

# Montanaro UK Income Fund (£)

31 December 2019

Open Ended

## Fund Objective

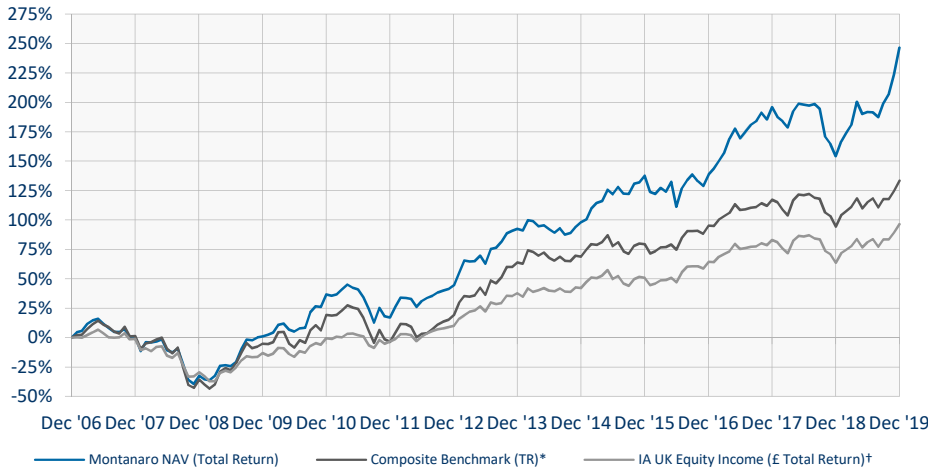
Capital growth and income. The Fund will invest primarily in Small and MidCap companies quoted in the UK that offer an attractive dividend yield or the potential for dividend growth. Up to 20% of the Fund may be invested in companies quoted in the EU (excluding the UK), Iceland, Norway and Switzerland.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

## Performance

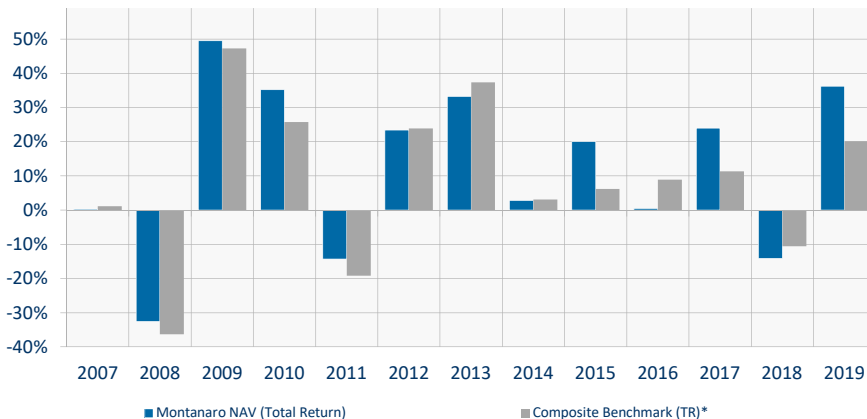
|                                   | YTD   | 1M   | 3M    | 6M    | 12M   | 3Y    | 5Y    | Launch* |
|-----------------------------------|-------|------|-------|-------|-------|-------|-------|---------|
| <b>Fund (TR)**</b>                | 36.3% | 7.1% | 15.7% | 18.8% | 36.3% | 45.1% | 75.0% | 246.4%  |
| <b>Benchmark (TR)*</b>            | 20.1% | 3.9% | 7.2%  | 8.5%  | 20.1% | 19.6% | 38.3% | 133.4%  |
| <b>IA: UK Equity Income (TR)†</b> | 20.1% | 3.9% | 7.2%  | 8.5%  | 20.1% | 19.6% | 38.3% | 96.5%   |

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 £2.7 billion.

