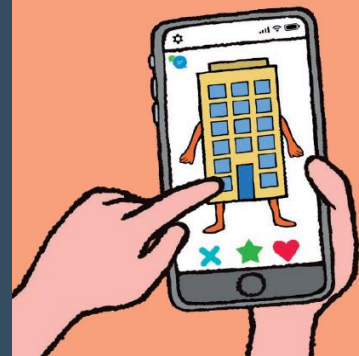


GLOBAL SELECT FUND

Investment Commentary

Q4 2024



Market review

The fourth quarter of 2024 was marked by a man who could have an outsized influence on the next four years: Donald Trump. His victory in the presidential election led to a dash-for-trash rally in equity markets, in which smaller companies initially led the way. Investors were buoyed by the prospects of Trump’s growth agenda and promises of economic efficiency (with Elon Musk leading the way at “DOGE” – the Department of Government Efficiency). Yet this rally soon fizzled out.

As is so often the case, the catalyst was the Federal Reserve, which signalled a slower pace of interest rate cuts in 2025, after data continued to point towards a resilient economy and persistent inflation. This led to a jump in Treasury yields and a fall in stock prices. Such was the strength of the reversal that the Russell 2000 experienced its worst relative month versus LargeCap since 1998. This contributed to an unprecedented seventh consecutive year of SMidCap underperformance relative to LargeCap.

Although the Fund underperformed on a relative basis, it has continued to do well against other quality and growth focused Global SMidCap peers, with returns since the launch of the UK domiciled Fund in January 2020 up over 50%, some 4% ahead of the benchmark index.

Portfolio

During the quarter, the NAV of the Sterling Accumulation Share Class of the WS Montanaro

Global Select Fund rose by 2.1%, an underperformance of 2.2% versus the MSCI World SMidCap Index on a total return basis (returns in £)¹.

The strongest contributions during the quarter came from **Games Workshop**, the creator of the Warhammer fantasy miniatures and tabletop games, which advanced on the finalisation of the Amazon deal and entry into the FTSE 100. **Houlihan Lokey**, the investment bank specialising in mergers and acquisitions, outperformed as momentum picked up in M&A alongside strong demand in Financial Restructuring driven by the elevated interest rate environment. **MTU Aero Engines**, the aircraft engine component supplier to RTX and one of the largest global maintenance, repair and overhaul (MRO) providers, advanced on continued strong demand in its MRO business and the appointment of a new CEO, the former head of Lufthansa Technik, a key MRO partner.

The weakest contributions came from **ICON**, the provider of clinical research services to pharmaceutical companies, which sold off following a profit warning caused by customers rationalising clinical trial activities. **TransMedics**, the provider of technology-enabled organ transplant retrieval and delivery services, had a quarter of lower than expected revenue growth. **Ashtead**, the leading US equipment rental company, surprised the market by lowering its full-year guidance amid softness in local construction projects.

Outlook

It is no secret that smaller companies have been out of favour, stuck in the shadow of the Magnificent Seven. A result is that Global SMidCap now trades at the largest P/E and P/B valuation discounts in over two decades. Perhaps more than at any time in the last few years, investors are beginning to look beyond the tech giants to areas of the market that could benefit from any wobble in their stellar performance.

The Fund's focus on quality companies with strong fundamentals positions it well to benefit from a return of the "SmallCap Effect" in 2025. Last year, two of our Portfolio companies were acquired, underscoring the strategic value of our holdings. We anticipate double-digit EPS growth in 2024 and 2025, supported by solid balance sheets and prudent management. Such fundamental characteristics should enable the Fund to deliver attractive returns over the coming

¹ Please note that the WS Global Select Fund is domiciled in the UK. The Irish domiciled Global Select Fund is similar but not identical to the WS Fund. Both Funds have multiple share classes and the factsheets should be consulted for specific return information: <https://montanaro.co.uk/our-funds/>

years, even amid uncertain macroeconomic conditions.

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Montanaro Asset Management Ltd | 53 Threadneedle Street | London EC2R 8AR

T: +44 20 7448 8600 www.montanaro.co.uk