

Montanaro UK Income Fund (£)

31 January 2020

Open Ended

Fund Objective

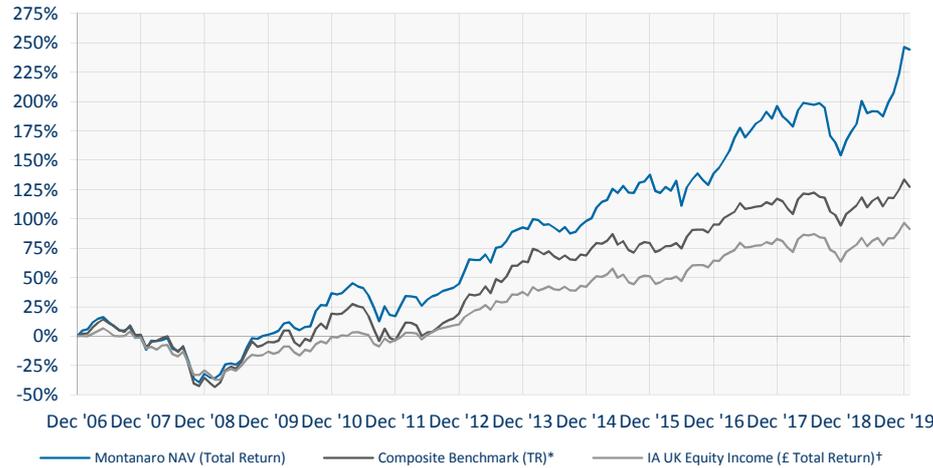
Capital growth and income. The Fund will invest primarily in Small and MidCap companies quoted in the UK that offer an attractive dividend yield or the potential for dividend growth. Up to 20% of the Fund may be invested in companies quoted in the EU (excluding the UK), Iceland, Norway and Switzerland.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

Performance

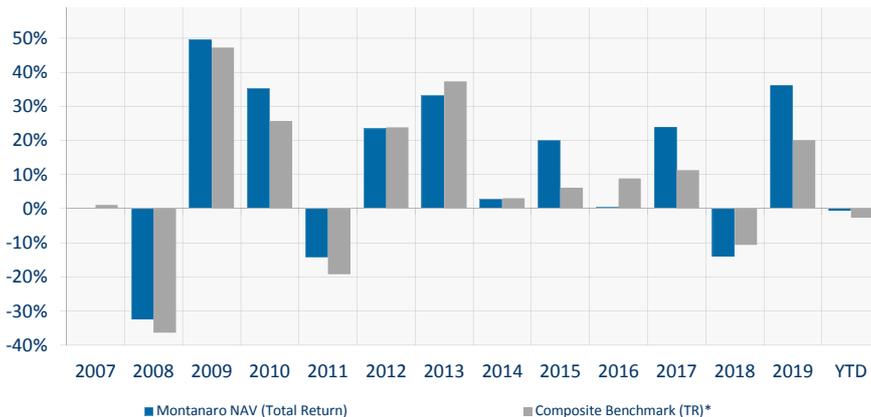
	YTD	1M	3M	6M	12M	3Y	5Y	Launch*
Fund (TR)**	-0.6%	-0.6%	12.0%	18.1%	29.1%	41.4%	71.7%	244.3%
Benchmark (TR)*	-2.6%	-2.6%	4.4%	4.1%	11.4%	16.6%	30.0%	127.3%
IA: UK Equity Income (TR)†	-2.6%	-2.6%	4.4%	4.1%	11.4%	16.6%	30.0%	91.3%

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 £2.7 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	£690 million
NAV	128.7p
No. of Holdings	50
Median Mkt Cap	£1598 million
Cash	6.9%
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 20F	3.4% (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 31/01/20)

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

Marshalls	3.7%
Integratin	3.6%
Pennon Group	3.2%
4Imprint Group	3.1%
St. James Place	2.8%
Severn Trent	2.8%
Polypipe Group	2.8%
Britvic	2.7%
Brewin Dolphin Holdings	2.6%
XP Power	2.6%
Total	29.9%