## Fund Facts

|                              |  |
|------------------------------|--|
| <b>Fund Manager</b>          | Charles Montanaro                                      |
| <b>Fund Launch*</b>          | December 2006  |
| <b>Year End</b>              | December   |
| <b>Currency</b>              | GBP  |
| <b>Class</b>                 | Distribution   |
| <b>IA Sector</b>             | UK All Companies<br>(formerly IA UK Equity Income TR)† |
| <b>Ticker</b>                | MOUKING ID   |
| <b>ISIN</b>                  | IE00BYSRYZ31   |
| <b>Sedol</b>                 | BYSRYZ3  |
| <b>Fund Size</b>             | £654 million   |
| <b>NAV</b>                   | 130.3p   |
| <b>No. of Holdings</b>       | 50   |
| <b>Median Mkt Cap</b>        | £1558 million  |
| <b>Cash</b>                  | 2.5%   |
| <b>Legal Status</b>          | Irish OEIC   |
| <b>Listing</b>               | Irish Stock Exchange                                   |
| <b>Valuation Time</b>        | Daily 4pm Dublin time                                  |
| <b>Minimum Investment</b>    | £1,000   |
| <b>Dealing Time</b>          | 12pm Dublin time                                       |
| <b>Dividend Date</b>         | Quarterly  |
| <b>Reporting Fund Status</b> | Approved   |
| <b>Management Fee</b>        | Annual 0.75%   |
| <b>Performance Fee</b>       | Nil  |
| <b>Initial Charge</b>        | Nil  |
| <b>Dividend Yield 20F</b>    | 3.5% (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 31/12/19)

## 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.

Custodian, Fund Administrator and Subscriptions – Contact BNY MELLON  
Tel: +353 1 900 6140 Fax: +353 1 900 6141 Email: MontanaroTA@bnymellon.com

Montanaro Asset Management Limited, 53 Threadneedle Street, London, EC2R 8AR

Tel: 020 7448 8600

Fax: 020 7448 8601

www.montanaro.co.uk

enquiries@montanaro.co.uk

**Top 10 Holdings**

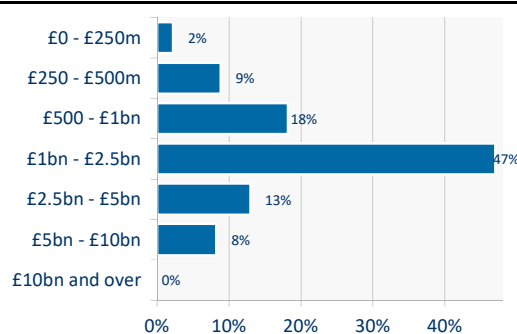
|                         |              |
|-------------------------|--------------|
| Marshalls               | 3.9%         |
| 4Imprint Group          | 3.5%         |
| Integratin              | 3.4%         |
| Pennon Group            | 3.1%         |
| St. James Place         | 3.0%         |
| Polypipe Group          | 2.9%         |
| Brewin Dolphin Holdings | 2.8%         |
| Victrex                 | 2.8%         |
| Big Yellow Group        | 2.8%         |
| Severn Trent            | 2.7%         |
| <b>Total</b>            | <b>30.9%</b> |

**Portfolio Analysis**

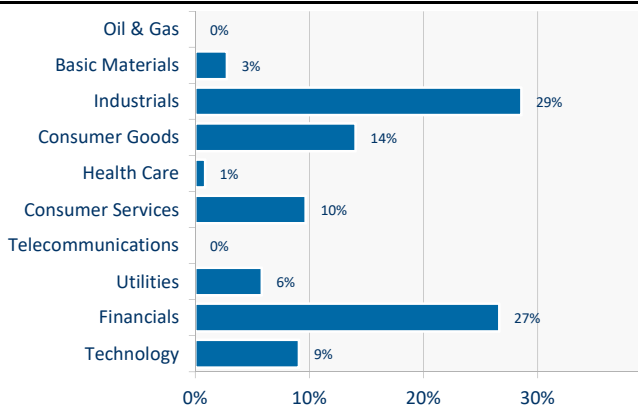
|                      |       |
|----------------------|-------|
| Price / Earnings 20F | 17.5  |
| EPS Growth 20F       | 9.1%  |
| Dividend Yield 20F   | 3.5%  |
| Dividend Growth 20F  | 7.1%  |
| Return on Equity 20F | 16.0% |
| EV/EBITDA 20F        | 14.2  |
| EBIT Margin 20F      | 26.0% |
| Net Debt/Equity 20F  | 15.3% |

