

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO  
EUROPEAN SMALLER COMPANIES PLC)**

**ANNUAL REPORT  
AND  
AUDITED FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

An open-ended umbrella variable capital investment company with segregated liability between funds authorised by the Central Bank of Ireland under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended).

**Registered Number:** 330162

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

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**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MANAGEMENT AND OTHER INFORMATION**

**Directors**

Gavin Caldwell (Irish)\* (Chairman)  
Eimear Cowhey (Irish)\*  
Rodney Barton (British)\*  
Charles Montanaro (British)

\*Independent non-executive directors

**Investment Manager**

Montanaro Asset Management Limited  
53 Threadneedle Street  
London EC2R 8AR  
United Kingdom

**Administrator**

BNY Mellon Fund Services (Ireland) Designated Activity  
Company  
One Dockland Central  
Guild Street  
IFSC  
Dublin 1  
Ireland

**Secretary**

Goodbody Secretarial Limited  
IFSC  
North Wall Quay  
Dublin 1  
Ireland

**Swiss Representative Office**

First Independent Fund Services Ltd\*  
Klausstrasse 33  
CH-8008 Zurich  
Switzerland

Oligo Swiss Fund Services, SA\*  
AV. Villamont 17  
1005 Lausanne  
Switzerland

**Swiss Paying Agent**

NPB New Private Bank Ltd  
Limmatquai 1  
P.O. Box  
CH – 8022  
Switzerland

**Governance Support\*\***

KB Associates  
5 George's Dock  
IFSC  
Dublin 1

**Listing Sponsor**

Matheson  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

**Depository**

BNY Mellon Trust Company (Ireland) Limited  
One Dockland Central  
Guild Street  
IFSC  
Dublin 1  
Ireland

**Independent Auditors**

Ernst & Young  
Chartered Accountants  
Ernst & Young Building  
Harcourt Centre  
Harcourt Street  
Dublin 2  
Ireland

**Legal Advisors**

*As to UK & US Law*  
Vedder Price LLP  
4 Coleman Street  
London EC2R 5AR  
United Kingdom

**Legal Advisors**

*As to Irish Law*  
A&L Goodbody  
IFSC  
25/28 North Wall Quay  
Dublin 1  
Ireland

**Registered Office**

Goodbody Secretarial Limited  
IFSC  
North Wall Quay  
Dublin 1  
Ireland

\*With effect from 15 August 2018, Oligo Swiss Fund Services, SA were appointed as the Company's Swiss Representative Office replacing First Independent Fund Services Ltd.

\*\*On 1 July 2018, KB Associates were appointed to provide Designated Persons and consulting services to the Company.

# **MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

## **DIRECTORS' REPORT**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors present, herewith, their annual report for the financial year ended 31 December 2018.

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable Irish Law and General Accepted Accounting Practice in Ireland including the accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including FRS 102: "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that financial year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently; and
- make judgements and estimates that are reasonable and prudent; and
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with FRS 102 and comply with Irish Statute comprising the Companies Act 2014 and the Companies (Accounting) Act 2017 (collectively the "Companies Act"), the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended) (the "UCITS Regulations") and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) (Amendment) "Regulations 2015, as amended", (the "Central Bank of Ireland UCITS Regulations") and the Listing Rules of Euronext Dublin. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are published at [www.montanaro.co.uk](http://www.montanaro.co.uk). The Directors together with the Investment Manager are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website as far as it relates to the Company. Legislation in the Republic of Ireland governing the presentation and dissemination of the financial statements may differ from legislation in other jurisdictions.

### **Audit Information Statement**

The Directors confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's statutory auditors are unaware, and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

### **Directors' Compliance Statement**

The Directors acknowledge that they are responsible for securing the Company's compliance with the relevant obligations as set out in section 225 of the Companies Act.

The Directors confirm that:

- a compliance policy document has been drawn up that sets out policies, that in their opinion are appropriate to the Company, confirming compliance by the Company with its relevant obligations.
- appropriate arrangements or structures are in place that are, in their opinion, designed to secure material compliance with the Company's relevant obligations, and
- during the financial year, the arrangements or structures referred to above have been reviewed.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**DIRECTORS' REPORT (continued)**

**Background**

Montanaro Smaller Companies Plc (the “Company”) was incorporated in Ireland on 14 July 2000 under registered number 330162 as an open-ended, umbrella-type investment company with variable capital and segregated liability under the Companies Act. On 29 November 2000, it was authorised by the Central Bank of Ireland (the “Central Bank”) in accordance with the provisions of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended) as an undertaking for collective investment in transferable securities (“UCITS”).

The Company is constituted as an umbrella fund insofar as the share capital of the Company is divided into different series of Shares with each series of Shares representing a separate portfolio of assets which will comprise a separate sub-fund (a “Fund”) of the Company. Shares of any particular Fund may be divided into different classes of Shares (“Classes”) to accommodate differing characteristics attributable to each such different class of Shares.

A separate portfolio of assets will be maintained for each Fund and will be invested in accordance with the investment objective and strategies applicable to the particular Fund. As the Company has segregated liability since 16 June 2016 between its Funds, any liability incurred on behalf of or attributable to any Fund shall be discharged solely out of the assets of that Fund.

The Funds were registered for marketing in the following countries:

<b>Funds/Share Classes</b>	<b>Countries of Registration</b>	
<b>Montanaro European Smaller Companies Fund (All Share Classes)</b>	Ireland	United Kingdom
Additional registration of share class:	Switzerland	
Euro Accumulation Class	Austria	Iceland
	Belgium	Netherlands
	Finland	Norway
	France	Spain
	Germany	Sweden
Euro Class	Austria	Netherlands
	Finland	Norway
	France	Spain
	Germany	Sweden
	Iceland	
Euro Institutional Accumulation Class	Netherlands	
Euro Institutional Distribution Class	Finland	Netherlands
	France	Norway
	Germany	Spain
	Iceland	Sweden
Swedish Krona Accumulation Class	Norway	Sweden
<b>Montanaro UK Income Fund (All Share Classes)</b>	Ireland	United Kingdom
Additional registration of share class:		
Euro Class	Iceland	France
Euro Seed Class	France	
Sterling Class	France	
Sterling Seed Class	France	
<b>Montanaro UK Smaller Companies Fund*</b>	Finland	United Kingdom
	Ireland	

\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

# MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)

## DIRECTORS' REPORT (continued)

### Background (continued)

<b>Montanaro European Income Fund (All Share Classes)</b>	Ireland	United Kingdom
Additional registration of share class:		
Euro Class	Iceland	
Sterling Class	Iceland	
<b>Montanaro European MidCap Fund (All Share Classes)</b>	Finland	Sweden
	France	Switzerland
	Ireland	United Kingdom
<b>Montanaro Select Fund (All Share Classes)</b>	Ireland	United Kingdom
	Finland	Sweden
<b>Montanaro Better World Fund* (All Share Classes)</b>	Iceland	United Kingdom
	Ireland	Finland
	France	Sweden
	Netherlands	

### Right to Publicly Market Shares in Germany

According to Sec. 310 German Capital Investment Code (Kapitalanlagegesetzbuch, KAGB) the Company has notified the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") (Federal Institute for the Supervision of Financial Services) of its intention to publicly distribute shares in Germany. The Company has the right to publicly distribute shares in Germany upon completion of the notification process. The following share classes of the Montanaro European Smaller Companies Fund may be marketed to investors in Germany:

- Euro Accumulation Class
- Euro Class
- Euro Institutional Distribution Class

No notification has been filed for the remaining classes of the Montanaro European Smaller Companies Fund (Euro Institutional Accumulation Class, Sterling Class, Sterling Institutional Distribution Class, Swedish Krona Accumulation Class and US Dollar Class), Montanaro UK Income Fund, Montanaro UK Smaller Companies Fund\*\*, Montanaro European Income Fund, Montanaro European MidCap Fund, Montanaro Select Fund and Montanaro Better World Fund\*.

As at 31 December 2018, the Net Asset Value ("NAV") of the Company was €1,239,068,817 (31 December 2017: €1,285,419,546).

### Results for the financial year ended 31 December 2018

The results for the financial year are set out in the Statement of Comprehensive Income on pages 31 and 32 and the Statement of Financial Position of the Company is set out on pages 27 and 28.

### Business Review

The Company's business activities together with the factors likely to affect its future development performance and position are set out in the Performance Summary on pages 11 to 14. In addition, the Investment Manager's Review on pages 15 to 21 sets out the objectives of each Fund.

### Dividends and Distributions

The following distributions were paid during the financial year ending 31 December 2018 and 31 December 2017:

<b>Fund</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Montanaro European Smaller Companies Fund	€1,908,482	€2,851,029
Montanaro UK Income Fund	£9,702,455	£6,315,602
Montanaro UK Smaller Companies Fund**	£Nil	£568,293
Montanaro European Income Fund	€5,404,459	€4,532,078
Montanaro European MidCap Fund	€4,727	€417,641
Montanaro Select Fund	€164,007	€31,420
Montanaro Better World Fund*	€Nil	€Nil

\*The Montanaro Better World Fund was launched on 10 April 2018.

\*\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**DIRECTORS' REPORT (continued)**

**Dividends and Distributions (continued)**

The following distributions in respect of the financial year ending 31 December 2018 were approved by the Directors in 2019.

**Ex-Date of 8 February 2019:**

**Montanaro UK Income Fund**

Share Class	Rate per Share	Distribution
Euro Class	€0.006721	€1,965
Euro Seed Class	€0.009441	€29,891
Sterling Class	£0.00749	£179,681
Sterling Seed Class	£0.014617	£2,417,536

**Montanaro European Income Fund**

Share Class	Rate per Share	Distribution
Euro Class	€0.003680	€35,342
Sterling Class	£0.006419	£625,893

**Ex-Date of 13 March 2019:**

**Montanaro European Smaller Companies Fund**

Share Class	Rate per Share	Distribution
Euro Class	€0.003211	€58,102
Euro Institutional Distribution Class	€0.052862	€135,778
Sterling Institutional Distribution Class	£0.046249	£572,657

**Montanaro European MidCap Fund**

Share Class	Rate per Share	Distribution
Euro Distribution Class	€0.008023	€431,384

**Montanaro Select Fund**

Share Class	Rate per Share	Distribution
Euro Distribution Class	€0.019250	€78,313
Sterling Distribution Class	£0.019578	£103,817

**Montanaro Better World Fund\***

Share Class	Rate per Share	Distribution
Euro Distribution Class	€0.002610	€15,125
Sterling Distribution Class	£0.002304	£266,191

\*The Montanaro Better World Fund was launched on 10 April 2018.

**Directors**

The Directors of the Company as at 31 December 2018 are stated on page 1.

**Directors' & Secretary's Interests**

As at 31 December 2018, Charles Montanaro, Director of the Company, and his family members held 227,006 (31 December 2017: 222,186) shares in the Sterling Class and 53,985 (31 December 2017: 53,985) shares in the Sterling Institutional Distribution Class of the Montanaro European Smaller Companies Fund, 1,353,865 (31 December 2017: 1,447,686) shares in the Sterling Seed Class of the Montanaro UK Income Fund, 3,714 (31 December 2017: 3,714) shares in the Sterling Class of the Montanaro European Income Fund and 78,644 (31 December 2017: 78,644) shares in the Euro Distribution class of the Montanaro European MidCap Fund, 17,409 (31 December 2017: Nil) shares in the Sterling Class of the Montanaro Select Fund, and 192,750 (31 December 2017: Nil) shares in the Sterling Class of the Montanaro Better World Fund.