Portfolio Analysis

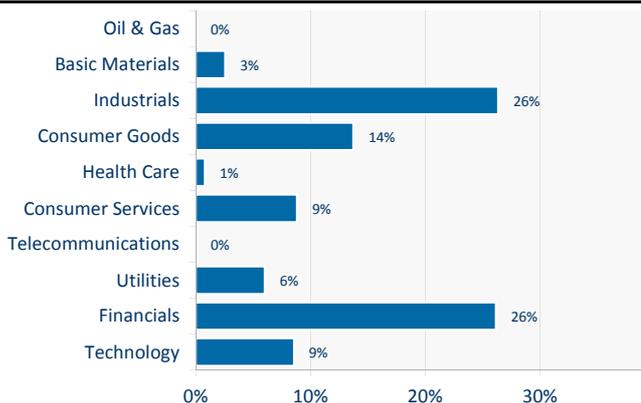
Price / Earnings 20F	17.5
EPS Growth 20F	10.4%
Dividend Yield 20F	3.4%
Dividend Growth 20F	7.2%
Return on Equity 20F	16.0%
EV/EBITDA 20F	14.3
EBIT Margin 20F	26.6%
Net Debt/Equity 20F	35.1%

Source: Factset consensus estimates

Market Capitalisation Allocation

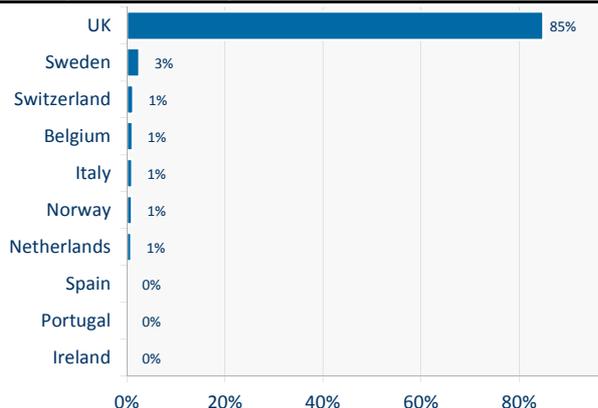


Sector Allocation



Sector breakdown is based on ICB classification.

Country Allocation (Top 10)



Monthly Commentary

SmallCap began the year in high spirits as post-election optimism lingered, before volatility reared its head across the investment landscape. This was largely due to the coronavirus outbreak, although another notable geopolitical event – namely the flare up between the US and Iran – was a further reason for the strong performance of safe haven assets in January. Against this backdrop, it was little surprise that SmallCap delivered negative returns. Markets cannot always go up and after such a strong fourth quarter, a pullback was somewhat welcome.

In this context, the NAV of the share class declined by 0.6% in January (in GBP).

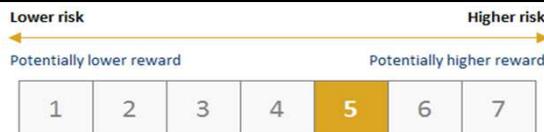
The strongest contributions during the month came from **IntegraFin**, the IFA platform provider, which continued to benefit from improved sentiment following the December election. **XP Power**, the provider of power solutions, rose after reporting a strong end to the year with sales growth ahead of expectations, driven by improving semiconductor capex demand. **Pennon**, the water utility and waste management company, rose on speculation they might sell their waste division to PE.

The weakest contributions during the month came from **Cineworld**, the cinema operator, which declined as the US box office disappointed. **Marshalls**, the leading hard landscaping manufacturer, experienced profit taking after a very strong 2019. **Victrex**, the world leader in PEEK polymer, announced a joint-venture in China which received a tepid response from the market.

The US yield curve inverted once again in January as investors fretted over the unknown consequences of the viral outbreak in Wuhan, China. Although at the time of writing this has not yet developed into a full blown pandemic, this is the type of “unknown” that can easily spook markets. Investors are understandably asking if it might be such an “unknown” that eventually calls the end to this Great Bull Market.

For now, however, omens of recession are few and far between. Economic data remains steady and Central Banks supportive. This provides an encouraging backdrop to a notable event that occurred on the final day of the month: a new chapter opened in the history of the United Kingdom following its departure from the European Union. With a strong mandate, the government is in a strong position to begin delivering on its election promise to stimulate growth across the country. If they are successful in this, SmallCap will be an obvious beneficiary.

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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