

Montanaro UK Income Fund (£)

30 April 2019

Open Ended

Fund Objective

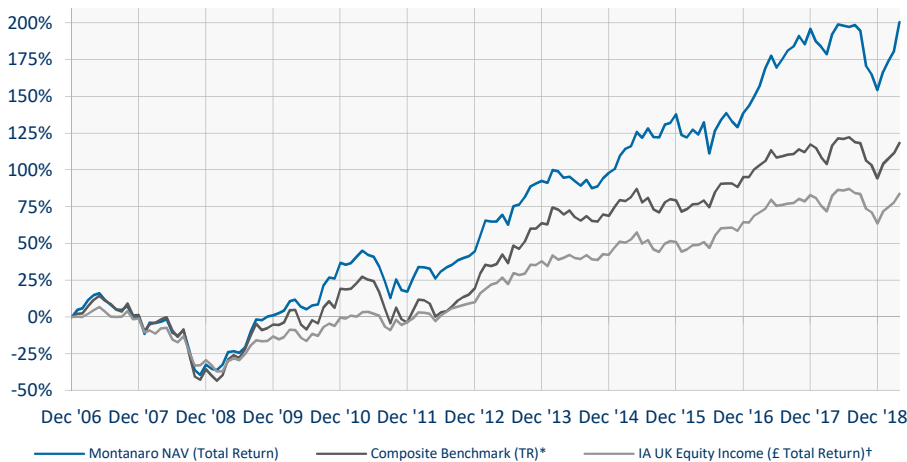
Capital growth and income. The Fund will invest primarily in Small and MidCap companies quoted in the UK that offer an attractive dividend yield or the potential for dividend growth. Up to 20% of the Fund may be invested in companies quoted in the EU (excluding the UK), Iceland, Norway and Switzerland. No unquoted investments are permitted.

Performance

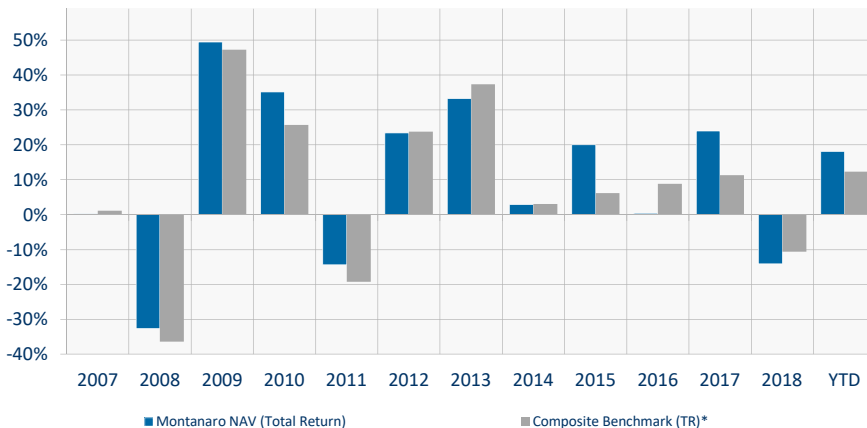
	YTD	1M	3M	6M	12M	3Y	5Y	Launch*
Fund (TR)**	18.2%	6.9%	12.6%	11.0%	2.8%	34.1%	54.3%	200.4%
Benchmark (TR)*	12.3%	3.3%	7.0%	5.9%	0.7%	23.4%	28.7%	118.3%
IA: UK Equity Income (TR)†	12.3%	3.3%	7.0%	5.9%	0.7%	23.4%	31.0%	83.7%

The IA UK Equity Income (Total Return) Sector returns are shown for comparison purposes only.

