

Montanaro UK Smaller Companies Investment Trust

30 September 2019

Fund Objective

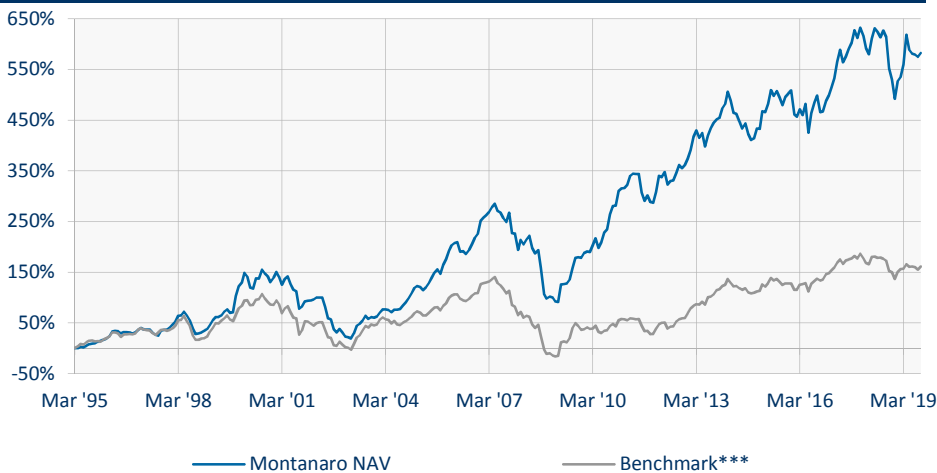
Capital growth by investing in quoted UK smaller companies and to outperform its Benchmark, the Numis Smaller Companies Index (ex-IC). The Trust will invest primarily in quoted UK smaller companies with a market capitalisation smaller than the largest constituent of the Numis Smaller Companies Index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

Performance

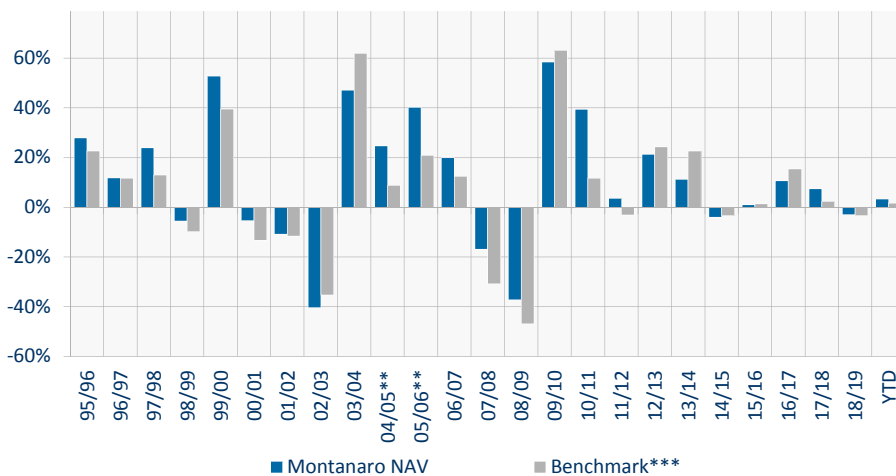
	FYTD	1M	3M	6M	12M	3Y	5Y	Launch
Fund (Price)†	5.2%	3.4%	-2.0%	5.2%	-6.1%	22.4%	28.3%	501.1%
Fund (NAV)†	3.4%	1.1%	0.1%	3.4%	-4.4%	13.9%	30.5%	582.4%
Benchmark***	1.6%	2.3%	0.0%	1.6%	-4.2%	10.1%	24.1%	161.1%

† 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	109p
NAV	130.96p
Premium/(Discount)	-16.8%
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	£219 million
Gross Assets	£229 million
Gearing	4.3%
No. of Holdings	47
Median Mkt Cap	£749 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.