## **MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

### **DIRECTORS' REPORT (continued)**

#### **Directors' & Secretary's Interests (continued)**

Rodney Barton, Director, is employed by West Yorkshire Pension Fund, which held 2,700,000 (31 December 2017: 5,405,405) shares in the Montanaro European Smaller Companies Fund at 31 December 2018. No other Director of the Company had at any time during the financial year a material interest in any contract of significance, subsisting during or at the end of the financial year, in relation to the business of the Company.

No other Directors, nor the Secretary, had any interest in the shares, deferred shares, share options and debentures of the Company as at 31 December 2018 and 31 December 2017.

#### **Directors' Remuneration**

Each Director shall be entitled to such remuneration for his or her services as the Directors may determine provided that the aggregate emoluments of all Directors in respect of any twelve month period shall not exceed £120,000 (31 December 2017: £120,000) plus out of pocket expenses, or such higher amount as may be approved by the Company at a general meeting.

#### **Cross Liability Risk**

Other Funds may be introduced by the Company from time to time, with the prior approval of the Central Bank. As the Company has segregated liability between its Funds, any liability incurred on behalf of or attributable to any Fund shall be discharged solely out of the assets of that Fund.

The Directors consider that the risk of cross liability between Funds to be remote as the Funds will not be engaged in any gearing and adopt a risk-averse approach to their investment policies. As at 31 December 2018 and 31 December 2017, there were no such existing or contingent liabilities.

#### **Accounting Records**

The Directors are responsible for ensuring that adequate accounting records, as outlined in Section 281 to 285 of the Companies Act, are kept by the Company. To achieve this, the Directors have delegated the administration of the books and records to BNY Mellon Fund Services (Ireland) Designated Activity Company (the "Administrator"). The Company's accounting records are maintained at the office of the Administrator at One Dockland Central, Guild Street, IFSC, Dublin 1, Ireland.

#### **Risk Management, Objectives and Policies**

The main risks arising from the Company's financial instruments are market price, liquidity, credit/counterparty and foreign currency risk.

A detailed explanation of the risks to which the Company is exposed is provided in Note 7 to the financial statements.

The investment objectives of the Funds are set out in the Investment Manager's review and Note 7 to the financial statements.

There can be no assurance that the Funds will achieve their investment objectives. The value of shares may rise or fall as the capital value of the securities in which the Funds invest may fluctuate.

#### **Events during the Financial Year**

See Events during the Financial Year on pages 64 to 65.

#### **Events since the Financial Year End**

Please refer to page 5 for details of distributions approved since the financial year end.

There is considerable uncertainty in relation the outcome of the Brexit negotiations between the European Union and the UK. The Board monitors the situation closely and continues to plan for necessary and timely contingencies to account for these uncertainties.

There were no other significant events affecting the Company since the financial year end.



## **MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

### **DIRECTORS' REPORT (continued)**

#### **Independent Auditors**

The Independent Auditors, Ernst & Young, were appointed by Montanaro Smaller Companies Plc on 12 December 2011 to audit their financial statements for the year ending 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years. The Independent Auditors, Ernst & Young, will continue in office in accordance with Section 383 (2) of the Companies Act.

#### **Connected Persons**

Regulation 41 of the Central Bank UCITS Regulations "Restrictions of transactions with connected persons" states that "A responsible person shall ensure that any transaction between a UCITS and a connected person is conducted a) at arm's length; and b) in the best interest of the unitholders of the UCITS".

As required under Central Bank UCITS Regulation 78.4, the Directors, as responsible persons, are satisfied that there are in place arrangements, evidenced by written procedures, to ensure that the obligations that are prescribed by Regulation 41(1) are applied to all transactions with a connected person; and all transactions with a connected person that were entered into during the financial period to which the report relates complied with the obligations that are prescribed by Regulation 41(1).

#### **Board Diversity**

The Board considers that diversity in its membership is beneficial and therefore seeks to ensure that the Board's size, structure and composition, including skills, knowledge, experience and diversity is sufficient for the effective direction and control of the Company. However, as the Board is committed to appointing the most appropriate candidates as Directors of the Company, it has not set any measurable objectives in respect of this policy.

### **Corporate Governance Statement**

#### **General Principles**

The Company is required to comply with the requirements of the Companies Act, the UCITS Regulations and the Central Bank of Ireland UCITS Regulations and Guidance Notes.

The European Communities Directive (2006/46/EC) Regulations (S.I. 450 of 2009 and S.I. 83 of 2010) (the "Regulations") requires the inclusion of a corporate governance statement in the Directors' Report.

In the financial year under review, there was no specific statutory corporate governance code applicable to Irish collective investment schemes whose shares are admitted to trading on the Irish Stock Exchange Plc trading as 'Euronext Dublin'. However, the Company is subject to corporate governance practices imposed by:

- (i) The Companies Act, which is available for inspection at the registered office of the Company and may also be obtained at: <http://www.irishstatutebook.ie>;
- (ii) The Articles of Association of the Company, which are available for inspection at the registered office of the Company at Goodbody Secretarial Limited, IFSC, North Wall Quay, Dublin 1 and at the Companies Registration Office in Ireland;
- (iii) The Central Bank in their UCITS Regulations and Guidance Notes, which can be obtained from the Central Bank's website at: <https://www.centralbank.ie/regulation/industry-market-sectors/funds/ucits/legislation> and are available for inspection at the registered office of the Company; and
- (iv) Euronext Dublin, through the Euronext Code of Listing Requirements and Procedures, which can be obtained at: <http://www.ise.ie>.

A corporate governance code applicable to Irish domiciled collective investment schemes was issued by the Irish Funds Industry Association on 14 December 2011 (the "Code"). The Board voluntarily adopted the Code on 11 December 2012 with effect from 1 January 2013.

#### **Internal Control and Risk Management Systems in Relation to Financial Reporting**

The Board is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage, rather than eliminate, the risk of error or fraud in achieving the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

## **MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

### **DIRECTORS' REPORT (continued)**

#### ***Internal Control and Risk Management Systems in Relation to Financial Reporting (continued)***

The Board has procedures in place to ensure that all relevant books of account are properly maintained and are readily available, including production of annual and half yearly financial statements. The Board has appointed the Administrator to maintain the books and records of the Company. The Administrator is authorised and regulated by the Central Bank and must comply with the rules imposed by the Central Bank. From time to time, the Board of Directors examines and evaluates the Administrator's financial accounting and reporting routines. The annual and half yearly financial statements of the Company are produced by the Administrator, reviewed by the Investment Manager, the Designated Persons (KB Associates), and approved by the Board. The annual financial statements of the Company are required to be filed with the Central Bank and the ISE. The half yearly financial statements are required to be filed with the Central Bank.

The Board is responsible for the review and approval of the annual financial statements as set out in the Statement of Directors' Responsibilities. The statutory financial statements are required to be audited by independent auditors who report annually to the Board on their findings. The Board monitors and evaluates the independent auditor's qualifications and independence. As part of its review procedures, the Board receives presentations from relevant parties including Irish accounting standards and their impact on the annual financial statements, and presentations and reports on the audit process. The Board evaluates and discusses significant accounting and reporting issues as the need arises.

#### ***Dealings with Shareholders***

The convening and conduct of shareholders' meetings are governed by the Articles of Association of the Company and the Companies Act. Although the Directors may convene an extraordinary general meeting of the Company at any time, the Directors are required to convene an annual general meeting of the Company within fifteen months of the date of the previous annual general meeting, provided that an annual general meeting is held once in each year within six months of the end of each accounting period of the Company.

At least twenty-one clear days' notice of every annual general meeting and any meeting convened for the passing of a special resolution must be given to shareholders and fourteen days' notice must be given in the case of any other general meeting, unless the auditors of the Company and all the shareholders of the Company entitled to attend and vote agree to a shorter notice period. Two shareholders present either in person or by proxy constitutes a quorum at a general meeting. The share capital of the Company is divided into different classes of shares and the Companies Act and the Articles of Association provide that the quorum for a general meeting convened to consider any alteration to the rights attached to any class of shares, is two or more shareholders present in person or by proxy, holding or representing by proxy at least one third of the issued shares of the relevant class.

Every holder of participating shares or non-participating shares present, in person or by proxy, who votes on a show of hands is entitled to one vote. On a poll, every holder of participating shares present, in person or by proxy, is entitled to one vote in respect of each share held by him. At any general meeting, a resolution put to the vote of the meeting is decided on a show of hands unless, before or upon the declaration of the result of the show of hands, a poll is demanded by the chairman of the general meeting, or by at least three members or shareholders present, in person or by proxy, or any holder or holders of participating shares present, in person or by proxy, representing at least one tenth of the shares in issue having the right to vote at such meeting.

Shareholders may resolve to sanction an ordinary resolution or special resolution at a shareholders' meeting. Alternatively, a resolution in writing signed by all of the shareholders and holders of non-participating shares for the time being entitled to attend and vote on such resolution at a general meeting of the Company, will be valid and effective for all purposes as if the resolution had been passed at a general meeting of the Company duly convened and held. An ordinary resolution of the Company (or of the shareholders of a particular fund or class of shares) requires a simple majority of the votes cast by the shareholders voting, in person or by proxy, at the meeting at which the resolution is proposed. A special resolution of the Company (or of the shareholders of a particular Fund or class of Shares) requires a majority of not less than 75% of shareholders present, in person or by proxy, and voting in general meeting in order to pass a special resolution including a resolution to amend the Articles of Association.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**DIRECTORS' REPORT (continued)**

***Board Composition and Activities***

In accordance with the Companies Act and the Articles of Association, unless otherwise determined by an ordinary resolution of the Company in a general meeting, the number of Directors may not be less than three. Details of the current Directors are set out on page 1, under the heading "Directors".

The business of the Company is managed by the Directors, who exercise all such powers of the Company permitted by the Companies Act, or by the Articles of Association of the Company required to be exercised by the Company at a General Meeting.

The Board is responsible for the Company's overall direction and strategy and to this end it reserves the decision-making power on issues such as the determination of medium and long term goals, review of managerial performance, organisational structure and capital needs and commitments to achieve the Company's strategic goals. To achieve these responsibilities, a Director may, and the Company Secretary on the requisition of a Director will, at any time, summon a meeting of the Directors in addition to the four regular Board meetings which are convened as required.

Questions arising at any meeting of the Directors are determined by a majority of votes. In the case of an equality of votes, the Chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, shall be entitled to a second or casting vote. The quorum necessary for the transaction of business at a meeting of the Directors is two.

**On behalf of the Board of Directors:**



**Director**

**19 March 2019**



**Director**

**REPORT FROM THE DEPOSITARY TO THE SHAREHOLDERS  
DATED 31 DECEMBER 2018**

For the period from 1 January 2018 to 31 December 2018 (the “**Period**”)

BNY Mellon Trust Company (Ireland) Limited (the “**Depositary**” “**us**”, “**we**”, or “**our**”) has enquired into the conduct of Montanaro Smaller Companies Plc (the “**Company**”) for the Period in its capacity as Depositary to the Company.

This report, including the opinion, has been prepared for the shareholders in the Company, in accordance with our role as Depositary to the Company and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

**Responsibilities of the Depositary**

Our duties and responsibilities are outlined in Regulation 34 of the of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No 352 of 2011), as amended (the “**Regulations**”).

Our report shall state whether, in our opinion, the Company has been managed in that period in accordance with the provisions of the Company’s constitutional documentation and the Regulations. It is the overall responsibility of the Company to comply with these provisions. If the Company has not been so managed, we as Depositary must state in what respects it has not been so managed and the steps which we have taken in respect thereof.

