

Montanaro European Smaller Companies Trust

30 September 2019

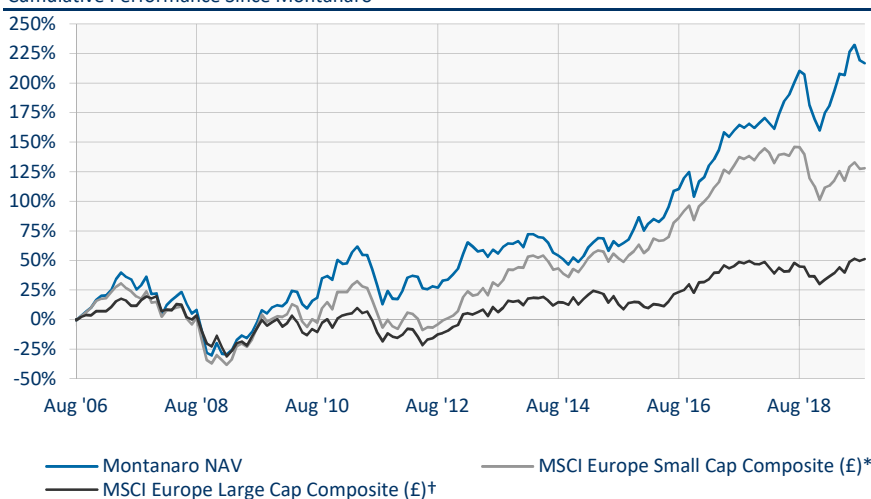
Fund Objective

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).

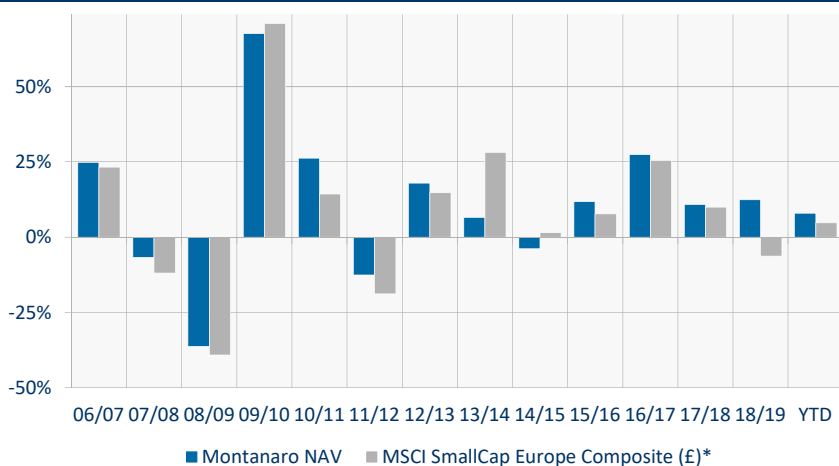
Performance

	FYTD	1M	3M	6M	12M	3Y	5Y	10Y	Montanaro
Fund (Price)	14.9%	-1.7%	-4.7%	14.9%	6.0%	64.2%	115.8%	210.8%	220.3%
Fund (NAV)**	7.9%	-0.8%	-2.8%	7.9%	3.1%	44.2%	110.0%	194.0%	216.6%
Index*	4.7%	0.2%	-0.5%	4.7%	-5.0%	18.8%	64.4%	119.2%	127.9%

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 £2.2 billion.

Fund Facts

Price	1022.5p
NAV**	1082.42p
Discount	-5.5%
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	£183 million
Gross Assets	£184 million
Gearing	0.7%
No. of Holdings	56
Median Mkt Cap	£2164 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 30/09/19)

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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

MTU Aero Engines	4.1%
Fortnox	4.1%
CTS Eventim	3.8%
IMCD	3.3%
Sartorius Stedim Biotech	2.8%
Nemetschek	2.7%
VZ Holding	2.6%
Rational	2.5%
Simcorp	2.5%
MIPS	2.5%
Total	30.9%

Note: % of invested assets

Risk Analysis

	Fund	Index
Jensen's Alpha (annual)	7.0%	
Beta	1.01	1.00
Standard Deviation	13.1%	11.9%
Sharpe Ratio	1.01	0.52
Tracking Error	5.1%	
Information Ratio	1.52	
Active Share	90.1%	

