

Montanaro UK Income Fund (£)

31 May 2019

Open Ended

Fund Objective

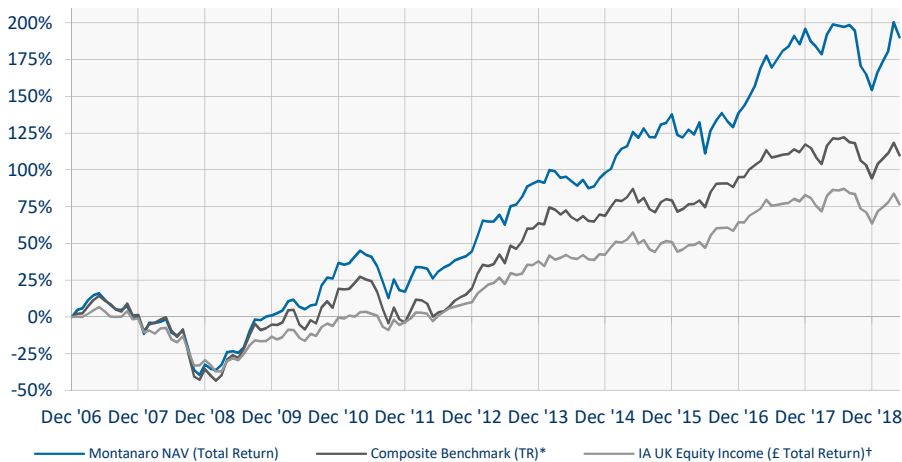
Capital growth and income. The Fund will invest primarily in Small and MidCap companies quoted in the UK that offer an attractive dividend yield or the potential for dividend growth. Up to 20% of the Fund may be invested in companies quoted in the EU (excluding the UK), Iceland, Norway and Switzerland.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

Performance

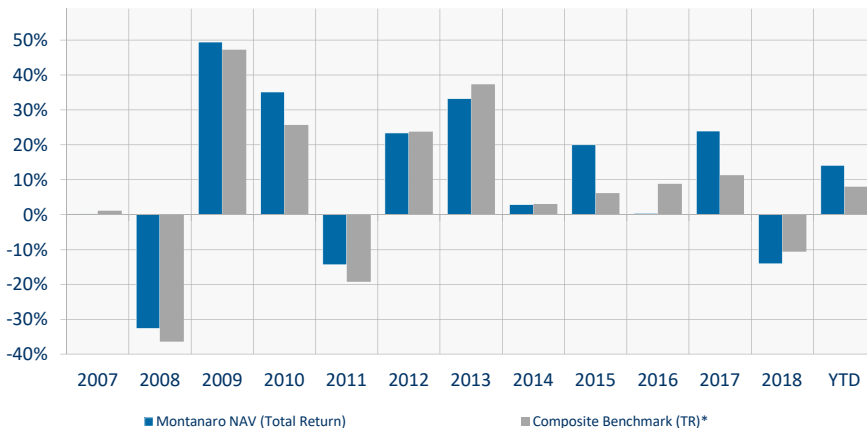
	YTD	1M	3M	6M	12M	3Y	5Y	Launch*
Fund (TR)**	14.1%	-3.4%	6.0%	9.5%	-2.9%	24.9%	48.5%	190.2%
Benchmark (TR)*	8.0%	-3.8%	1.2%	3.3%	-5.2%	17.1%	21.8%	109.9%
IA: UK Equity Income (TR)†	8.0%	-3.8%	1.2%	3.3%	-5.2%	17.1%	24.2%	76.7%

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 £2.1 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	£400 million
NAV	112.1p
No. of Holdings	50
Median Mkt Cap	£1210 million
Cash	7.3%
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% (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

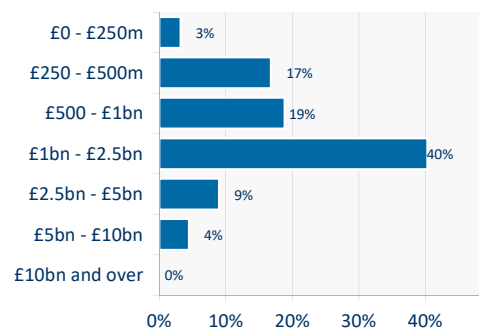
4Imprint Group	3.9%
Big Yellow Group	3.8%
Marshalls	3.8%
Cineworld Group	3.5%
Polypipe Group	3.3%
James Fisher & Sons	2.9%
Integrafin	2.9%
RPS Group	2.9%
FDM Group	2.8%
Victrex	2.7%
Total	32.6%