**Basis of Depositary Opinion**

The Depositary conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the Company’s constitutional documentation and the appropriate regulations.

**Opinion**

In our opinion, the Company has been managed during the Period, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional documentation and the Regulations; and
- (ii) otherwise in accordance with the provisions of the constitutional documentation and the Regulations.



For and on behalf of BNY Mellon Trust Company (Ireland) Limited,  
One Dockland Central,  
Guild Street,  
IFSC,  
Dublin 1.

Date: 19 March 2019

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**PERFORMANCE SUMMARY**

	Montanaro European Smaller Companies Fund <sup>(3)</sup>							
	EUR	EUR (Acc)	GBP	GBP (Inst)	USD	EUR (Inst)	EUR (Inst, Acc)	SEK (Acc)
31/12/18 NAV per share	5.167	4.982	4.679	4.790	2.820	5.236	5.283	16.908
2018 - 12 month Fund NAV return	-9.1%	-8.8%	-8.5%	-8.5%	-19.8%	-9.7%	-8.1%	-5.9%
2018 - 12 month Benchmark return <sup>(1)</sup>	-17.7%	-17.7%	-16.8%	-16.8%	-21.6%	-17.7%	-17.7%	-14.9%
3 year annualised return - Fund	-0.9%	-0.5%	5.8%	5.7%	-1.8%	-1.0%	0.4%	2.9%
3 year annualised return - Benchmark <sup>(1)</sup>	-1.8%	-1.8%	4.9%	4.9%	-0.1%	-1.8%	-1.8%	1.6%

	Montanaro UK Income Fund <sup>(3)</sup>				
	EUR Seed	GBP Seed	EUR	GBP	GBP (Acc) <sup>(5)</sup>
31/12/18 NAV per share	1.097	1.745	0.780	0.996	0.861
2018 - 12 month Fund NAV return	-14.6%	-13.7%	-15.0%	-14.1%	-
2018 - 12 month Benchmark return <sup>(1)</sup>	- <sup>(2)</sup>	- <sup>(2)</sup>	- <sup>(2)</sup>	- <sup>(2)</sup>	- <sup>(2)</sup>
3 year annualised return - Fund	-3.7%	2.8%	-4.2%	2.3%	-
3 year annualised return - Benchmark <sup>(1)</sup>	- <sup>(2)</sup>	- <sup>(2)</sup>	- <sup>(2)</sup>	- <sup>(2)</sup>	- <sup>(2)</sup>

	Montanaro European Income Fund <sup>(3)(4)</sup>			Montanaro European MidCap Fund <sup>(3)</sup>	
	GBP	EUR	GBP (Acc) <sup>(5)</sup>	EUR	EUR (Inst, Acc)
31/12/18 NAV per share	1.709	1.008	0.909	1.875	1.963
2018 - 12 month Fund NAV return	-6.8%	-7.8%	-	-2.2%	-1.6%
2018 - 12 month Benchmark return <sup>(1)</sup>	- <sup>(8)</sup>	- <sup>(8)</sup>	- <sup>(8)</sup>	-13.2%	-13.2%
3 year annualised return - Fund	9.7%	2.8%	-	1.3%	2.1%
3 year annualised return - Benchmark <sup>(1)</sup>	- <sup>(8)</sup>	- <sup>(8)</sup>	- <sup>(8)</sup>	-0.8%	-0.8%

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**PERFORMANCE SUMMARY (continued)**

	Montanaro Select Fund <sup>(3)</sup>		Montanaro Better World Fund <sup>(3)(7)</sup>	
	GBP <sup>(6)</sup>	EUR <sup>(6)</sup>	GBP	EUR
31/12/18 NAV per share	1.220	1.142	0.962	0.934
2018 - 12 month Fund NAV return	-8.1%	-9.0%	-	-
2018 - 12 month Benchmark return <sup>(1)</sup>	-16.8%	-17.7%	-	-
3 year annualised return - Fund	-	-	-	-
3 year annualised return - Benchmark <sup>(1)</sup>	-	-	-	-

- (1) The relevant benchmark information for all Funds and Share Classes can be found on pages 15 to 21. Source for benchmark returns: Bloomberg.
- (2) Please note that from 1 July 2016 the Montanaro UK Income Fund does not have a benchmark.
- (3) Source: Montanaro. NAV to NAV, unrounded. Montanaro UK Income Fund and Montanaro European Income Fund dividends reinvested at Ex-Date.
- (4) Please note that effective 1 July 2016 the performance of the Montanaro European Income Fund and benchmark are Total Return, prior to this the performance was Capital Return.
- (5) Launched 2 July 2018.
- (6) Launched 1 July 2016.
- (7) Launched 10 April 2018.
- (8) Please note that from 29 June 2018 the Montanaro European Income Fund does not have a benchmark.

## MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)

### PERFORMANCE SUMMARY (continued)

#### Review

The launch of the Better World Fund in April 2018 was a seminal moment in the Company's history. For the first time, we are investing globally in quoted smaller companies. The Fund aims to deliver attractive returns by investing in companies helping to address some of the world's most pressing challenges, ranging from climate change to shifting demographics; the increasing pressure on natural resources; the need for new forms of healthcare and technological innovation; and the provision of basic needs such as education.

The launch of the Fund coincided with improving investor sentiment as markets rose. This is never ideal as we faced rising stock markets at a time of being fully in cash. Following the launch on 10 April 2018, we were essentially fully invested by the end of May. We then enjoyed strong capital growth through the end of the summer – at one point a gain of 16% – which seemed too good to be true. Indeed it was!

It was in October that stock markets turned. Worries that the Federal Reserve might raise interest rates faster than anticipated collided with fears about global growth. Adding to investor uncertainty was an increasingly fractured political landscape: Brexit; the French *gilets jaunes* movement; Germany's coalition crisis; a US/China trade war *et al.* With the world facing many structural challenges – not least that of climate change, evidenced in the number of extreme weather events seen throughout the year – the absence of strong and respected political leadership was keenly felt.

This heady mix proved enough to spook investor sentiment. The age-old correlation between the US long bond yield and equity prices was in evidence once again: yields climbed and equities fell, with a score of the major equity indices passing through the psychologically important 10% mark in short order. In just a few weeks, all the returns for 2018 were completely wiped out and more. The MSCI World SMidCap index declined by almost 16% in the fourth quarter alone (in Euros). Markets did not have time to recover before the year-end. Over the year, the MSCI Europe Small Cap Index fell by 17%, underperforming the MSCI Europe Large Cap Index by 5%, only the 5<sup>th</sup> annual underperformance of SmallCap this century. Meanwhile, the Numis Smaller Companies index ended the year down some 14% in Sterling terms.

#### Performance of Funds

The NAV of the Euro Class of the **Better World Fund** declined by just over 6% between launch on 10 April 2018 and the year-end. Given the Fund was investing cash in a rising market and became fully invested as markets turned, this is a satisfactory result. Although the Fund has no benchmark, it is worth noting that over the same period the MSCI World SMidCap Index declined by 8%.

The NAV of the Euro Class of the **European Smaller Companies Fund** declined by 9% in 2018, an *outperformance* of 9% relative to the MSCI Europe Small Cap benchmark index. The Fund's strong relative performance was due to a combination of good stock-picking and tailwinds from our Quality style, which tends to fare better in down markets.

The Euro NAV of the **Select Fund** declined by 9% during the year, an *outperformance* of over 8% versus the MSCI Europe Small Cap benchmark index. The portfolio benefited from good stock selection in a concentrated portfolio.

The NAV of the Euro Class of the **European MidCap Fund** declined by 2% during the year, an *outperformance* of over 11% relative to the Stoxx Europe Mid 200 benchmark index. The Fund benefited from its defensive positioning and a higher than usual cash weighting ahead of the October market correction.

The Euro Seed Class of the **UK Income Fund** saw its NAV fall just under 15% in 2018. The Fund suffered from its UK focus given the negativity surrounding Brexit, but still managed to *outperform* the UK SmallCap market.

The Euro NAV of the **European Income Fund** declined by 7% over the year, an *outperformance* against both European Small and LargeCap indices as the Quality style of the Fund held up relatively well.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**PERFORMANCE SUMMARY (continued)**

**Outlook**

At this stage in the economic cycle, investors must decide whether healthy signals such as record high employment, rising wages and decent corporate earnings point to continued economic growth, or indicate that the best days of this long Bull Market lie in the past. Time will tell.

This uncertain backdrop strengthens the case for owning Quality companies. These companies are best placed to look through the fog of changeable economics and political debate to make decisions that enhance their long-term sustainability. Smaller companies tend to be more entrepreneurial and nimble at responding to changing conditions.

The underperformance of SmallCap in 2018 was a historically unusual occurrence in the absence of economic weakness. Valuations of quoted smaller companies in both Europe and the UK are at their most attractive levels in six years. Indeed it would be no surprise if SmallCap outperformed in 2019 as it typically does. It is rare for the asset class to suffer two poor years in a row.

**Charles Montanaro**  
**February 2019**



**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**INVESTMENT MANAGER’S REVIEW**

**MONTANARO EUROPEAN SMALLER COMPANIES FUND (the “Fund”)**

**Investment Objective**

The investment objective of the Fund is to outperform its benchmark, the MSCI Europe SmallCap (Capital Return) Index.

The MSCI Europe SmallCap (Capital Return) Index is calculated daily by Morgan Stanley Capital International. The index represents the small cap segment in 15 developed countries in Europe: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

**Investment Policy**

The Fund shall invest primarily in SmallCap companies quoted in the European Union (including the United Kingdom), Iceland, Norway and Switzerland whose market capitalisation shall not exceed that of the largest constituent of the Benchmark at the time of initial investment. No unquoted investments are permitted.

The Fund will invest at least 75% of its net assets in securities eligible for the Plan d’Epargne en Actions (“PEA” in France). A PEA is a savings plan which is invested in shares issued by EEA corporation tax paying entities.

**Performance Review**

See Performance Summary on pages 11 to 14.

**Charles Montanaro**  
Montanaro Asset Management Limited  
February 2019

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**INVESTMENT MANAGER’S REVIEW (continued)**

**MONTANARO UK INCOME FUND (the “Fund”)**

**Investment Objective**

The investment objective of the Fund is to deliver capital growth and income.

**Investment Policy**

The Fund shall invest primarily in SmallCap and MidCap companies quoted in the United Kingdom offering an attractive dividend yield or the potential for dividend growth. Up to 20% of net assets may be invested in companies quoted in the European Union (excluding for this purpose the United Kingdom), Iceland, Norway and Switzerland. No unquoted investments are permitted.

The Fund will invest at least 75% of its net assets in securities eligible for the Plan d’Epargne en Actions (“PEA” in France). A PEA is a savings plan which is invested in shares issued by EEA corporation tax paying entities.

**Performance Review**

See Performance Summary on pages 11 to 14.

**Charles Montanaro**  
Montanaro Asset Management Limited  
February 2019

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**INVESTMENT MANAGER’S REVIEW (continued)**

**MONTANARO UK SMALLER COMPANIES FUND\* (the “Fund”)**

**Investment Objective**

The investment objective of the Fund was to outperform its benchmark, the Numis Smaller Companies (excluding investment companies) Capital Return Index.

The Numis Smaller Companies (excluding investment companies) Capital Return Index is a capitalisation weighted index which consists of the smallest 10% of the main UK stock market by value.