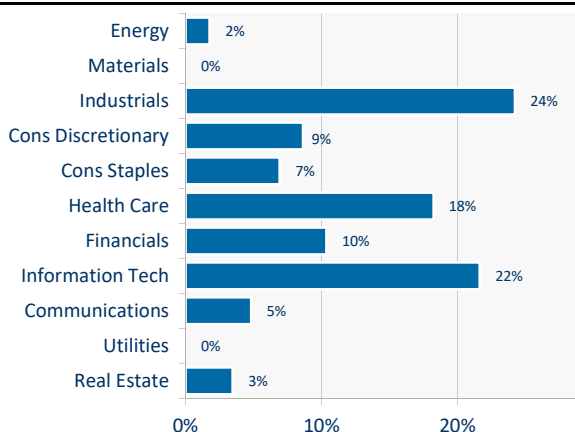
Note: risk statistics over three years

Portfolio Analysis

Price / Earnings 20F	22.1
EPS Growth 20F	14.4%
Dividend Yield 20F	2.3%
Dividend Growth 20F	11.7%
Return on Equity 20F	17.6%
EV/EBITDA 20F	17.4
EBIT Margin 20F	23.6%
Net Debt/Equity 20F	0.6%

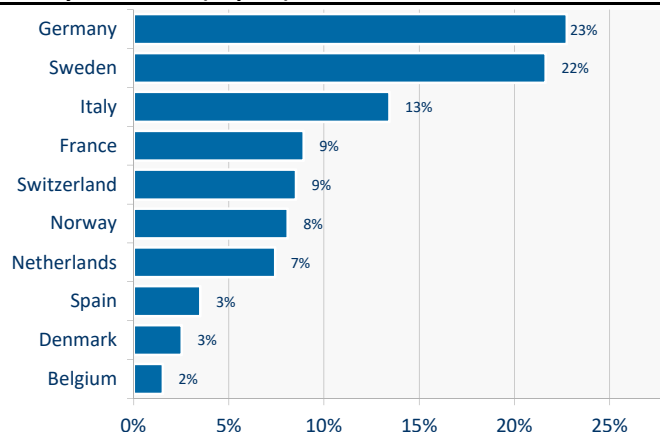
Source: Factset consensus estimates

Sector Allocation



Note: % of invested assets

Country Allocation (Top 10)



Note: % of invested assets

Monthly Commentary

September was a strange month. Investors returned from their summer holidays in a sprightly mood, pushing markets higher as weak economic data, a feature of the third quarter, was briefly ignored. Yet the month was not without its dramas. At one point, oil prices spiked by over 20% after an attack on Saudi Arabia's oil infrastructure, the largest move in the price of Brent crude since Saddam Hussein invaded Kuwait in 1990. Meanwhile, the European Central Bank joined the Federal Reserve in cutting interest rates, while also resuming quantitative easing. Europe was one of the standout performers on a regional basis, although SmallCap unperformed LargeCap.

In this context, the NAV of the Trust declined by 0.8% (in GBP) in September, an underperformance of 1.0% versus the MSCI Europe SmallCap (ex UK) benchmark index.

The strongest contribution during the month came from **Fortnox**, the Swedish provider of cloud accounting software, which continued to rise following its excellent Q2 results announced towards the end of August. **Belimo**, the manufacturer of actuators, rose after positive broker comments. **IMCD**, a global specialty chemicals distributor, recovered after a soft Q2 and the announcement of additional small bolt-ons in India

The weakest contribution during the month came from **Sartorius Stedim**, the developer of equipment used in the manufacture of biologic drugs, which experienced some profit taking after a strong run in the share price. **MTU**, the aircraft engine maker, saw its shares weaken after its inclusion in the DAX index. **SimCorp**, the leading system provider for asset managers, drifted on no particular news.

Perhaps the drama of the summer months (oil price spikes; interest rate cuts; trade war worries; Brexit, et al.) didn't feel so bad while the sun shone. Amid the autumnal gloom and heavy rain that has descended across Europe in recent weeks, investors have turned less positive as we head into winter.

The global economy faces several unpredictable risks. How will the trade war develop? Is a "no-deal" Brexit now the most likely outcome in the UK? Will tensions in the Middle East escalate? Perhaps most importantly for bottom-up stock pickers, will companies respond to slowing growth and profits by scaling back investment plans and cutting jobs?

There is no clear answer to such questions. These uncertainties mean that the case for owning Quality companies remains as strong as ever. Yet amid the darkening skies, it is worth remembering that the final quarter of the year (unlike last year) has usually been a strong one for smaller companies in Europe.

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