

## Montanaro UK Smaller Companies Investment Trust

29 November 2019

### Fund Objective

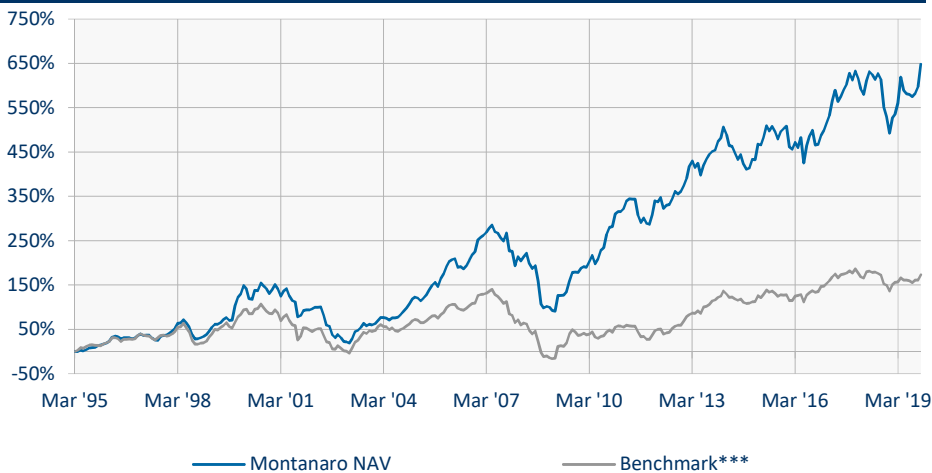
Capital growth by investing in quoted UK smaller companies and to outperform its Benchmark, the Numis Smaller Companies Index (ex-IC). The Trust will invest primarily in quoted UK smaller companies with a market capitalisation smaller than the largest constituent of the Numis Smaller Companies Index at the time of initial investment. The Trust pays a quarterly dividend equivalent to 1% of NAV (roughly 4% p.a).

### Performance

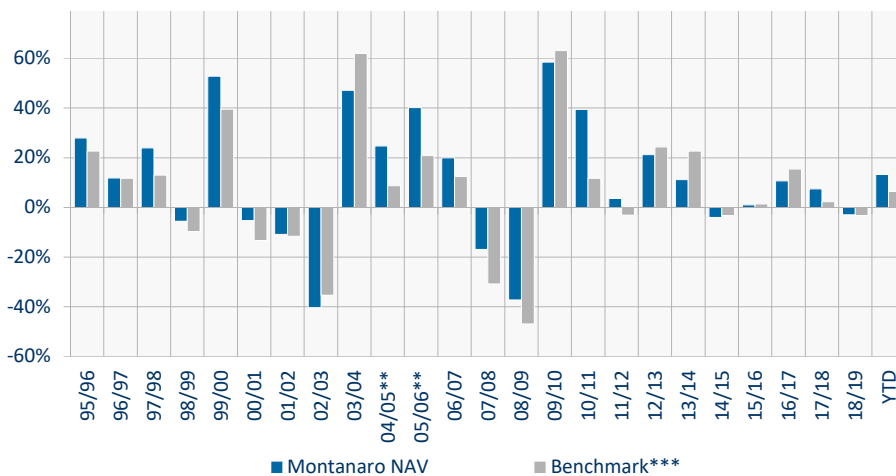
	FYTD	1M	3M	6M	12M	3Y	5Y	Launch
<b>Fund (Price)†</b>	27.9%	18.0%	25.8%	18.7%	22.4%	58.7%	60.0%	631.0%
<b>Fund (NAV)†</b>	13.3%	7.3%	10.8%	8.5%	18.7%	31.9%	45.6%	648.1%
<b>Benchmark***</b>	6.5%	4.8%	7.2%	4.9%	9.6%	16.3%	30.7%	173.6%

† Effective November 1st 2018 the performance of the Fund and Benchmark is Total Return. Prior to this the performance is Capital Return.

### Cumulative Performance Since Inception



### Fiscal Year Returns\*



Source: Montanaro, Bloomberg. NAV to NAV. NAVs after 01/04/10 include Current Period Revenue. NAVs prior to 01/04/10 exclude Current Period Revenue. \*Years 1-3 undiluted NAV, years 4-5 diluted NAV and years 6 onwards basic NAV as no longer any warrants in issue. \*\*Restated for changes to UK GAAP (all other years have not been restated). \*\*\*Composite benchmark. Effective April 1st 2013 the index used in this factsheet for comparison purposes is the Numis Smaller Companies Index (ex-IC).

### 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 £2.4 billion.

### Fund Facts

<b>Price</b>	131p
<b>NAV</b>	142.16p
<b>Premium/(Discount)</b>	-7.9%
<b>Dividend Yield</b>	4.3%*
<b>Ongoing Charge</b>	0.80% (As at 31 March 19)
<b>Benchmark</b>	Numis Smaller Co Indx (ex-IC)
<b>Fund Manager</b>	Charles Montanaro

<b>Management Fee</b>	0.5% p.a. of gross assets
<b>Performance Fee</b>	N/A

<b>Ticker</b>	MTU LN
<b>ISIN</b>	GB00BZ1H9L86
<b>Sedol</b>	BZ1H9L8
<b>Net Assets</b>	£238 million
<b>Gross Assets</b>	£265 million
<b>Gearing</b>	11.3%
<b>No. of Holdings</b>	52
<b>Median Mkt Cap</b>	£655 million
<b>Launch</b>	March 1995
<b>Currency</b>	GBP
<b>Legal Status</b>	UK Investment Trust
<b>Listing</b>	London Stock Exchange
<b>Dividend Pay Dates</b>	May, Aug, Nov & Feb

\* Estimated as 4% of NAV divided by share price as at above date

The Company will not invest more than 15% of gross assets in other closed-ended investment funds.