**Investment Policy**

The Fund invested primarily in SmallCap companies quoted in the United Kingdom that are profitable and smaller by market capitalisation than the largest constituent of the Benchmark at the time of initial investment. No unquoted investments were permitted.

The Fund will invest at least 75% of its net assets in securities eligible for the Plan d’Epargne en Actions (“PEA” in France). A PEA is a savings plan which is invested in shares issued by EEA corporation tax paying entities.

**Performance Review**

See Performance Summary on pages 11 to 14.

\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**Charles Montanaro**

Montanaro Asset Management Limited

February 2019

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**INVESTMENT MANAGER’S REVIEW (continued)**

**MONTANARO EUROPEAN INCOME FUND (the “Fund”)**

**Investment Objective**

With effect from 29 June 2018, the investment objective of the Fund is to deliver capital growth and income

Effective to 28 June 2018, the investment objective of the Fund was to outperform its benchmark, the MSCI Europe (ex-UK) SmallCap (Total Return) Index. At the EGM held on 6 June 2018, shareholders approved the removal of the benchmark for the Montanaro European Income Fund, the "MSCI Europe (ex-UK) SmallCap (Total Return) Index", with an effective date of 29 June 2018.

The MSCI Europe (ex-UK) SmallCap (Total Return) Index is calculated daily by Morgan Stanley Capital International. The index represents the small cap segment in 14 developed countries in Europe: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland.

**Investment Policy**

The Fund shall invest primarily in SmallCap and MidCap companies quoted in the European Union (excluding the United Kingdom), Iceland, Norway and Switzerland offering an attractive dividend yield or the potential for dividend growth. No unquoted investments are permitted.

The Fund will invest at least 75% of its net assets in securities eligible for the Plan d’Epargne en Actions (“PEA” in France). A PEA is a savings plan which is invested in shares issued by EEA corporation tax paying entities.

**Performance Review**

See Performance Summary on pages 11 to 14.

**Charles Montanaro**

Montanaro Asset Management Limited

February 2019

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**INVESTMENT MANAGER’S REVIEW (continued)**

**MONTANARO EUROPEAN MIDCAP FUND (the “Fund”)**

**Investment Objective**

The investment objective of the Fund is to outperform its benchmark, the STOXX Europe Mid 200 (Capital Return) Index.

The STOXX Europe Mid 200 (Capital Return) Index represents the mid cap segment in 18 developed countries in Europe: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

**Investment Policy**

The Fund shall invest primarily in MidCap companies quoted in the European Union (including the United Kingdom), Iceland, Norway and Switzerland whose market capitalisation shall not exceed that of the largest constituent of the Benchmark at the time of initial investment. No unquoted investments are permitted.

The Fund will invest at least 75% of its net assets in securities eligible for the Plan d’Epargne en Actions (“PEA” in France). A PEA is a savings plan which is invested in shares issued by EEA corporation tax paying entities.

**Performance Review**

See Performance Summary on pages 11 to 14.

**Charles Montanaro**  
Montanaro Asset Management Limited  
February 2019

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**INVESTMENT MANAGER’S REVIEW (continued)**

**MONTANARO SELECT FUND (the “Fund”)**

**Investment Objective**

The investment objective of the Fund is to outperform its benchmark, the MSCI Europe SmallCap (Capital Return) Index.

The MSCI Europe SmallCap (Capital Return) Index is calculated daily by Morgan Stanley Capital International. The index represents the small cap segment in 15 developed countries in Europe: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

**Investment Policy**

The Fund shall invest primarily in SmallCap and MidCap companies quoted in the European Union (including the United Kingdom), Iceland, Norway and Switzerland whose market capitalisation shall not exceed that of the largest constituent of the STOXX Europe Mid 200 Index at the time of initial investment. No unquoted investments are permitted.

When fully invested, the Investment Manager's current intention is that the Fund shall consist of a portfolio of a target 20 - 30 quoted companies.

The Fund will invest at least 75% of its net assets in securities eligible for the Plan d’Epargne en Actions (“PEA” in France). A PEA is a savings plan which is invested in shares issued by EEA corporation tax paying entities.

**Performance Review**

See Performance Summary on pages 11 to 14.

**Charles Montanaro**

Montanaro Asset Management Limited

February 2019

## **MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

### **INVESTMENT MANAGER'S REVIEW (continued)**

#### **MONTANARO BETTER WORLD FUND\*\* (the "Fund")**

##### **Investment Objective**

The investment objective of the Fund is to deliver long-term capital growth.

##### **Investment Policy**

The Fund shall invest in small and midcap companies primarily quoted in global markets and whose market capitalisation does not exceed that of the largest constituent of the MSCI world SMID Cap index at the time of initial investment.

The MSCI World SMID Cap Index is calculated daily by Morgan Stanley Capital International. The index represents the small and midcap segments in 23 developed countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States of America. The index rebalances semi-annually. Further information in relation to the index is available at [www.msci.com](http://www.msci.com).

With the exception of permitted investments in unlisted instruments, the securities in which the Fund invests will be listed or traded on Recognised Markets.

The Fund will seek to invest in high quality companies whose products, services or behaviour are deemed to make a positive impact on society and which emphasise sound environmental, social and governance (ESG) practices. In particular, the Investment Manager will seek to identify profitable and well managed businesses operating in markets that offer attractive structural growth opportunities, i.e. through the investment process outlined below the Investment Manager will seek to identify market sectors it expects to grow faster than GDP of the relevant country or region for a prolonged period of time. In order to achieve this, the Investment Manager will rely on a research-intensive investment process designed to evaluate potential investments based on the use of proprietary databases, financial models and direct engagement with companies.

Through their research and direct engagement with companies, the Investment Manager will seek to identify companies with management they consider to be entrepreneurial, competent, honest and trustworthy.

The Fund may not invest in companies with material revenue exposure to the manufacturing or supply of weapons, tobacco, gambling, pornography, alcohol or any other areas deemed not to meet the Investment Manager's ethical standards.

##### **Performance Review**

See Performance Summary on pages 11 to 14.

\*\*The Montanaro Better World Fund was launched on 10 April 2018.

**Charles Montanaro**  
Montanaro Asset Management Limited  
February 2019

## **Opinion**

We have audited the financial statements of Montanaro Smaller Companies Plc ('the Company') for the year ended 31 December 2018, which comprise the Statement of Financial Position, Statement of Comprehensive Income, the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is Irish Law and Accounting Standards including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (Irish Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2018 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with Irish Generally Accepted Accounting Practice; and; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014, the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015..

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard as applied to public interest entities issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters, in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Valuation of investments:</p> <p>We considered valuation of financial assets at fair value through profit or loss as one of the Key Audit Matters (KAMs) for 2018 financial year. The value of these is €1,195,076,387 (2017: €1,258,989,365).</p> <p>This is one of the key areas on which our audit is concentrated as the valuation of investments is a key driver of performance and net asset value.</p> <p>Refer to Note 3, Financial Assets at Fair Value through Profit or Loss in the Financial Statements.</p>	<p>We obtained a listing of financial assets at fair value through profit or loss at December 31, 2018.</p> <p>We performed procedures to independently test the valuation of financial assets at fair value through profit or loss to pricing information obtained from independent pricing sources.</p>	<p>Based on the procedures performed, no issues were noted.</p>

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

Materiality is the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Montanaro Smaller Companies Plc to be €6,195,344, which is 0.5% (2017: 0.5%) of NAV.

### **Performance materiality**

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality. We have set performance materiality at this percentage due to the perspectives and expectations of users of the financial statements in the context of our knowledge of the investment fund and the environment in which it operates, and the type of entity (i.e. listed and regulated Fund).

### **Reporting threshold**

The reporting threshold is an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board of Directors that we would report to them all uncorrected audit differences in excess of 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### **An overview of the scope of our audit report**

#### **Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

#### ***Other information***

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



### ***Opinions on other matters prescribed by the Companies Act 2014***

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company statement of financial position is in agreement with the accounting records.

### ***Matters on which we are required to report by exception***

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

### ***Respective responsibilities***

#### ***Responsibilities of directors for the financial statements***

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the parent Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### ***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud

identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are Companies Act 2014, the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015.

We understood how the Company is complying with those frameworks by updating our understanding of the system of internal control in place. We also considered the existence of independence service providers, proper segregation of duties and the regulated environment in which the Company operates, which may reduce opportunities for fraud to take place.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by management override of controls.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of those charged with governance into possible instances of non-compliance with laws and regulations, review of board meeting minutes during the year and obtaining representation from the Board of Directors.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: [http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf). This description forms part of our auditor's report.

#### ***Other matters which we are required to address***

We were appointed by European Smaller Companies Plc to audit the financial statements for the year ending 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit. Our audit opinion is consistent with the additional report to the audit committee.

#### ***The purpose of our audit work and to whom we owe our responsibilities***

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Aidan Tiernan

for and on behalf of  
Ernst & Young Chartered Accountants and Statutory Audit Firm  
Dublin  
26 March 2019

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2018*

		<b>Montanaro European Smaller Companies Fund €</b>	<b>Montanaro UK Income Fund £</b>	<b>Montanaro UK Smaller Companies Fund* £</b>	<b>Montanaro European Income Fund €</b>
<b>Current assets</b>	<b>Note</b>				
Cash and cash equivalents	5	9,939,702	10,474,639	114,311	8,345,182
Financial assets at fair value through profit or loss	3				
- Equities		432,615,744	299,851,952	–	185,236,250
Dividends receivable		374,432	1,212,415	–	–
Receivable for fund shares sold		342,068	2,166,755	–	514
Other receivables		2,264,438	33,749	53	612,184
<b>Total current assets</b>		<b>445,536,384</b>	<b>313,739,510</b>	<b>114,364</b>	<b>194,194,130</b>
<b>Current liabilities</b>					
Payable for fund shares repurchased		(181,741)	(31,331)	–	–
Investment management fees payable	2	(1,480,085)	(228,482)	–	(370,754)
Performance fees payable	2	(251,224)	–	(95,046)	–
Administration fees payable	2	(146,259)	(81,043)	(9,614)	(47,227)
Depositary fees payable	2	(59,198)	(25,629)	(1,326)	(22,653)
Legal fees payable		(3,750)	(2,527)	(3,577)	(1,576)
Professional fees payable	2	(11,466)	(4,443)	(565)	(3,565)
Audit fees payable	2	(19,789)	(13,359)	(16)	(8,315)
Other accrued expenses payable	2	(24,306)	(7,305)	(4,220)	(2,861)
<b>Total current liabilities</b>		<b>(2,177,818)</b>	<b>(394,119)</b>	<b>(114,364)</b>	<b>(456,951)</b>
<b>Net asset value attributable to holders of redeemable participating shares</b>		<b>443,358,566</b>	<b>313,345,391</b>	<b>–</b>	<b>193,737,179</b>

\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

Please refer to Note 14 for Net Asset Value (“NAV”) and NAV per share details.