Cumulative Performance Since Inception*



Calendar Year Returns



Source: Montanaro, Bloomberg, FE Analytics. NAV to NAV, unrounded, dividends reinvested at ex date. NAVs prior to 24/09/07 priced at close of business; between 24/09/07 and 01/10/09 priced at midday; since 2/10/09 priced at 4pm. Prior to June 2013 the UK Income Fund had a UK weighting of below 50%. * Share class introduced November 2015. ** Performance prior to November 2015 based on GBP seed class. *Please note the benchmark from launch to 08/07/14 was the MSCI Europe SmallCap (Gross TR) Index and from 08/07/14 to 01/07/16 the benchmark was the IA UK Equity Income (Gross TR) Sector. In the composite benchmarks we have continued to use the IA UK Equity Income (Gross TR) Sector from this date for comparison. †The IA UK Equity Income (Gross TR) Sector is shown for the whole period 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

Fund Manager	Charles Montanaro
Fund Launch*	December 2006
Year End	December
Currency	GBP
Class	Distribution
IA Sector	UK All Companies (formerly IA UK Equity Income TR)†
Ticker	MOUKING ID
ISIN	IE00BYSRYZ31
Sedol	BYSRYZ3
Fund Size	£390 million
NAV	116.1p
No. of Holdings	50
Median Mkt Cap	£1294 million
Cash	1.3%
Legal Status	Irish OEIC
Listing	Irish Stock Exchange
Valuation Time	Daily 4pm Dublin time
Minimum Investment	£1,000
Dealing Time	12pm Dublin time
Dividend Date	Quarterly
Reporting Fund Status	Approved
Management Fee	Annual 0.75%
Performance Fee	Nil
Initial Charge	Nil
Dividend Yield 19F	3.9% (Portfolio Yield)

Fund ESG Score

6.3
The Fund ESG Score is the weighted average of Montanaro's proprietary company ESG Checklist scores (0-10; 10 is best).

Platforms

The fund is available to purchase on the following:

Cofunds	Nucleus	MFEX
Novia	Ascentric	SEB
Raymond James	Amber Financial	
Transact	Old Mutual	
Hargreaves Lansdown	FNZ Wealth	
Alliance Trust Savings	Interactive Investor	
Pershing Nexus	James Hay	
AJ Bell	Fidelity Fundsnetwork	
Standard Life	Aviva	
AllFunds	Skandia	

Important Information

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.

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Top 10 Holdings

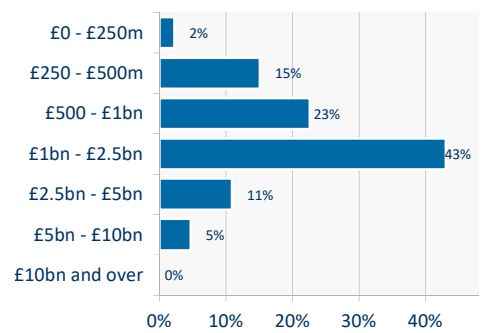
4Imprint Group	4.1%
Big Yellow Group	4.0%
Marshalls	3.9%
Cineworld Group	3.7%
Polypipe Group	3.5%
Victrex	3.3%
James Fisher & Sons	3.0%
RPS Group	2.9%
FDM Group	2.9%
St. James Place	2.9%
Total	34.2%

Portfolio Analysis

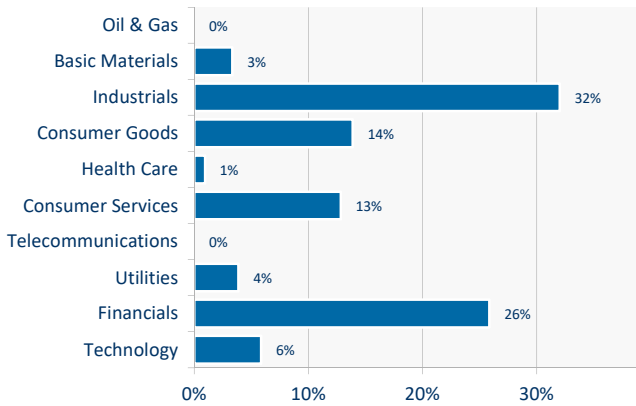
Price / Earnings 19F	16.4
EPS Growth 19F	3.6%
Dividend Yield 19F	3.9%
Dividend Growth 19F	4.9%
Return on Equity 19F	15.6%
EV/EBITDA 19F	13.7
EBIT Margin 19F	24.4%
Net Debt/Equity 19F	6.8%