**Trust ESG Score** 6.2

The Trust ESG Score is the weighted average of Montanaro's proprietary company ESG Checklist scores (0-10; 10 is best).

### Important Information

The information contained within this document is for the use of Institutional and Professional investors only.

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.

**Top 10 Holdings**

4Imprint Group	3.8%
Marshalls	3.5%
Integrafin	3.4%
Hilton Food Group	3.1%
Ideagen	3.1%
XP Power	3.0%
Restore	2.9%
Discoverie Group	2.9%
Brewin Dolphin Holdings	2.6%
Polypipe Group	2.6%
<b>Total</b>	<b>30.9%</b>

**Risk Analysis**

	Fund	Index
Jensen's Alpha (annual)	3.9%	
Beta	1.12	1.00
Standard Deviation	12.8%	10.3%
Sharpe Ratio	0.71	0.45
Tracking Error	5.9%	
Information Ratio	0.84	
Active Share	86.2%	

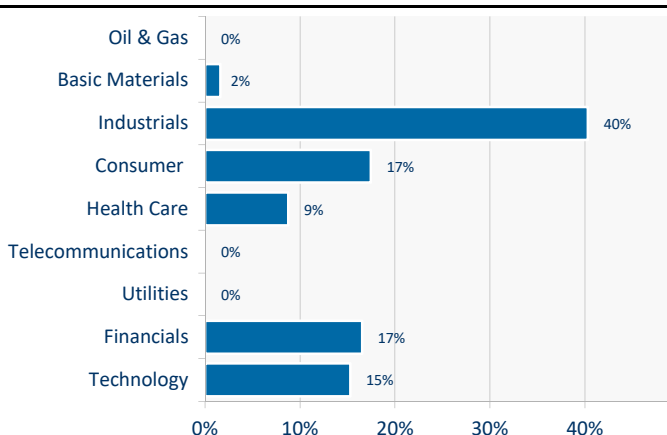
Note: risk statistics over three years

**Portfolio Analysis**

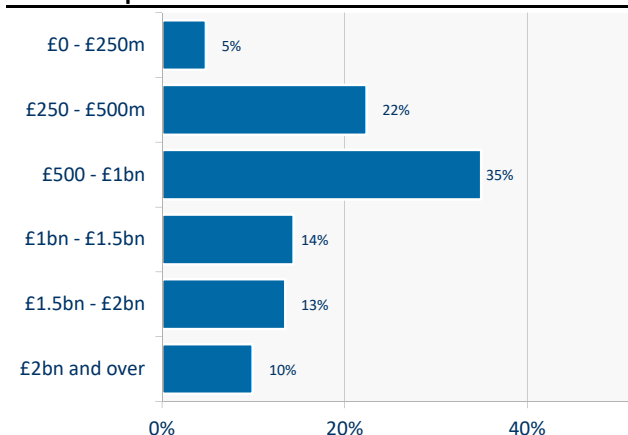
	Fund	Index
Price / Earnings 20F	19.5	12.6
EPS Growth 20F	11.5%	4.3%
Dividend Yield 20F (NAV)	2.4%	3.4%
Dividend Growth 20F	7.7%	5.1%
Return on Equity 20F	15.4%	9.3%
EV/EBITDA 20F	15.4	10.6
EBIT Margin 20F	20.6%	14.8%
Net Debt/Equity 20F	3.7%	22.0%

Source: Factset consensus estimates

**Sector Allocation**



**Market Capitalisation Allocation**



**Monthly Commentary**

Boris Johnson's election victory has sent an earthquake rippling across the political landscape. His 80 seat majority may well prove as seismic as Tony Blair's in 1997 and Margaret Thatcher's in 1983. Time will tell. For now, the fog of uncertainty that has hung over the UK has lifted. The vista is clearing. The UK will leave the European Union by the end of January, providing some clarity – at least in the short-term – to businesses and investors. Little wonder that SmallCap has reacted with such positivity.

To some extent the market had anticipated the result of the election. In this context, the NAV of the Trust increased by 7.3% in November, 2.5% ahead of the benchmark index.

The strongest contribution during the month came from **Ideagen**, the supplier of Governance, Risk and Compliance software for highly regulated industries, which rose following a well-received trading update. **Consort Medical**, the provider of formulation and manufacturing solutions for pharmaceuticals, received a takeover bid from Swedish peer Recipharm at a 40% premium. **DiscoverIE**, the designer and manufacturer of components for electronic applications, gained following a strong Q2 trading update and a well-received acquisition.

The weakest contribution came from **Eco Animal Health**, which sells specialist antibiotics for pigs and poultry, weakened as African swine fever impacted its trading performance in China. **Big Yellow Group**, the market leader in the self-storage sector, declined after the company reported lower occupancy growth than initially expected. **Equiniti**, the share registry platform, issued a disappointing trading statement citing weak corporate action activity.

With a majority government in place, it would be little surprise if a "Santa Rally" strengthened markets in the weeks ahead. SmallCap would be a likely beneficiary. A degree of seasonality is a characteristic of the asset class and Santa's Rally may turn into the "January Effect" in the New Year, a month in which the asset class typically does well.

"Que Sera, Sera" (Whatever Will Be, Will Be), sang Doris Day. We hope that we are moving into a period in which investors can worry a little less about the machinations of politicians. It is better – and more fun – to spend time understanding what it is that is making our investee companies tick. We all need a break from politics. Thankfully, Christmas is around the corner.

We wish you a very Merry Christmas and a Happy New Year!

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