*The accompanying notes form an integral part of these financial statements.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2018 (continued)*

		Montanaro European MidCap Fund €	Montanaro Select Fund €	Montanaro Better World Fund** €	Total €***
<b>Current assets</b>	<b>Note</b>				
Cash and cash equivalents	5	6,339,698	566,849	3,041,507	40,030,242
Financial assets at fair value through profit or loss	3				
- Equities		106,253,988	11,230,756	125,670,207	1,195,076,387
Dividends receivable		157,840	25,687	17,018	1,925,746
Receivable for fund shares sold		—	—	—	2,756,596
Other receivables		261,759	12,725	42,867	3,231,633
<b>Total current assets</b>		<b>113,013,285</b>	<b>11,836,017</b>	<b>128,771,599</b>	<b>1,243,020,604</b>
<b>Current liabilities</b>					
Payable for fund shares repurchased		—	—	—	(216,647)
Investment management fees payable	2	(429,890)	—	(175,368)	(2,710,652)
Performance fees payable	2	(10,890)	—	—	(368,006)
Administration fees payable	2	(25,081)	(2,716)	(27,009)	(349,294)
Depository fees payable	2	(12,184)	(669)	(18,186)	(142,921)
Legal fees payable		(915)	(98)	(467)	(13,607)
Directors' fees payable	2	—	—	(1,910)	(1,910)
Professional fees payable	2	(1,943)	(20)	(20,789)	(43,363)
Audit fees payable	2	(4,846)	(519)	(4,048)	(52,418)
Other accrued expenses payable	2	(2,583)	(191)	(10,187)	(52,969)
<b>Total current liabilities</b>		<b>(488,332)</b>	<b>(4,213)</b>	<b>(257,964)</b>	<b>(3,951,787)</b>
<b>Net asset value attributable to holders of redeemable participating shares</b>		<b>112,524,953</b>	<b>11,831,804</b>	<b>128,513,635</b>	<b>1,239,068,817</b>

\*\*The Montanaro Better World Fund was launched on 10 April 2018.

\*\*\*See Statement of Accounting Policies (g).

Please refer to Note 14 for Net Asset Value ("NAV") and NAV per share details.

*The accompanying notes form an integral part of these financial statements.*

**On behalf of the Board of Directors:**



**Director**

**19 March 2019**



**Director**

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2017*

		<b>Montanaro European Smaller Companies Fund €</b>	<b>Montanaro UK Income Fund £</b>	<b>Montanaro UK Smaller Companies Fund £</b>
<b>Current assets</b>	<b>Note</b>			
Cash and cash equivalents	5	14,936,204	686,834	517,522
Financial assets at fair value through profit or loss	3			
- Equities		617,617,717	250,733,843	47,769,532
Dividends receivable		314,310	553,682	77,970
Receivable for fund shares sold		63,284	101,131	–
Other receivables		2,709,620	116,352	12,056
<b>Total current assets</b>		<b>635,641,135</b>	<b>252,191,842</b>	<b>48,377,080</b>
<b>Current liabilities</b>				
Payable for fund shares repurchased		(176,715)	(2,244)	–
Investment management fees payable	2	(1,832,532)	(155,021)	(87,071)
Performance fees payable	2	–	–	(551,193)
Administration fees payable	2	(239,772)	(75,821)	(13,147)
Depository fees payable	2	(45,366)	(8,379)	(1,567)
Legal fees payable		(18,007)	(4,634)	(887)
Professional fees payable	2	(9,175)	(3,382)	(639)
Audit fees payable	2	(24,874)	(9,054)	(1,725)
Other accrued expenses payable	2	(28,184)	(3,831)	(597)
<b>Total current liabilities</b>		<b>(2,374,625)</b>	<b>(262,366)</b>	<b>(656,826)</b>
<b>Net asset value attributable to holders of redeemable participating shares</b>		<b>633,266,510</b>	<b>251,929,476</b>	<b>47,720,254</b>

Please refer to Note 14 for Net Asset Value (“NAV”) and NAV per share details.

*The accompanying notes form an integral part of these financial statements.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2017 (continued)*

		<b>Montanaro European Income Fund €</b>	<b>Montanaro European MidCap Fund €</b>	<b>Montanaro Select Fund €</b>	<b>Total €*</b>
<b>Current assets</b>	<b>Note</b>				
Cash and cash equivalents	5	7,350,345	2,282,797	105,579	26,031,680
Financial assets at fair value through profit or loss	3				
- Equities		188,364,861	104,025,019	12,705,668	1,258,989,365
Dividends receivable		—	48,475	13,943	1,088,309
Receivable for fund shares sold		320,140	—	—	497,353
Other receivables		625,343	326,101	6,638	3,812,359
<b>Total current assets</b>		<b>196,660,689</b>	<b>106,682,392</b>	<b>12,831,828</b>	<b>1,290,419,066</b>
<b>Current liabilities</b>					
Payable for fund shares repurchased		—	—	—	(179,243)
Investment management fees payable	2	(341,098)	(440,231)	—	(2,886,587)
Performance fees payable	2	—	(670,349)	—	(1,291,290)
Administration fees payable	2	(48,332)	(30,337)	(2,764)	(421,431)
Depository fees payable	2	(17,081)	(8,547)	(2,289)	(84,487)
Legal fees payable		(3,479)	(3,330)	(230)	(31,266)
Professional fees payable	2	(2,493)	(1,721)	—	(17,919)
Audit fees payable	2	(6,750)	(4,651)	(460)	(48,879)
Other accrued expenses payable	2	(2,319)	(2,795)	(158)	(38,418)
<b>Total current liabilities</b>		<b>(421,552)</b>	<b>(1,161,961)</b>	<b>(5,901)</b>	<b>(4,999,520)</b>
<b>Net asset value attributable to holders of redeemable participating shares</b>		<b>196,239,137</b>	<b>105,520,431</b>	<b>12,825,927</b>	<b>1,285,419,546</b>

\*See Statement of Accounting Policies (g).

Please refer to Note 14 for Net Asset Value (“NAV”) and NAV per share details.

*The accompanying notes form an integral part of these financial statements.*



**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**STATEMENT OF COMPREHENSIVE INCOME**

*Financial year ended 31 December 2018*

		<b>Montanaro European Smaller Companies Fund €</b>	<b>Montanaro UK Income Fund £</b>	<b>Montanaro UK Smaller Companies Fund* £</b>	<b>Montanaro European Income Fund €</b>
<b>Income</b>	<b>Note</b>				
Net realised gain on financial assets at fair value through profit or loss and foreign exchange		62,893,103	1,589,572	11,415,803	8,777,911
Net change in fair value of financial assets at fair value through profit or loss and foreign exchange		(107,298,417)	(60,419,183)	(12,146,903)	(27,254,294)
Dividend income		10,122,776	10,720,251	244,180	5,793,417
Interest income		841	–	15	132
<b>Investment income</b>		<b>(34,281,697)</b>	<b>(48,109,360)</b>	<b>(486,905)</b>	<b>(12,682,834)</b>
<b>Expenses</b>					
Investment management fees	2	(6,585,159)	(797,989)	(117,875)	(1,476,912)
Performance fees	2	(251,224)	–	(93,688)	–
Administration fees	2	(238,401)	(150,017)	(12,727)	(82,976)
Depositary fees	2	(106,508)	(53,919)	(4,818)	(40,106)
Legal fees		(43,541)	(26,595)	(4,390)	(17,400)
Directors' fees	2	(32,010)	(17,420)	(913)	(11,476)
Professional fees	2	(22,791)	(9,236)	(320)	(6,502)
Audit fees		(18,439)	(16,218)	(295)	(9,508)
Other expenses	2	(195,700)	(57,557)	(9,091)	(37,857)
<b>Total operating expenses</b>		<b>(7,493,773)</b>	<b>(1,128,951)</b>	<b>(244,117)</b>	<b>(1,682,737)</b>
<b>Net loss from operations</b>		<b>(41,775,470)</b>	<b>(49,238,311)</b>	<b>(731,022)</b>	<b>(14,365,571)</b>
Withholding taxes		(670,374)	(174,684)	(4,290)	(605,977)
<b>Finance costs</b>					
Interest expense		(40,095)	(4,699)	(1)	(20,110)
Income distribution	4	(1,908,482)	(9,702,455)	–	(5,404,459)
<b>Total finance costs</b>		<b>(1,948,577)</b>	<b>(9,707,154)</b>	<b>(1)</b>	<b>(5,424,569)</b>
<b>Loss for the financial year</b>		<b>(44,394,421)</b>	<b>(59,120,149)</b>	<b>(735,313)</b>	<b>(20,396,117)</b>

\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018. Gain and losses arose solely from discontinued investment activities in respect of the period end 28 September 2018.

Other gain and losses arose solely from continuing investment activities. There were no gains or losses other than those dealt with in the Statement of Comprehensive Income.

*The accompanying notes form an integral part of these financial statements.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**STATEMENT OF COMPREHENSIVE INCOME**

*Financial year ended 31 December 2018 (continued)*

		<b>Montanaro European MidCap Fund €</b>	<b>Montanaro Select Fund €</b>	<b>Montanaro Better World Fund** €</b>	<b>Total €***</b>
<b>Income</b>	<b>Note</b>				
Net realised gain on financial assets at fair value through profit or loss and foreign exchange		10,758,145	1,033,707	2,485,109	100,647,526
Net change in fair value of financial assets at fair value through profit or loss and foreign exchange		(14,553,235)	(2,301,102)	(12,580,622)	(246,006,748)
Dividend income		2,474,899	223,809	1,105,772	32,113,411
Interest income		–	–	–	990
<b>Investment income</b>		<b>(1,320,191)</b>	<b>(1,043,586)</b>	<b>(8,989,741)</b>	<b>(113,244,821)</b>
<b>Expenses</b>					
Investment management fees	2	(1,653,055)	–	(493,374)	(11,243,671)
Performance fees	2	(10,890)	–	–	(368,006)
Administration fees	2	(42,459)	(4,848)	(36,357)	(588,985)
Depositary fees	2	(21,979)	(2,886)	(22,477)	(260,345)
Legal fees		(9,764)	(1,183)	(7,483)	(114,393)
Directors' fees	2	(6,864)	(786)	(7,809)	(79,666)
Professional fees	2	(3,755)	(190)	(30,829)	(74,868)
Audit fees		(4,682)	(595)	(4,048)	(55,936)
Other expenses	2	(31,040)	(407)	(51,335)	(391,671)
<b>Total operating expenses</b>		<b>(1,784,488)</b>	<b>(10,895)</b>	<b>(653,712)</b>	<b>(13,177,541)</b>
<b>Net loss from operations</b>		<b>(3,104,679)</b>	<b>(1,054,481)</b>	<b>(9,643,453)</b>	<b>(126,422,362)</b>
Withholding taxes		(87,311)	(11,872)	(115,849)	(1,693,672)
<b>Finance costs</b>					
Interest expense		(39,535)	(2,144)	(11,901)	(119,097)
Income distribution	4	(4,727)	(164,007)	–	(18,448,043)
<b>Total finance costs</b>		<b>(44,262)</b>	<b>(166,151)</b>	<b>(11,901)</b>	<b>(18,567,140)</b>
<b>Loss for the financial year</b>		<b>(3,236,252)</b>	<b>(1,232,504)</b>	<b>(9,771,203)</b>	<b>(146,683,174)</b>

\*\* The Montanaro Better World Fund was launched on 10 April 2018.

\*\*\*See Statement of Accounting Policies (g).

Gain and losses arose solely from continuing investment activities. There were no gains or losses other than those dealt with in the Statement of Comprehensive Income.