Source: Factset consensus estimates

Market Capitalisation Allocation

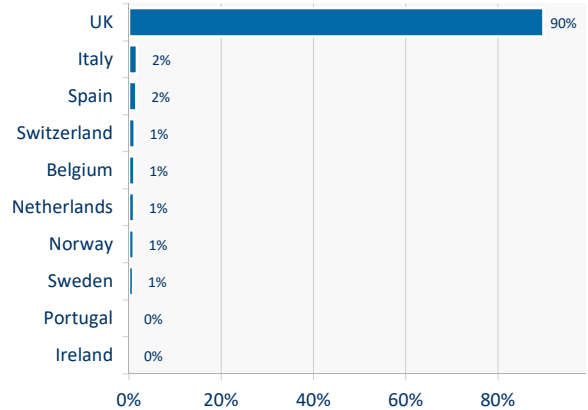


Sector Allocation



Sector breakdown is based on ICB classification.

Country Allocation (Top 10)



Monthly Commentary

The Goldilocks conditions that have been such a feature of this long Bull Market continued to be “just right” in April. Central Banks remained accommodative, while growth surprised on the upside in China, the US – and most unexpectedly, the UK. As the Easter break allowed the focus to drift momentarily away from Brexit, UK markets posted steady gains. Pleasingly, SmallCap outperformed LargeCap as investors continued to address severe underweights to the asset class, which has been so unloved since the referendum in 2016.

In this context, the NAV of the share class increased by 6.9% in April (in GBP).

The strongest contribution during the month came from **4imprint**, the supplier of promotional merchandise, which continued to perform well after posting a good set of results in March. **NCC**, the software business specialising in escrow and cyber security, rose on rumours of a potential takeover bid. **Charles Taylor**, the global provider of professional services to the insurance market, recovered from share price weakness experienced earlier in the year.

The weakest contribution during the month came from **Britvic**, the soft drinks manufacturer and bottler, which took a breather following a strong share price rally. **Mears**, the housing maintenance business, continued to suffer amid concerns about its gearing levels. **Headlam**, the flooring wholesale distributor, continued to suffer from worries relating to Brexit.

Given the recent rise in equity markets, investors may be forgiven for wanting to draw breath. Indeed, a pause would be welcome. However, we would caution those preparing to “sell in May”. A recent study has shown that £10,000 invested in the FTSE All Share Index at launch in 1986 would now be worth £198,000, with dividends reinvested. By contrast, those who followed the famous adage to “sell in May and go away, and come on back on St. Leger’s Day” (at the beginning of September) would only have £125,000 today. In other words, timing the market is tricky and to be avoided for long-term investors (investors in UK SmallCap should have a sensible time horizon).

It may be more prudent to think about equity exposure strategically. UK SmallCap continues to look cheap compared to equities on the other side of the English Channel and across the Atlantic. Meanwhile, investors with high allocations to overseas equities will address their underweights to sterling one day. It would be little surprise if the currency rebounded in the event of a Brexit breakthrough. In such a scenario, the quality companies within the Fund should be well placed to benefit. And in the intervening period, with a dividend forecast of 3.9% for 2019, investors are being paid to wait.

Risk and Reward Profile



These numbers rate how the Fund may perform and the risk of losing some or all of your investment. In general the potential for higher returns also implies a higher level of risk. However, the lowest category (1) does not mean a risk free investment.

This risk rating is based on historical data which may not be a reliable indication of the future risks and rewards of the fund. The risk rating of the fund may change over time.

Past performance is not a reliable indicator of future results. 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.

For further information please see the Risk and Reward section of the Key Investor Information Document (KIID).

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