

Montanaro UK Smaller Companies Investment Trust

31 October 2019

Fund Objective

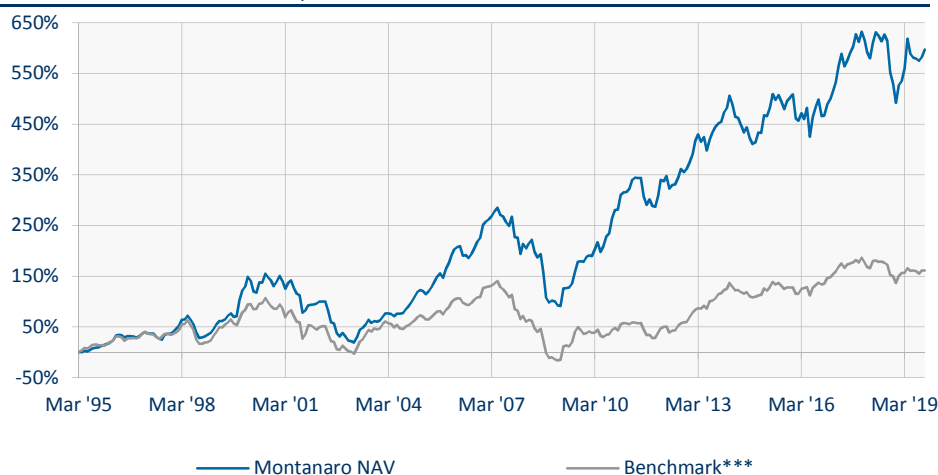
Capital growth by investing in quoted UK smaller companies and to outperform its Benchmark, the Numis Smaller Companies Index (ex-IC). The Trust will invest primarily in quoted UK smaller companies with a market capitalisation smaller than the largest constituent of the Numis Smaller Companies Index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

Performance

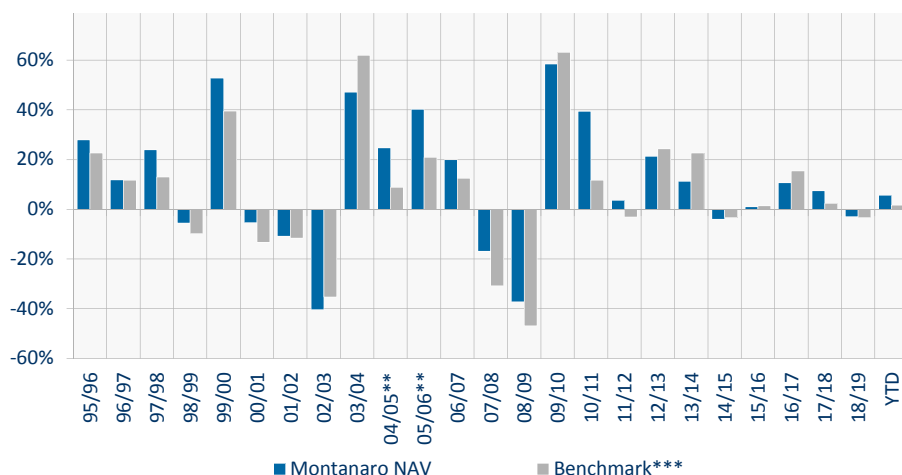
	FYTD	1M	3M	6M	12M	3Y	5Y	Launch
Fund (Price)†	8.4%	3.0%	0.6%	-3.3%	3.2%	30.8%	31.6%	519.4%
Fund (NAV)†	5.6%	2.2%	2.6%	-3.0%	6.9%	23.2%	36.6%	597.4%
Benchmark***	1.6%	0.0%	0.5%	-1.8%	3.4%	11.8%	25.3%	161.1%

† 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 £2.2 billion.

Fund Facts

Price	111p
NAV	132.53p
Premium/(Discount)	-16.2%
Dividend Yield	4.8%*
Ongoing Charge	0.80% (As at 31 March 19)
Benchmark	Numis Smaller Co Indx (ex-IC)
Fund Manager	Charles Montanaro

Management Fee 0.5% p.a. of gross assets

Performance Fee N/A

Ticker MTU LN

ISIN GB00BZ1H9L86

Sedol BZ1H9L8

Net Assets £222 million

Gross Assets £238 million

Gearing 7.2%

No. of Holdings 48

Median Mkt Cap £704 million

Launch March 1995

Currency GBP

Legal Status UK Investment Trust

Listing London Stock Exchange

Dividend Pay Dates 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

Big Yellow Group	4.1%
4Imprint Group	4.1%
Marshalls	4.0%
Hilton Food Group	3.5%
Integrafin	3.5%
Polypipe Group	3.1%
James Fisher & Sons	2.9%
Brewin Dolphin Holdings	2.8%
Ideagen	2.8%
XP Power	2.8%
Total	33.5%