*The accompanying notes form an integral part of these financial statements.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**STATEMENT OF COMPREHENSIVE INCOME**

*Financial year ended 31 December 2017*

		<b>Montanaro European Smaller Companies Fund €</b>	<b>Montanaro UK Income Fund £</b>	<b>Montanaro UK Smaller Companies Fund £</b>
<b>Income</b>	<b>Note</b>			
Net realised gain on financial assets at fair value through profit or loss and foreign exchange		213,546,148	3,197,576	687,767
Net change in fair value of financial assets at fair value through profit or loss and foreign exchange		(96,876,421)	27,135,840	7,271,516
Dividend income		16,205,867	6,772,061	881,669
Interest income		1,420	209	400
<b>Investment income</b>		<b>132,877,014</b>	<b>37,105,686</b>	<b>8,841,352</b>
<b>Expenses</b>				
Investment management fees	2	(8,412,171)	(521,481)	(324,185)
Performance fees	2	—	—	(544,186)
Administration fees	2	(268,162)	(103,555)	(22,704)
Depositary fees	2	(152,516)	(40,178)	(8,144)
Legal fees		(39,108)	(11,528)	(2,442)
Directors' fees	2	(47,538)	(12,599)	(2,649)
Professional fees	2	(12,937)	(1,567)	(773)
Audit fees		(36,783)	(11,692)	(2,396)
Other expenses	2	(169,773)	(23,359)	(4,819)
<b>Total operating expenses</b>		<b>(9,138,988)</b>	<b>(725,959)</b>	<b>(912,298)</b>
<b>Net income from operations</b>		<b>123,738,026</b>	<b>36,379,727</b>	<b>7,929,054</b>
Withholding taxes		(363,329)	(104,341)	(11,825)
<b>Finance costs</b>				
Interest expense		(82,881)	(6,589)	—
Income distribution	4	(2,851,029)	(6,315,602)	(568,293)
<b>Total finance costs</b>		<b>(2,933,910)</b>	<b>(6,322,191)</b>	<b>(568,293)</b>
<b>Profit for the financial year</b>		<b>120,440,787</b>	<b>29,953,195</b>	<b>7,348,936</b>

Gain and losses arose solely from continuing investment activities. There were no gains or losses other than those dealt with in the Statement of Comprehensive Income.

*The accompanying notes form an integral part of these financial statements.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**STATEMENT OF COMPREHENSIVE INCOME**

*Financial year ended 31 December 2017 (continued)*

		<b>Montanaro European Income Fund €</b>	<b>Montanaro European MidCap Fund €</b>	<b>Montanaro Select Fund €</b>	<b>Total €*</b>
<b>Income</b>	<b>Note</b>				
Net realised gain on financial assets at fair value through profit or loss and foreign exchange		2,976,099	11,719,915	224,235	232,899,747
Net change in fair value of financial assets at fair value through profit or loss and foreign exchange		21,211,379	7,992,209	1,850,568	(26,561,931)
Dividend income		5,175,049	2,764,969	191,904	33,071,038
Interest income		161	111	622	3,009
<b>Investment income</b>		<b>29,362,688</b>	<b>22,477,204</b>	<b>2,267,329</b>	<b>239,411,863</b>
<b>Expenses</b>					
Investment management fees	2	(1,304,081)	(1,674,008)	–	(12,355,202)
Performance fees	2	–	(670,349)	–	(1,291,290)
Administration fees	2	(68,521)	(46,872)	(3,997)	(531,619)
Depositary fees	2	(36,251)	(24,207)	(3,261)	(271,373)
Legal fees		(9,117)	(7,269)	(965)	(72,399)
Directors' fees	2	(9,343)	(7,101)	(436)	(81,817)
Professional fees	2	(3,167)	(2,149)	(6)	(20,929)
Audit fees		(9,311)	(6,641)	(622)	(69,432)
Other expenses	2	(14,134)	(18,056)	(3,038)	(237,155)
<b>Total operating expenses</b>		<b>(1,453,925)</b>	<b>(2,456,652)</b>	<b>(12,325)</b>	<b>(14,931,216)</b>
<b>Net income from operations</b>		<b>27,908,763</b>	<b>20,020,552</b>	<b>2,255,004</b>	<b>224,480,647</b>
Withholding taxes		(563,951)	(238,414)	(16,078)	(1,314,323)
<b>Finance costs</b>					
Interest expense		(13,818)	(5,765)	(509)	(110,491)
Income distribution	4	(4,532,078)	(417,641)	(31,420)	(15,687,001)
<b>Total finance costs</b>		<b>(4,545,896)</b>	<b>(423,406)</b>	<b>(31,929)</b>	<b>(15,797,492)</b>
<b>Profit for the financial year</b>		<b>22,798,916</b>	<b>19,358,732</b>	<b>2,206,997</b>	<b>207,368,832</b>

\*See Statement of Accounting Policies (g).

Gain and losses arose solely from continuing investment activities. There were no gains or losses other than those dealt with in the Statement of Comprehensive Income.

*The accompanying notes form an integral part of these financial statements.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES**

*Financial year ended 31 December 2018*

	Note	Montanaro European Smaller Companies Fund €	Montanaro UK Income Fund £	Montanaro UK Smaller Companies Fund* £	Montanaro European Income Fund €
<b>Net assets value attributable to holders of redeemable participating shares at the start of the financial year</b>		633,266,510	251,929,476	47,720,254	196,239,137
Loss for the financial year		(44,394,421)	(59,120,149)	(735,313)	(20,396,117)
Proceeds from issuance of shares		23,555,306	126,988,065	81,471	55,296,473
Payments on redemption of shares		(169,068,829)	(10,099,340)	(46,909,061)	(37,402,314)
Foreign currency translation adjustment		—	3,647,339	(157,351)	—
<b>Net asset value attributable to holders of redeemable participating shares at the end of the financial year</b>		<b>443,358,566</b>	<b>313,345,391</b>	<b>—</b>	<b>193,737,179</b>

\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

*The accompanying notes form an integral part of these financial statements.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES**

*Financial year ended 31 December 2018 (continued)*

	Note	Montanaro European MidCap Fund €	Montanaro Select Fund €	Montanaro Better World Fund** €	Total €***
<b>Net assets value attributable to holders of redeemable participating shares at the start of the financial year</b>		105,520,431	12,825,927	–	1,285,419,546
Loss for the financial year		(3,236,252)	(1,232,504)	(9,771,203)	(146,683,174)
Proceeds from issuance of shares		11,175,501	238,381	138,299,549	372,187,761
Payments on redemption of shares		(934,727)	–	(14,711)	(271,855,316)
<b>Net asset value attributable to holders of redeemable participating shares at the end of the financial year</b>		<b>112,524,953</b>	<b>11,831,804</b>	<b>128,513,635</b>	<b>1,239,068,817</b>

\*\*The Montanaro Better World Fund was launched on 10 April 2018.

\*\*\*See Statement of Accounting Policies (g).

*The accompanying notes form an integral part of these financial statements.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES**

*Financial year ended 31 December 2017*

	Note	Montanaro European Smaller Companies Fund €	Montanaro UK Income Fund £	Montanaro UK Smaller Companies Fund £
<b>Net assets value attributable to holders of redeemable participating shares at the start of the financial year</b>		1,028,200,333	151,059,536	39,543,400
Profit for the financial year		120,440,787	29,953,195	7,348,936
Proceeds from issuance of shares		152,497,839	85,789,809	446,994
Payments on redemption of shares		(667,872,449)	(22,108,600)	(1,281,439)
Foreign currency translation adjustment		—	7,235,536	1,662,363
<b>Net asset value attributable to holders of redeemable participating shares at the end of the financial year</b>		<b>633,266,510</b>	<b>251,929,476</b>	<b>47,720,254</b>

*The accompanying notes form an integral part of these financial statements.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES**

*Financial year ended 31 December 2017 (continued)*

	Note	Montanaro European Income Fund €	Montanaro European MidCap Fund €	Montanaro Select Fund €	Total €*
<b>Net assets value attributable to holders of redeemable participating shares at the start of the financial year</b>		156,191,413	111,455,368	8,277,327	1,527,417,611
Profit for the financial year		22,798,916	19,358,732	2,206,997	207,368,832
Proceeds from issuance of shares		25,948,204	4,941,477	2,341,603	284,129,175
Payments on redemption of shares		(8,699,396)	(30,235,146)	–	(733,496,072)
<b>Net asset value attributable to holders of redeemable participating shares at the end of the financial year</b>		<b>196,239,137</b>	<b>105,520,431</b>	<b>12,825,927</b>	<b>1,285,419,546</b>

\*See Statement of Accounting Policies (g).

*The accompanying notes form an integral part of these financial statements.*



## **MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

### **STATEMENT OF ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### ***Basis of Preparation***

The financial statements for the financial year ended 31 December 2018 have been prepared on a going concern basis in accordance with the provisions of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended), the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) (Amendment) "Regulations 2015, as amended" (the "Central Bank UCITS Regulations") and the Financial Reporting Standard ("FRS") 102 the financial reporting standard applicable in the United Kingdom and Republic of Ireland issued by the Financial Reporting Council ("FRC"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss that have been measured at fair value.

The format and certain wordings of the financial statements have been adapted from those contained in the Companies Act, so that, in the opinion of the Directors, they more appropriately reflect the Company's business as an investment fund.

The Company has adopted the "Amendment to FRS 102 – Fair value hierarchy disclosure", which was issued in March 2016 and is applicable for accounting periods beginning on or after 1 January 2017.

The Company has availed itself of the exemption available to open-ended investment funds under Section 7 "Statement of Cash Flows" of FRS 102, not to prepare a cash flow statement on the basis that substantially all of the Company's investments are highly liquid and carried at fair value and the Company provides a Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares.

#### ***(a) Income***

Income received and receivable from investments and deposits is credited to the Statement of Comprehensive Income on an accruals basis. Dividend income is credited to the Statement of Comprehensive Income on an ex-dividend basis. Income is shown gross of any non-recoverable withholding taxes, which is disclosed separately in the Statement of Comprehensive Income, and net of any tax credits.

#### ***(b) Fees and Charges***

The investment manager's fee, depositary's fee, administrator's fee, directors' fees and other operating expenses are charged to the Statement of Comprehensive Income on an accruals basis.

#### ***(c) Subscriber Shares***

The authorised share capital of the Company is €38,100 divided into 38,100 Subscriber Shares of €1 each and 1,000,000,000 participating shares of no par value initially designated as unclassified shares.

The Subscriber Shares do not participate in the profits of the Company.

#### ***(d) Redeemable Participating Shares***

All redeemable participating shares issued by the Company provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the Company's net assets at the redemption date. Such instruments give rise to a financial liability for the present value of the redemption amount. In accordance with the Prospectus, the Company is contractually obliged to redeem shares at the NAV per Share on the valuation date. Redeemable participating shares are measured and presented at traded market price.

Receivable and payable amounts for Fund shares sold and purchased are disclosed in the Statement of Financial Position.

#### ***(e) Distributions to Holders of Redeemable Participating Shares***

Distributions to holders of redeemable participating shares are recorded in the Statement of Comprehensive Income as a finance cost when the Fund incurs a legal or constructive obligation to pay such a dividend.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**STATEMENT OF ACCOUNTING POLICIES (continued)**

***(f) Financial Instruments***

***(i) Classification***

The Company classifies its investments as financial assets at fair value through profit or loss. The category of financial assets and liabilities through profit or loss comprises financial instruments held for trading and those designated by the Investment Manager, at inception, as being at fair value through profit or loss. The financial assets at fair value held by the Company are equity securities and are classified as held for trading.

Under FRS 102, in accounting for all of its financial instruments, an entity is required to apply either of the following:

- (a) the full requirements of Section 11 “Basic Financial Instruments” and Section 12 “Other Financial Instruments Issues” of FRS 102; or
- (b) the recognition and measurement provisions of International Accounting Standards (“IAS”) 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”) as adopted for use in the European Union and the disclosure requirements of Sections 11 and 12 of FRS 102; or
- (c) the recognition and measurement provisions of International Financial Reporting Standards (“IFRS”) 9 “Financial Instruments” (“IFRS 9”) and the disclosure requirements of Sections 11 and 12 of FRS 102.

