

Montanaro UK Income Fund (£)

30 August 2019

Open Ended

Fund Objective

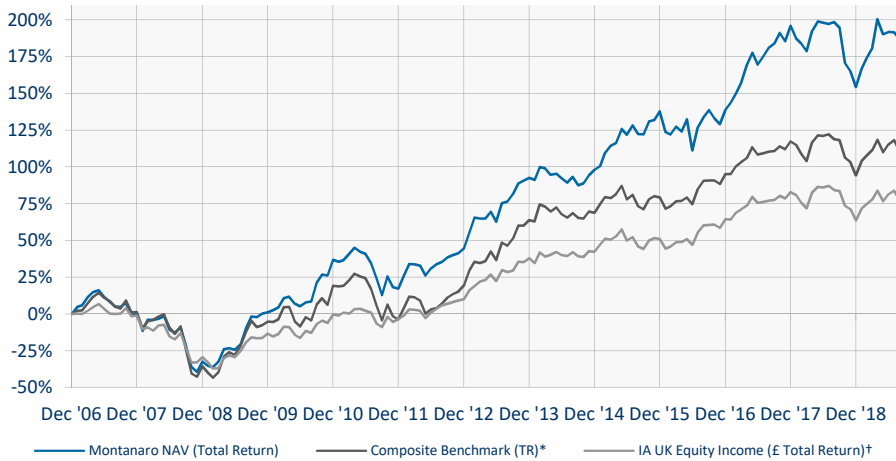
Capital growth and income. The Fund will invest primarily in Small and MidCap companies quoted in the UK that offer an attractive dividend yield or the potential for dividend growth. Up to 20% of the Fund may be invested in companies quoted in the EU (excluding the UK), Iceland, Norway and Switzerland.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

Performance

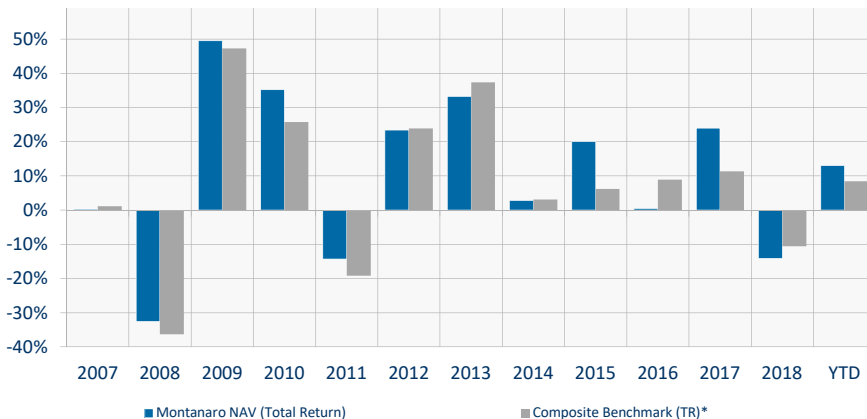
	YTD	1M	3M	6M	12M	3Y	5Y	Launch*
Fund (TR)**	13.0%	-1.4%	-1.0%	4.9%	-3.7%	22.9%	48.9%	187.4%
Benchmark (TR)*	8.4%	-3.5%	0.4%	1.5%	-3.8%	10.6%	24.9%	110.6%
IA: UK Equity Income (TR)†	8.4%	-3.5%	0.4%	1.5%	-3.8%	10.6%	24.9%	77.3%

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 £2.2 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	£420 million
NAV	109p
No. of Holdings	51
Median Mkt Cap	£1382 million
Cash	3.3%
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	4.1% (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	AllFunds
Transact	Old Mutual	Skandia
Hargreaves Lansdown	FNZ Wealth	Aviva
Alliance Trust Savings	Interactive Investor	James Hay
Pershing Nexus	Fidelity Fundsnetwork	AJ Bell

Ratings and Awards

★★★★ – Morningstar Rating™
(as at 31/08/19)

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

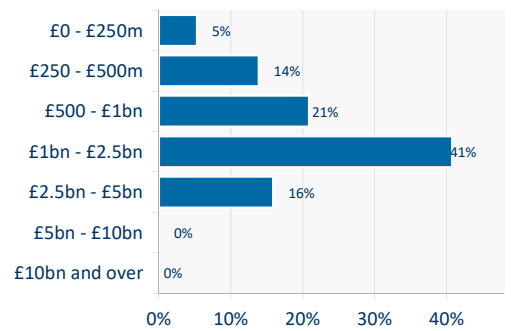
4Imprint Group	4.3%
Marshalls	4.1%
Big Yellow Group	4.0%
Integratin	3.4%
Pennon Group	3.0%
Brewin Dolphin Holdings	2.9%
BCA Marketplace	2.9%
James Fisher & Sons	2.8%
Polypipe Group	2.8%
Bovis Homes Group	2.7%
Total	32.8%

