

Montanaro UK Income Fund (£)

31 July 2019

Open Ended

Fund Objective

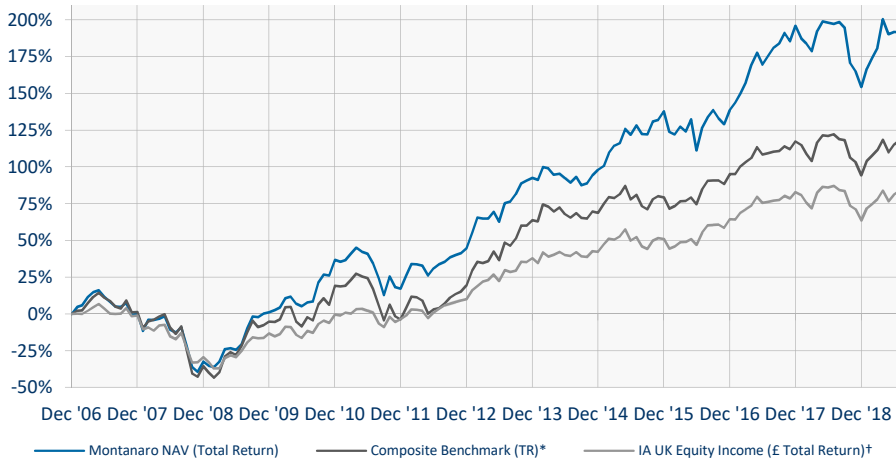
Capital growth and income. The Fund will invest primarily in Small and MidCap companies quoted in the UK that offer an attractive dividend yield or the potential for dividend growth. Up to 20% of the Fund may be invested in companies quoted in the EU (excluding the UK), Iceland, Norway and Switzerland.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

Performance

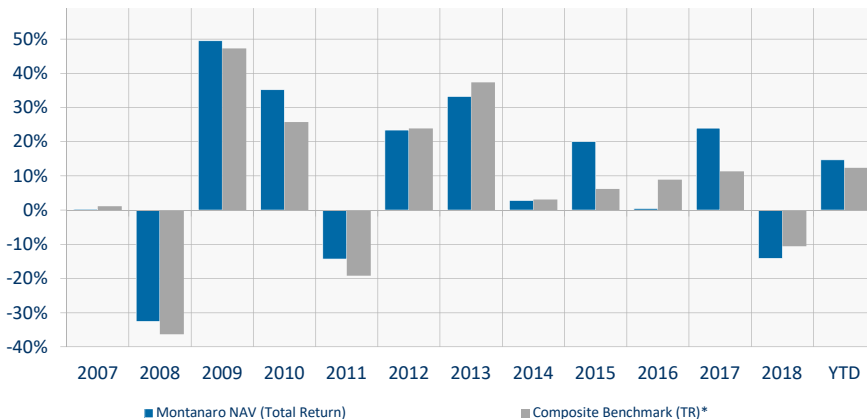
	YTD	1M	3M	6M	12M	3Y	5Y	Launch*
Fund (TR)**	14.6%	-0.1%	-3.0%	9.3%	-1.9%	28.5%	54.1%	191.5%
Benchmark (TR)*	12.3%	1.4%	0.0%	7.0%	-1.8%	18.1%	31.9%	118.2%
IA: UK Equity Income (TR)†	12.3%	1.4%	0.0%	7.0%	-1.8%	18.1%	31.9%	83.7%

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 £2.2 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	£410 million
NAV	110.5p
No. of Holdings	50
Median Mkt Cap	£1318 million
Cash	1.6%
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 31/07/19)

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

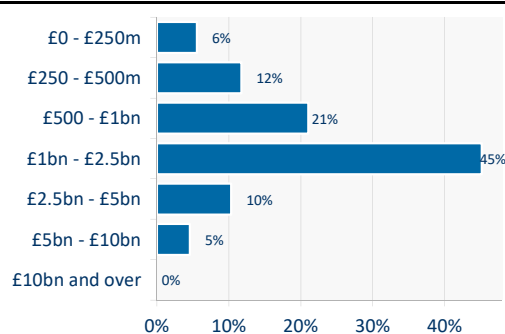
4Imprint Group	4.4%
Big Yellow Group	3.8%
Marshalls	3.6%
Integratin	3.3%
James Fisher & Sons	3.2%
Cineworld Group	3.1%
Brewin Dolphin Holdings	3.1%
Polypipe Group	3.1%
BCA Marketplace	3.0%
Bovis Homes Group	2.8%
Total	33.4%