The Company has elected to apply the recognition and measurement provisions of IAS 39 and the disclosure requirements of Sections 11 and 12 of FRS 102. Under IAS 39, financial assets and liabilities are valued at their traded market price, consistent with the Prospectus. This policy change is recognised prospectively and therefore has no effect on each Fund’s trading net assets nor on the profit or loss for the financial year.

***(ii) Initial Measurement***

Purchases and sales of financial instruments are recognised on the trade date, which is the date that the Company commits to purchase the asset. Realised gains and losses on disposal of financial instruments are calculated using the Average Cost method.

Financial instruments categorised at fair value through profit or loss are recognised initially at fair value, with transaction costs for such instruments being recognised directly in the Statement of Comprehensive Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Please see Note 2 for details.

***(iii) Subsequent Measurement***

After initial measurement, the Company measures financial instruments which are classified at fair value through profit or loss, at their fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. The fair value of financial instruments is based on their traded market prices on a recognised exchange or sourced from a reputable broker/counterparty in the case of non-exchange traded instruments, at the Statement of Financial Position date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their traded market prices.

If a traded market price is not available on a recognised stock exchange or from a broker/counterparty, the fair value of the financial instruments may be estimated by the Directors using valuation techniques, including use of recent arm’s length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Subsequent changes in the fair value of financial instruments at fair value through profit or loss are recognised in the Statement of Comprehensive Income.

***(iv) Derecognition***

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with FRS 102.

The Company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

***(v) Offsetting***

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

# **MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

## **STATEMENT OF ACCOUNTING POLICIES (continued)**

### ***(g) Foreign Currency***

#### **Functional and Presentation Currency**

Transactions included in the Company's books and accounting records are measured and presented using the currency of the primary economic environment in which it operates (the "functional currency"). This is the "Euro", which reflects the Company's primary activity of investing in European securities.

Montanaro European Smaller Companies Fund, Montanaro European Income Fund, Montanaro European MidCap Fund, Montanaro Select Fund and Montanaro Better World Fund use Euro as the presentation currency, in line with the functional currency.

Montanaro UK Income Fund and Montanaro UK Smaller Companies Fund\*\* use Pound Sterling rather than Euro (the functional currency of the Company) as the presentation currency for financial statement purposes as this is the principal currency for most of their shareholders. Assets and liabilities of the Funds have been translated using the exchange rate prevailing at the Statement of Financial Position date. Income and expenses have been translated using the average exchange rate during the financial year. The difference between the financial year end and average exchange rates has resulted in a notional foreign currency translation adjustment in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares.

Foreign currency transaction gains and losses on financial instruments classified as financial assets and liabilities at fair value through profit or loss are included in the Statement of Comprehensive Income as part of gains/(losses) on financial assets and liabilities at fair value through profit or loss.

The Company Total is presented in the functional currency of the Company, Euro. Monetary assets and liabilities denominated in currencies other than Euro are translated into Euro in the accounting records at the closing rates of exchange at each financial year end date. Transactions during the financial year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency transaction gains and losses are included in the Statement of Comprehensive Income as part of gains/(losses) on financial assets and liabilities at fair value through profit or loss.

The foreign currency translation adjustment for the financial year ended 31 December 2018 for Montanaro UK Income Fund was a gain of £3,647,339 (31 December 2017: gain of £7,235,536) and for Montanaro UK Smaller Companies Fund was a loss of £157,351 (31 December 2017: gain of £1,662,363).

The following exchange rates were used to convert the presentation currency of the Company:

### **31 December 2018**

Average Euro/Pound Sterling 1.1303

Spot Euro/Pound Sterling 1.1141

### **31 December 2017**

Average Euro/Pound Sterling 1.1410

Spot Euro/Pound Sterling 1.1265

### ***(h) Cash Flow Statement***

The Company has availed of the exemption available to open-ended investment funds under section 7 "Statement of Cash Flows" of FRS 102 not to prepare a cash flow statement.

### ***(i) Cash and Cash Equivalents***

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand and in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

### ***(j) Accrued Expenses***

Accrued expenses are measured at carrying cost which approximates their fair values.

### ***(k) Withholding Tax***

The Company currently incurs withholding taxes imposed by certain countries on investment income. Such income is recorded gross of withholding taxes in the Statement of Comprehensive Income. Withholding taxes are shown as a separate item in the Statement of Comprehensive Income.

\*\*The Montanaro UK Smaller Companies was terminated on 28 September 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*Financial year ended 31 December 2018*

**1. Background**

Montanaro Smaller Companies Plc (the “Company”) is an open-ended umbrella variable capital investment company. The Company was incorporated on 14 July 2000 under the laws of Ireland as an investment company with variable capital under the laws of the Republic of Ireland and was traded on the Irish Stock Exchange on 11 December 2000.

As at 31 December 2018, the Company had six Funds in existence (collectively the “Funds”, each a “Fund”): Montanaro European Smaller Companies Fund, Montanaro UK Income Fund, Montanaro European Income Fund, Montanaro European MidCap Fund, Montanaro Select Fund and Montanaro Better World Fund. Montanaro European Smaller Companies Fund has eight classes of shares available: a Euro Accumulation Class, a Euro Class, a Euro Institutional Accumulation Class, a Euro Institutional Distribution Class, a Sterling Class, a Sterling Institutional Distribution Class, a Swedish Krona Accumulation Class and a US Dollar Class. Montanaro UK Income Fund has five classes of shares available: a Euro Class, a Euro Seed Class, a Sterling Accumulation Class, a Sterling Class and a Sterling Seed Class. Montanaro European Income Fund has three classes of shares available: a Euro Class, a Sterling Class and a Sterling Accumulation Class. Montanaro European MidCap Fund has two classes of shares available: a Euro Distribution Class and a Euro Institutional Accumulation Class. Montanaro Select Fund has two classes of shares available: a Euro Distribution Class and a Sterling Distribution Class. Montanaro Better World Fund has two classes of shares available: a Euro Distribution Class and a Sterling Distribution Class. Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**2. Fees**

*Investment Management Fee*

The following management fees are paid to the Investment Manager:

	<b>% of net assets</b>	<b>Minimum Subscription</b>
<b>Montanaro European Smaller Companies Fund</b>		
Euro Accumulation Class	1.50	€1,000
Euro Class	1.50	€1,000
Euro Institutional Accumulation Class <sup>1</sup>	0.50	€250,000,000
Euro Institutional Distribution Class	0.75	€50,000,000
Sterling Class	1.50	€1,000
Sterling Institutional Distribution Class	0.75	€50,000,000
Swedish Krona Accumulation Class	1.50	kr10,000
US Dollar Class	1.50	\$1,000
<b>Montanaro UK Income Fund</b>		
Euro Class	0.75	€1,000
Euro Seed Class <sup>2</sup>	0.25	€1,000
Sterling Class	0.75	€1,000
Sterling Seed Class <sup>2</sup>	0.25	€1,000
Sterling Accumulation Class*	0.75	€1,000
<b>Montanaro UK Smaller Companies Fund**</b>		
Sterling Distribution Class	0.75	€1,000
<b>Montanaro European Income Fund</b>		
Euro Class	0.75	€1,000
Sterling Class	0.75	€1,000
Sterling Accumulation Class*	0.75	€1,000
<b>Montanaro European MidCap Fund</b>		
Euro Distribution Class	1.50	€1,000
Euro Institutional Accumulation Class	0.75	€25,000,000

\*The Sterling Accumulation Share class was launched on 2 July 2018.

\*\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

**Financial year ended 31 December 2018**

**2. Fees (continued)**

*Investment Management Fee (continued)*

**Montanaro Select Fund**

Euro Distribution Class <sup>3</sup>	Waived	€1,000
Sterling Distribution Class <sup>3</sup>	Waived	£1,000

**Montanaro Better World Fund\*\*\***

Euro Distribution Class <sup>4</sup>	0.50	€1,000
Sterling Distribution Class <sup>4</sup>	0.50	£1,000

\*\*\*The Montanaro Better World Fund was launched on 10 April 2018.

<sup>1</sup> Up to 31 December 2017, the Investment Manager had been charging a basic Management fee of 0.45% per annum. From 1 January 2018. However, the Investment Manager decided, as per the Prospectus, to charge a fee of 0.50% per annum on this share class.

<sup>2</sup> These Share Classes of the Fund pay the Investment Manager a basic Management fee of 0.25% per annum. However, as per the Prospectus, the Investment Manager is entitled to charge a fee of up to 0.75% per annum.

<sup>3</sup> The Investment Manager has agreed to waive its basic Management fee. However, as per the Prospectus, the Investment Manager is entitled to charge a fee of up to 0.75% per annum.

<sup>4</sup> These Share Classes of the Fund pay the Investment Manager a basic Management fee of 0.50% per annum. However, as per the Prospectus, the Investment Manager is entitled to charge a fee of up to 0.85% per annum.

The Investment Management fees accrue daily on the basis of the Net Asset Value of the Funds on each dealing day and will be payable quarterly in arrears.

Montanaro Asset Management Limited (the “Investment Manager”), earned an Investment Management fee of €11,243,671 for the financial year ended 31 December 2018 (31 December 2017: €12,355,202) of which €2,710,652 (31 December 2017: €2,886,587) was payable at the financial year end.

*Performance Fees*

The Investment Manager (with the exception of the Euro Institutional Accumulation Class of the Montanaro European Smaller Companies Fund, all classes of the Montanaro UK Income Fund and all Classes of the Montanaro European Income Fund and all Classes of the Montanaro Better World Fund) may be entitled to receive an annual performance-related fee based on the outperformance per share over the return on the Benchmark in the relevant currency of the share class. The Performance fee payable will be 20% (plus VAT, if any) of the amount by which the increase in the net asset value per share, having adjusted the closing net asset value per share by (i) adding back the impact of any accruing Performance fee, and (ii) adding back and compounding any dividends paid or payable by reference to the financial period in question, exceeds the return on the Benchmark plus 3 percentage points over the relevant financial period. It will be calculated based on the time weighted average number of shares in issue during the relevant period.

A Performance fee will only be payable in respect of any financial period if the closing net asset value per share of the relevant class at the end of the period (adjusted for the matters described above) exceeds the higher of (a) the opening net asset value per share of that class for the relevant period or the price at which such Shares were issued if the initial issue of the relevant class of shares occurred during the period; and (b) the closing net asset value per share of that class on the last accounting period end when a Performance fee was paid (if any).