Portfolio Analysis

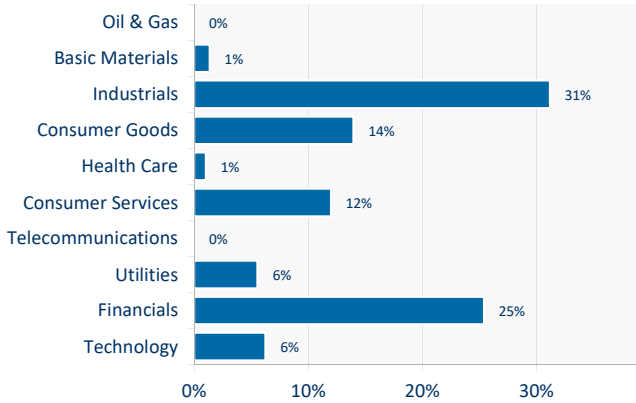
Price / Earnings 19F	15.5
EPS Growth 19F	5.1%
Dividend Yield 19F	4.1%
Dividend Growth 19F	15.6%
Return on Equity 19F	15.4%
EV/EBITDA 19F	13.1
EBIT Margin 19F	23.6%
Net Debt/Equity 19F	27.3%

Source: Factset consensus estimates

Market Capitalisation Allocation

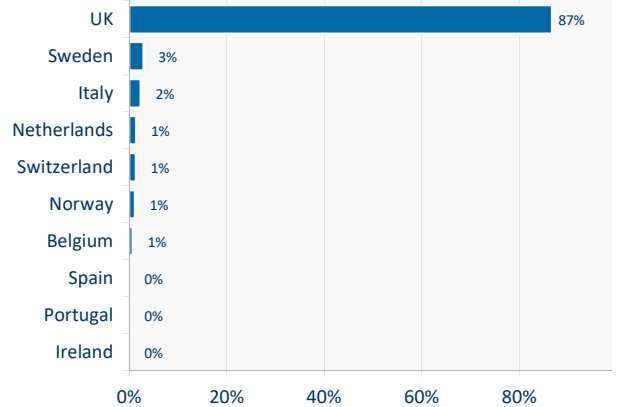


Sector Allocation



Sector breakdown is based on ICB classification.

Country Allocation (Top 10)



Monthly Commentary

August proved to be a volatile month for equity markets. A rise in the VIX index (a measure of market volatility) and equity market declines were influenced once again by the social media activity of the US President. Donald Trump announced another escalation in the Trade War with China by threatening to impose additional tariffs on over \$300 billion worth of Chinese imports. With trading volumes thin during the holiday season, demand for “safe haven” assets soared. Global bond yields continued their decline, with the staggering consequence that the total market value of negative yielding debt reached over \$16 trillion. In Europe, the headlines were dominated by weak economic data, especially in Germany, and increasing political uncertainties, notably in Italy and the UK.

In this context, the NAV of the share class declined by 1.4% in August.

The strongest contribution during the month came from **Marshalls**, the leading hard landscaping manufacturer, which rose as the company reported an excellent set of results, which saw double digit revenue and earnings growth. **Big Yellow**, the market leader in the self-storage sector, benefited from a broker upgrade. **XP Power**, the provider of power solutions, gained as investors anticipated a stronger second half to the year as semiconductor sales pick-up.

The weakest contribution during the month came from **Cineworld**, the cinema operator in the UK and US, which weakened as the half-year results were impacted by poor box office performance. **James Fisher**, the marine services provider, declined after the company’s results announcement demonstrated relatively weak growth, although the second half of the year should be stronger. **Polypipe**, the leading supplier of plastic pipes and ventilation systems for residential, commercial and infrastructure markets, declined despite delivering better than expected revenue growth, improved profit growth, and good increases in both earnings and dividends per share.

The options for Brexit have narrowed. “Plan A” was to use the threat of a “no deal” exit as a way of forcing the EU’s hand in negotiations. This has been scuppered by the passing of a law which effectively removes no deal from the table. “Plan B” was to call a snap general election, something that parliament has twice rejected. Which leaves “Plan C”: renegotiate a deal with the EU and attempt to get parliamentary approval in five weeks’ time after the period of prorogation has ended. Perhaps a “Masterplan D” lies at the ready somewhere within the hallways of 10 Downing Street?

Investors trying to see through this fog face an almost impossible task. Brexit uncertainties appear to be weighing on the UK economy, with second quarter GDP shrinking by 0.2%. Retail sales have also weakened. Little surprise that UK SmallCap remains unloved. Yet Great Britain remains home to many desirable businesses that are performing well (note the takeover of Entertainment One and the strong results delivered by Marshalls). We do not expect this to change. As active stock pickers, we are excited by the opportunity to invest in companies at a time when prices are cheaper than they have been in many, many years.

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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