Source: Factset consensus estimates

**Market Capitalisation Allocation**

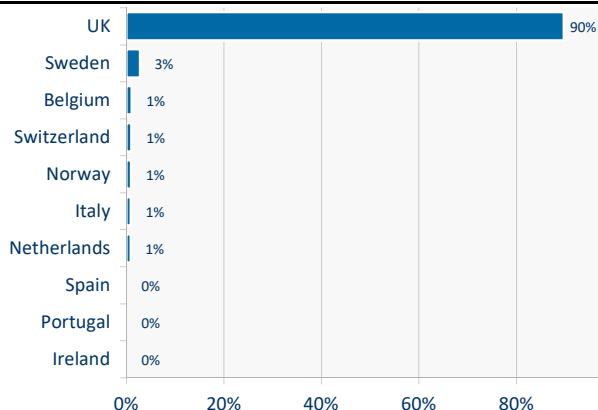


**Sector Allocation**



Sector breakdown is based on ICB classification.

**Country Allocation (Top 10)**



**Monthly Commentary**

A thumping general election win for the Conservative Party acted as the catalyst for a turn in investment sentiment in December. SmallCap, for so long the unloved asset class, returned to favour with a bang. The asset class rose by some 8% during the month, taking its return for the year above 21%, a healthy outperformance of 9% versus LargeCap.

Few investors forecast such a strong year for equity markets after the declines of 2018. Yet markets responded positively to further support from Central Banks and tepid economic data that was neither too hot nor worryingly cold. Aside from Brexit, the other great political risk – namely the Trade War – showed tentative signs of progress towards the end of the year.

In this context, the NAV of the share class increased by 7.1% in December (in GBP). For the year as a whole, the NAV rose by 36.3%, some 16.2% ahead of the FTSE All-Share. During the year, the dividend per share increased by 17%.

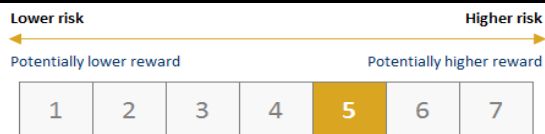
The strongest contributions during the month came from **Marshalls**, the hard landscaping manufacturer, which rose following the Conservative Party election win. **Bovis**, the housebuilder, gained after it completed the acquisition of Galliford Try's Linden Homes and Partnerships & Regeneration businesses, becoming a top five housebuilder in the UK. As part of the integration process, the company changed its name to Vistry Group. **IntegraFin**, the IFA platform provider, also benefited from positive sentiment towards UK domestic equities following the election.

The weakest contributions during the month came from **Britvic**, the soft drinks manufacturer and bottler, which weakened despite announcing the exit of its private label business in France. **Loomis**, the provider of cash management services, declined after the German competition authorities blocked the acquisition of Ziemann. **ENAV**, the sole provider of air traffic control and navigation services in Italy, saw profit taking after a strong run.

Commentators are busy gazing into their crystal balls attempting to predict what the New Year has in store for investors. History suggests that this is a difficult task. Attempting to forecast the direction of global macro forces can be akin to reading the tea leaves – and both economists and tasseographers (those who read tea leaves) have a habit of leaving enough room in their predictions to claim that they were “right” after the event.

We do not spend time trying to make such predictions. Macro events that influence markets, such as those currently taking place in Iran and Iraq or the future direction of UK trade negotiations, sit outside our sphere of competence and are virtually impossible to predict. (Although it would be a brave person to expect such strong returns for two years in a row). Rather, we spend our time meeting and listening to our companies. In our experience, this is where we can begin to understand the true drivers of growth that are so important to the trajectory of long-term investment returns.

**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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