

Montanaro UK Income Fund (£)

30 September 2019

Open Ended

Fund Objective

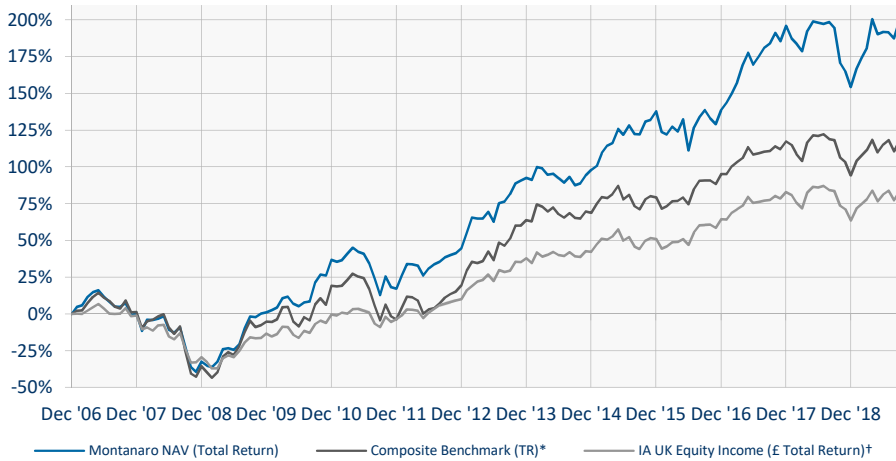
Capital growth and income. The Fund will invest primarily in Small and MidCap companies quoted in the UK that offer an attractive dividend yield or the potential for dividend growth. Up to 20% of the Fund may be invested in companies quoted in the EU (excluding the UK), Iceland, Norway and Switzerland.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

Performance

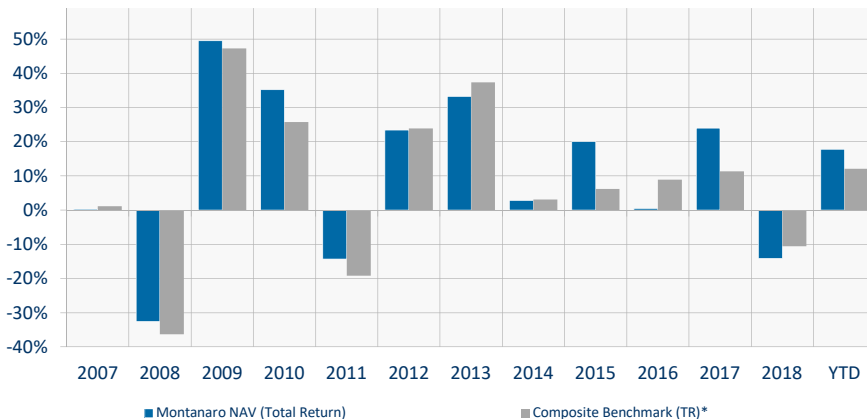
	YTD	1M	3M	6M	12M	3Y	5Y	Launch*
Fund (TR)**	17.8%	4.2%	2.6%	6.6%	1.6%	25.5%	59.7%	199.4%
Benchmark (TR)*	12.1%	3.4%	1.2%	3.1%	-0.1%	14.3%	31.8%	117.8%
IA: UK Equity Income (TR)†	12.1%	3.4%	1.2%	3.1%	-0.1%	14.3%	31.8%	83.4%

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	£444 million
NAV	113.6p
No. of Holdings	51
Median Mkt Cap	£1334 million
Cash	0.6%
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 20F	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 30/09/19)

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

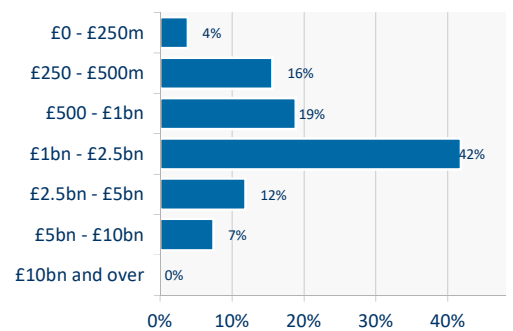
4Imprint Group	4.4%
Marshalls	3.7%
Big Yellow Group	3.7%
Integratin	3.3%
Pennon Group	3.2%
Polypipe Group	3.1%
Brewin Dolphin Holdings	3.0%
James Fisher & Sons	2.9%
Bovis Homes Group	2.9%
Cineworld Group	2.7%
Total	32.9%