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Top 10 Holdings

4Imprint Group	4.3%
Marshalls	3.9%
Integrafin	3.9%
Big Yellow Group	3.9%
Hilton Food Group	3.6%
James Fisher & Sons	3.1%
Polypipe Group	2.9%
Ideagen	2.9%
Entertainment One	2.8%
Brewin Dolphin Holdings	2.8%
Total	34.0%

Risk Analysis

	Fund	Index
Jensen's Alpha (annual)	0.9%	
Beta	1.12	1.00
Standard Deviation	12.7%	10.0%
Sharpe Ratio	0.31	0.27
Tracking Error	6.1%	
Information Ratio	0.21	
Active Share	87.2%	

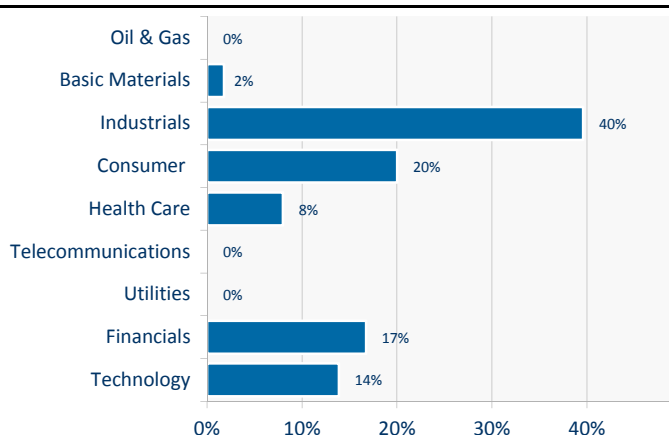
Note: risk statistics over three years

Portfolio Analysis

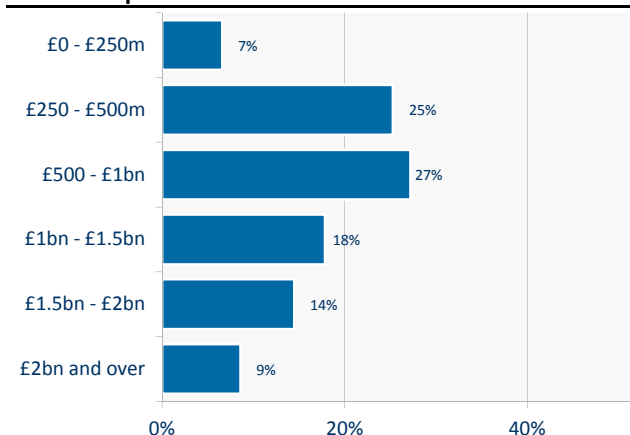
	Fund	Index
Price / Earnings 20F	17.7	11.5
EPS Growth 20F	11.4%	6.5%
Dividend Yield 20F (NAV)	2.7%	3.6%
Dividend Growth 20F	9.7%	6.0%
Return on Equity 20F	15.3%	9.7%
EV/EBITDA 20F	13.6	9.6
EBIT Margin 20F	19.3%	19.7%
Net Debt/Equity 20F	0.0%	24.4%

Source: Factset consensus estimates

Sector Allocation



Market Capitalisation Allocation



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 Trust increased by 1.1% in September, an underperformance of 1.2% versus the benchmark index.

The strongest contribution during the month came from **Charles Taylor**, a leading global provider of professional services to the insurance market in particular shipping, 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. **Gooch & Housego**, the leader in photonics technology, recovered from share price weakness in the previous month.

The weakest contribution came from **Advanced Medical Solutions**, the manufacturer of wound care products, sutures and sealants, which declined as profitability was impacted by lower sales of its main surgical wound-closure product, LiquiBand, in the US. **Entertainment One**, the distributor of film, TV and music content, drifted down towards Hasbro's takeover bid price as a competitor offer failed to materialise (we have locked in profits already). **Ideagen**, the supplier of Governance, Risk and Compliance software for highly regulated industries, drifted slightly 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 least of all us.

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 possibly for 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. MUSCIT's portfolio of quality companies may be a good place to start.

Important Information

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