Portfolio Analysis

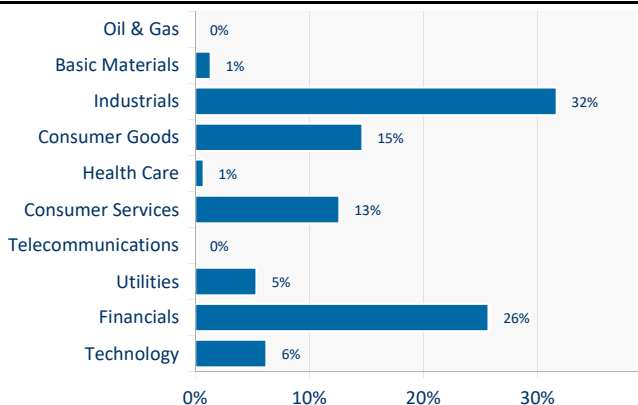
Price / Earnings 19F	15.6
EPS Growth 19F	5.2%
Dividend Yield 19F	4.1%
Dividend Growth 19F	15.6%
Return on Equity 19F	15.0%
EV/EBITDA 19F	13.2
EBIT Margin 19F	23.3%
Net Debt/Equity 19F	12.2%

Source: Factset consensus estimates

Market Capitalisation Allocation

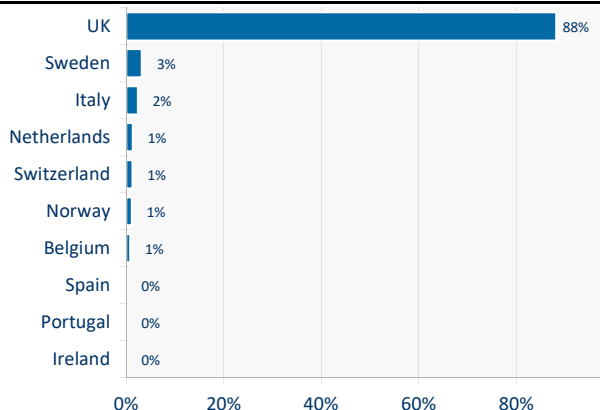


Sector Allocation



Sector breakdown is based on ICB classification.

Country Allocation (Top 10)



Monthly Commentary

It is “do or die” for Brexit now. That, at least, is the verdict of the latest Prime Minister, Boris Johnson. Equities in the UK initially reacted with some positivity to the blonde haired optimist, even as the Queen reportedly told him “I don’t know why anyone would want the job”. Yet in reality, the market dynamic hardly changed during July. Investors continued to favour the UK’s largest companies which source much of their revenue from overseas. SmallCap, as a more domestic asset class, was left to trail in the wake of its LargeCap counterpart. As talk of a “no deal” grew, it was little surprise that Sterling took another downwards tumble versus both the Euro and the US Dollar.

In this context, the NAV of the share class declined by 0.1% in July (in GBP).

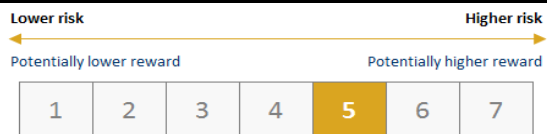
The strongest contributions during the month came from **James Fisher**, the marine services provider, which rose after announcing the appointment of a new CEO alongside a number of contract wins in the offshore renewable energy sector. **RPS Group**, the global engineering consultancy, announced weak interim results which were nonetheless ahead of market expectations. **NCC**, the software business specialising in escrow and cyber security, performed well after a much improved second half performance.

The weakest contributions during the month came from **FDM**, the provider of IT professionals, which declined after a soft first half to the year, caused by weakening demand in the UK government sector and some North American financial clients. **Jupiter**, the fund manager, saw its share price decline in line with the market after a strong June. **Marshalls**, the hard landscaping manufacturer, saw some profit taking after a very strong run.

Given the uncertainty surrounding Brexit, it is little surprise that SmallCap remains so unloved. Yet there are a number of reasons why investors should not ignore an asset class that has delivered six times higher returns compared to the FTSE All-Share since 1954.

For one, the performance divergence between UK exporters and UK domestics has been extreme. If some certainty emerges in relation to Brexit, SmallCap would benefit if this large performance gap narrowed. Secondly, Sterling may at some point recover from the current 30-year low, lessening the power of overseas earnings. Finally, SmallCap valuations are attractive: UK SmallCap trades close to its long-term average Price-to-Earnings multiple of 13.8x, while the yield of the asset class is close to a 10-year high. It tends to pay to invest when an asset class is unloved and everyone is gloomy – as Boris Johnson might say!

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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