Portfolio Analysis

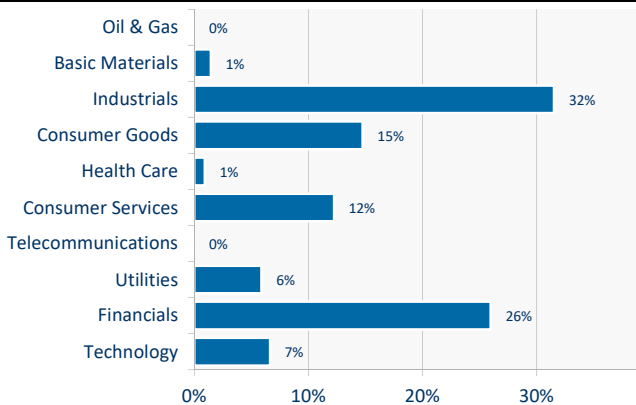
Price / Earnings 20F	15.0
EPS Growth 20F	8.7%
Dividend Yield 20F	4.1%
Dividend Growth 20F	14.0%
Return on Equity 20F	16.7%
EV/EBITDA 20F	12.5
EBIT Margin 20F	24.3%
Net Debt/Equity 20F	26.3%

Source: Factset consensus estimates

Market Capitalisation Allocation

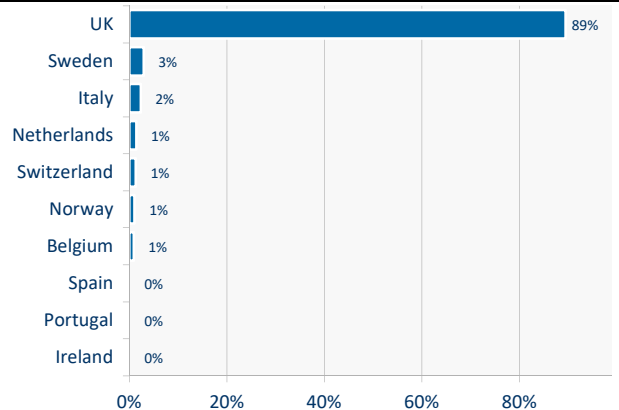


Sector Allocation



Sector breakdown is based on ICB classification.

Country Allocation (Top 10)



Monthly Commentary

September was a month full of drama. At one point, oil prices spiked by over 20% after an attack on Saudi Arabia’s oil infrastructure, the largest move in the price of Brent crude since Saddam Hussein invaded Kuwait in 1990. Meanwhile, the European Central Bank joined the Federal Reserve in cutting interest rates, while also resuming quantitative easing. It goes without saying that the saga of Brexit continued to weigh on sentiment towards UK equities. Parliament was prorogued, an act that was subsequently deemed unlawful. When the house returned the opposition party chose not to call a motion of no confidence in the government. Strange times indeed.

In this context, the NAV of the share class increased by 4.2% in September (in GBP).

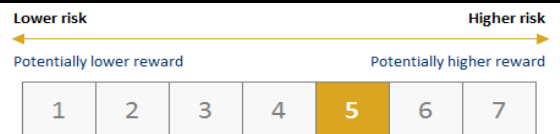
The strongest contributions during the month came from **Charles Taylor**, the leading global provider of professional services to the insurance market, following its proposed acquisition by a US private equity firm at a 34% premium. **4imprint**, the supplier of promotional merchandise, increased after a broker upgrade. **Britvic**, the soft drinks manufacturer, rose as brokers expect cash generation to improve as the investment programme concludes.

The weakest contributions during the month came from **Marshalls**, the leading hard landscaping manufacturer, which experienced profit taking after a very strong run. **Big Yellow Group**, the market leader in the self-storage sector, declined as the possibility of a no-deal Brexit weighed on property related companies. **Intertrust**, the trust administrator, saw profit taking on little newsflow.

Time and again it seems as though we are nearing a conclusion in the Brexit saga. Time and again deadlines have been extended. Despite the Prime Minister’s “do or die” promise to leave the European Union by 31 October, all bets are off. Frankly, no one knows what is going to happen.

Putting politics to one side, it is noteworthy that the Portfolio has experienced its second takeover in as many months. Foreign buyers are attracted to the UK for possibly three reasons: the country remains home to many quality businesses; sterling is weaker than it has been in a generation; and equity valuations are cheaper compared to many other markets. Investors with overweight positions to overseas markets would be wise to consider these reasons. Given economic data is weak in markets such as the US, it may be worth considering how best to address low levels of exposure to the UK. Our Portfolio of high quality companies with strong and growing dividend yields may be a good place to start.

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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