Portfolio Analysis

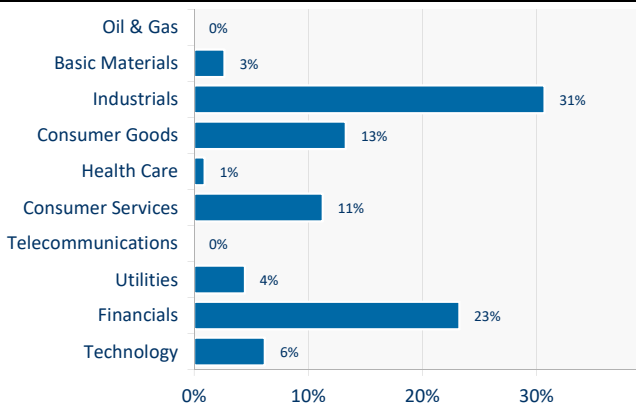
Price / Earnings 19F	15.7
EPS Growth 19F	2.0%
Dividend Yield 19F	4.0%
Dividend Growth 19F	1.6%
Return on Equity 19F	16.0%
EV/EBITDA 19F	12.8
EBIT Margin 19F	21.7%
Net Debt/Equity 19F	9.2%

Source: Factset consensus estimates

Market Capitalisation Allocation

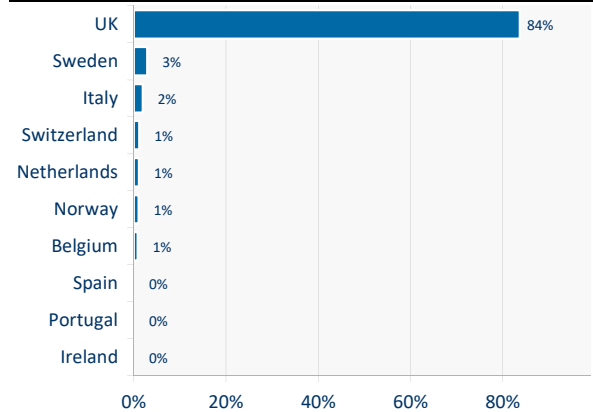


Sector Allocation



Sector breakdown is based on ICB classification.

Country Allocation (Top 10)



Monthly Commentary

Politics reared its head once again in May, unsettling the market tranquillity that had prevailed in the earlier months of the year. The breakdown in trade negotiations between the US and China led to fears of a deterioration in economic conditions: rising inflation; lower growth; job losses; and falling consumer confidence. Meanwhile, European Parliament elections provided further evidence that Europe’s political scene is fragmenting. Certainly, the UK remains as split as ever in relation to Brexit. Given this backdrop, it was little surprise that markets gave back some of the returns that investors have enjoyed so far this year.

In this context, the NAV of the share class declined by 3.4% in May (in GBP).

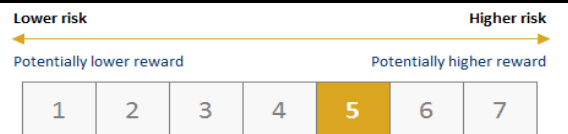
The strongest contribution during the month came from **A&J Mucklow**, the property company focused on industrial and commercial properties in the Midlands, which rose after the Board recommended that the shares plus cash offer from LondonMetric was accepted by shareholders. **Headlam**, the flooring distributor, benefited from increased customer orders. **Primary Health Properties**, the owner and manager of primary healthcare properties, rose after a positive broker comment.

The weakest contribution during the month came from **Victrex**, the leading manufacturer of PEEK polymer, which published a weak trading statement alongside a challenging outlook. **XP Power**, the provider of power solutions, declined due to trade war worries. **Bovis**, the housebuilder, weakened after the company submitted an offer to acquire Galliford Try’s Linden Homes and Partnerships & Regeneration businesses for £950 million.

What has driven markets higher this year has largely been a re-rating following the correction that occurred at the end of 2018. It is unlikely that valuation expansion will play such a major role in the second half of the year. Rather, the trajectory of markets is likely to be driven by the outlook for growth and earnings. We believe that such an environment supports the case for owning Quality companies.

Given recent events in the UK Income sector, we wish to remind our investors that the Fund invests exclusively in the highest quality quoted Small & MidCap companies. We invest in well-managed profitable businesses that are cash generative and enjoy strong competitive advantages in growing industries. The Fund does not invest in unquoted companies nor does it invest in AIM, a market that we deem too illiquid for an open-ended income product. We will never stray away from the prudent, common sense approach to investing upon which we have built our reputation since 1991.

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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