wealth manager, experienced profit taking after a strong third quarter. **Medistim**, which provides intra-operative quality control products for cardiac and vascular surgery, declined after reporting a weak result in its non-core distribution division.

It is perhaps a little confusing that European equities have climbed close to a two-year high in recent weeks when signs that the global economy is slowing are so prevalent. While much of this is due to improved political developments, a positive earnings season has also reinvigorated investor appetite for risk assets.

Yet the clouds hovering over the investment landscape have not evaporated completely. Geopolitical risks remain and growth is slowing across the world. While the monetary backdrop remains supportive, Central Banks do not have much left in the toolkit. In our opinion, we remain in a period in which investors will continue to favour companies with strong balances sheets and healthy cash flows.

Important Information

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