Risk Analysis

	Fund	Index
Jensen's Alpha (annual)	3.1%	
Beta	1.09	1.00
Standard Deviation	12.3%	9.9%
Sharpe Ratio	0.54	0.32
Tracking Error	5.8%	
Information Ratio	0.64	
Active Share	87.2%	

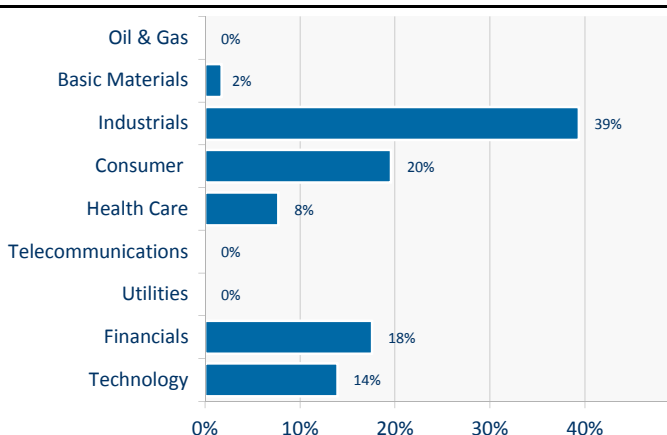
Note: risk statistics over three years

Portfolio Analysis

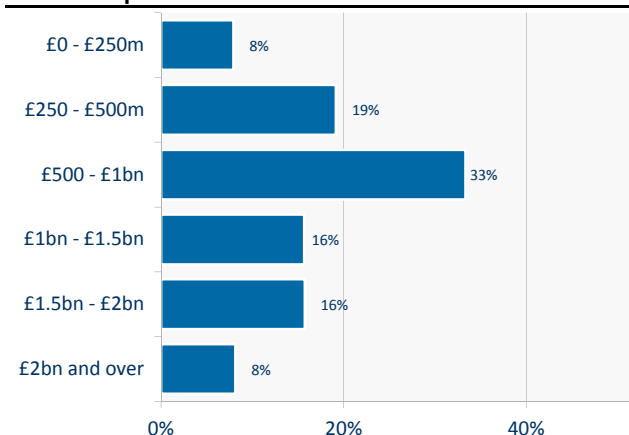
	Fund	Index
Price / Earnings 20F	18.1	11.8
EPS Growth 20F	11.4%	5.0%
Dividend Yield 20F (NAV)	2.6%	3.5%
Dividend Growth 20F	9.2%	4.8%
Return on Equity 20F	14.8%	9.6%
EV/EBITDA 20F	13.9	9.8
EBIT Margin 20F	20.0%	23.6%
Net Debt/Equity 20F	-3.9%	22.6%

Source: Factset consensus estimates

Sector Allocation



Market Capitalisation Allocation



Monthly Commentary

Halloween passed and the UK remained in the European Union. The ghoul of Brexit continues to stalk the land. Nevertheless, markets reacted with some positivity to Boris Johnson’s ability to strike a new Brexit deal with the EU, even if he was unable to get it through parliament. That the UK did not pass over the apparent cliff-edge of a “no deal” Brexit was also welcomed by investors. A consequence of this was that SmallCap had one of its strongest months so far this year relative to LargeCap, outperforming by some 2%. Smaller companies in the UK have been such an unloved asset class, but here was a reminder of what can happen when sentiment turns.

In this context, the NAV of the Trust increased by 2.2% in October, while the benchmark index remained flat.

The strongest contribution during the month came from **Big Yellow Group**, the market leader in the self-storage sector, which performed well as fears of a “no deal” Brexit receded. **Polypipe**, the supplier of sustainable water and climate management solutions that are replacing cement alternatives, also benefited as Brexit worries diminished. **GB Group**, the world leader in identity data intelligence, rose after a strong half year trading update.

The weakest contribution came from **IntegraFin**, the IFA platform provider, which experienced profit taking despite posting strong asset inflows. **James Fisher**, the marine services provider declined as Nick Henry stepped down as CEO after 15 years leading the company. **AJ Bell**, the online investment platform, drifted as the company remained bullish about winning new clients following the Woodford scandal.

It has been 96 years since a pre-Christmas election in the UK. In 1923, the result was a hung parliament. The outcome may be similar this time, although investors hoping for a removal of “Brexit anxiety” must surely wish that some element of certainty emerges from polling stations. But perhaps it won’t. As one wag wrote on Twitter, “the year is 2192. The British Prime Minister visits Brussels to ask for an extension of the Brexit deadline. No one remembers where this tradition originated, but every year it attracts many tourists from all over the world”.

Away from such churlish speculation, October did serve as a warning to those who remain underweight domestic UK equities. Sterling rose by 3% versus the Euro and 5% against the US Dollar during the month. Such appreciation is a headwind for LargeCap companies who source much of their earnings from overseas. A stronger pound, however, aids companies who are more domestically focused, such as those within your Trust.

Important Information

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