For the financial year ended 31 December 2018, the Investment Manager earned Performance fees of €368,006 (31 December 2017: €1,291,290), of which €368,006 (31 December 2017: €1,291,290) was payable at the financial year end. As at the year ended 31 December 2017, the Investment Manager agreed to waive Performance fees of €55,624 on the Montanaro European Smaller Companies Fund and €51,951 on the Montanaro Select Fund. There was no Performance fees waived as at the financial year end 31 December 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

**Financial year ended 31 December 2018**

**2. Fees (continued)**

*Performance Fees (continued)*

The following table shows the Performance fees for the financial year ended 31 December 2018 and 31 December 2017:

	<b>Performance fee 31 December 2018 €</b>	<b>Performance fee 31 December 2017 €</b>
<b>Montanaro European Smaller Companies Fund</b>		
Euro Accumulation Class	100,309	Waived
Euro Class	42,591	Waived
Euro Institutional Accumulation Class	N/A	N/A
Euro Institutional Distribution Class	1,899	Waived
Sterling Class	82,651	Waived
Sterling Institutional Distribution Class	16,117	Waived
Swedish Krona Accumulation Class	7,657	–
US Dollar Class	–	Waived
	<b>Performance fee 31 December 2018 £</b>	<b>Performance fee 31 December 2017 £</b>
<b>Montanaro UK Income Fund</b>		
Fund N/A for Performance Fees	N/A	N/A
	<b>Performance fee 31 December 2018 £</b>	<b>Performance fee 31 December 2017 £</b>
<b>Montanaro UK Smaller Companies Fund*</b>		
Sterling Distribution Class	93,688	544,186
	<b>Performance fee 31 December 2018 €</b>	<b>Performance fee 31 December 2017 €</b>
<b>Montanaro European Income Fund</b>		
Fund N/A for Performance Fees	N/A	N/A
	<b>Performance fee 31 December 2018 €</b>	<b>Performance fee 31 December 2017 €</b>
<b>Montanaro European MidCap Fund</b>		
Euro Distribution Class	9,487	595,179
Euro Institutional Accumulation Class	1,403	75,170

\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

**Financial year ended 31 December 2018**

**2. Fees (continued)**

*Performance Fees (continued)*

	<b>Performance fee 31 December 2018 €</b>	<b>Performance fee 31 December 2017 €</b>
<b>Montanaro Select Fund</b>		
Euro Distribution Class	—	Waived
Sterling Distribution Class	—	Waived
	<b>Performance fee 31 December 2018 €</b>	
<b>Montanaro Better World Fund**</b>		
Fund N/A for Performance Fees	N/A	

\*\*The Montanaro Better World Fund was launched on 10 April 2018.

*Administration and Depositary Fees*

The Company has entered into an administration agreement with BNY Mellon Fund Services (Ireland) Designated Activity Company (the “Administrator”) under which the Administrator receives an Administration fee. The Administration fee accrues daily and is paid monthly in arrears. The Administration fee was €588,985 for the financial year ended 31 December 2018 (31 December 2017: €531,619) of which €349,294 (31 December 2017: €421,431) was payable at the financial year end.

BNY Mellon Trust Company (Ireland) Limited (the “Depositary”) is paid an annual fee accruing daily and paid monthly in arrears. The Depositary fee was €260,345 for the financial year ended 31 December 2018 (31 December 2017: €271,373) of which €142,921 (31 December 2017: €84,487) was payable at the financial year end.

The aggregate of the Administration and Depositary fee shall not exceed 0.25% of the NAV of each Fund.

*Directors’ Fees*

Each of the Directors who are not Directors, officers or employees of the Investment Manager and Promoter or any affiliate thereof shall be entitled to such remuneration for his or her services as the Directors may determine provided that the aggregate emoluments of all Directors in respect of any twelve month period shall not exceed £120,000 plus out of pocket expenses, or such higher amount as may be approved by the Company in general meeting. The Directors’ fees were €79,666 for the financial year ended 31 December 2018 (31 December 2017: €81,817) of which €1,910 (31 December 2017: €Nil) was payable at the financial year end.

*Professional Fees*

For the financial year ended 31 December 2018, Professional Fees, which principally comprise of Taxation fees and Directors’ indemnity insurance premiums (D&O), amounted to €74,868 (31 December 2017: €20,929) of which €43,363 (31 December 2017: €17,919) was payable at the financial year end.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**2. Fees (continued)**

*Professional Fees (continued)*

**31 December 2018**

	Montanaro European Smaller Companies Fund €	Montanaro UK Income Fund £	Montanaro UK Smaller Companies Fund** £	Montanaro European Income Fund €	Montanaro European MidCap Fund €
Taxation fees	(16,014)	(6,666)	71	(4,571)	(2,417)
Directors indemnity insurance premiums (D&O)	(6,777)	(2,570)	(391)	(1,931)	(1,338)
	<u>(22,791)</u>	<u>(9,236)</u>	<u>(320)</u>	<u>(6,502)</u>	<u>(3,755)</u>

	Montanaro Select Fund €	Montanaro Better World Fund* €	Combined Total €***
Taxation fees	(53)	(2,837)	(33,346)
Directors indemnity insurance premiums (D&O)	(137)	(892)	(14,422)
Investment Committee fees	–	(27,100)	(27,100)
	<u>(190)</u>	<u>(30,829)</u>	<u>(74,868)</u>

\*The Montanaro Better World Fund was launched on 10 April 2018.

\*\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

\*\*\* See Statement of Accounting Policies (g).

**31 December 2017**

	Montanaro European Smaller Companies Fund €	Montanaro UK Income Fund £	Montanaro UK Smaller Companies Fund £	Montanaro European Income Fund €	Montanaro European MidCap Fund €	Montanaro Select Fund €	Combined Total €*
Taxation fees**	(11,736)	(1,321)	(716)	(3,034)	(1,991)	47	(19,038)
Directors indemnity insurance premiums (D&O)	(1,201)	(246)	(57)	(133)	(158)	(53)	(1,891)
	<u>(12,937)</u>	<u>(1,567)</u>	<u>(773)</u>	<u>(3,167)</u>	<u>(2,149)</u>	<u>(6)</u>	<u>(20,929)</u>

\* See Statement of Accounting Policies (g).

\*\* Includes €4,524 paid to EY in respect of Taxation services for the financial year ended 31 December 2017. Refer to Audit remuneration note below for details of fees charged by EY.



**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

**Financial year ended 31 December 2018**

**2. Fees (continued)**

*Auditor's Remuneration*

Fees charged by the Independent Auditors in respect of the financial year ended 31 December 2018 and 31 December 2017 (exclusive of VAT) were:

	Statutory audit	Other assurance services	Tax advisory services	Other non-audit services
	€	€	€	€
31 December 2018	45,000	—	—	—
31 December 2017	42,000	—	4,524	—

*Other Expenses*

Other Expenses are principally comprised of Board Meeting fees, Listing and Publishing fees, VAT costs, Index fees, Printing fees, Electronic payment fees and Rating fees. For the financial year ended 31 December 2018, other expenses totalled €391,671 (31 December 2017: €237,155) of which €52,969 (31 December 2017: €38,418) was payable at the financial year end.

*Transaction Costs*

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument. When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value through profit or loss.

Transaction costs on purchases and sales of equities are included in net gains/(losses) on investments in the Statement of Financial Position for each Fund. Depositary transaction costs are included in Depositary fees in the Statement of Comprehensive Income for each Fund. These costs are separately identifiable transaction costs and the total costs incurred by each Fund during the financial year are disclosed below.

For the financial years ended 31 December 2018 and 31 December 2017, the Company incurred transaction costs on purchases and sales as follows:

Fund	Currency	31 December 2018	31 December 2017
Montanaro European Smaller Companies Fund	€	181,259	750,612
Montanaro UK Income Fund	£	710,739	713,814
Montanaro UK Smaller Companies Fund**	£	21,806	21,131
Montanaro European Income Fund	€	85,123	54,226
Montanaro European MidCap Fund	€	101,441	100,685
Montanaro Select Fund	€	11,861	15,425
Montanaro Better World Fund*	€	270,578	—

\*The Montanaro Better World Fund was launched on 10 April 2018.

\*\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**3. Financial Assets at Fair Value through Profit or Loss**

As at 31 December 2018 and 31 December 2017, the fair value of financial assets held at fair value through profit or loss are based on closing mid prices.

**4. Distribution Policy**

Distributions may be paid out of the net distributable income of the Company. Otherwise all income and gains of the Company will be accumulated within the Company. Montanaro European Smaller Companies Fund (with the exception of the Euro Institutional Accumulation Class and the Swedish Krona Accumulation Class), Montanaro UK Income Fund, Montanaro UK Smaller Companies Fund, Montanaro European Income Fund, Montanaro European MidCap Fund and Montanaro Better World Fund are registered as reporting funds under the UK Reporting Fund Regime.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

**Financial year ended 31 December 2018**

**4. Distribution Policy (continued)**

In the event that the net distributable income generated by the Montanaro UK Income Fund during the relevant financial period and attributable to the relevant Class is insufficient to pay a distribution which is declared, the Directors may at their discretion determine such dividends may be paid from the capital of the Fund.

The Company made the following distributions to redeemable participating shareholders during the financial year ended 31 December 2018 and 31 December 2017:

	<b>Montanaro European Smaller Companies Fund</b>	<b>Montanaro UK Income Fund</b>	<b>Montanaro UK Smaller Companies Fund**</b>	<b>Montanaro European Income Fund</b>	<b>Montanaro European MidCap Fund</b>
	€	£	£	€	€
31 December 2018	1,908,482	9,702,455	–	5,404,459	4,727
31 December 2017	2,851,029	6,315,602	568,293	4,532,078	417,641

	<b>Montanaro Select Fund</b>	<b>Montanaro Better World Fund*</b>	<b>Combined Total***</b>
	€	€	€
31 December 2018	164,007	–	18,448,043
31 December 2017	31,420	–	15,687,001

\*The Montanaro Better World Fund was launched on 10 April 2018.

\*\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

\*\*\* See Statement of Accounting Policies (g).

**5. Cash and Cash Equivalents**

At the financial year end, the Company had a cash balance totalling €40,030,242 (31 December 2017: €26,031,680) with BNY Mellon Trust Company (Ireland) Limited.

**6. Connected Persons and Related Party Transactions**

Parties are considered related if one party has the authority to control the other party or exercise significant influence over the other party in making financial or other reporting decisions.

A connected person is defined as the Promoter, Manager, Trustee, Investment Adviser and/or associated or group companies of these. The Investment Manager, Administrator and Depositary are deemed to be connected persons to the Company. During the financial year, transactions were entered into with these connected persons of the Company, in the ordinary course of business and on normal commercial terms. Details of fees paid to these entities are disclosed in Note 2.

During the financial year, the following related party transactions were entered into:

As at 31 December 2018, Charles Montanaro, Director of the Company, and his family members held 227,006 (31 December 2017: 222,186) shares in the Sterling Class and 53,985 (31 December 2017: 53,985) shares in the Sterling Institutional Distribution Class of the Montanaro European Smaller Companies Fund, 1,353,865 (31 December 2017: 1,447,686) shares in the Sterling Seed Class of the Montanaro UK Income Fund, 3,714 (31 December 2017: 3,714) shares in the Sterling Class of the Montanaro European Income Fund and 78,644 (31 December 2017: 78,644) shares in the Euro Distribution Class of the Montanaro European MidCap Fund. 17,409 (31 December 2017: Nil) shares in the Sterling Class of the Montanaro Select Fund, and 192,750 (31 December 2017: Nil) shares in the Sterling Class of the Montanaro Better World Fund.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**6. Connected Persons and Related Party Transactions (continued)**

Rodney Barton, a Director of the Company, is employed by West Yorkshire Pension Fund, which held 2,700,000 (31 December 2017: 5,405,405) shares in the Sterling Class of the Montanaro European Smaller Companies Fund at 31 December 2018.

The following entities are related parties, by virtue of the fact that each have the same ultimate parent group, Montanaro Asset Management Limited, which held shares in the Company as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Montanaro Asset Management Limited	21,023,134	9,983,322
Montanaro Growth & Income Fund Limited Partnership No. 3	8,403,021	8,298,459

The Investment Manager has the discretion to waive some or all of its "Investment Management Fee" on certain Share classes and information concerning the various waivers in place for the reporting period are disclosed in Note 2. As at 31 December 2018 and 31 December 2017 there were 7 Subscriber Shares of €1 each in issue (being the minimum share capital of the Company) held by the Investment Manager.

**7. Risks Associated with Financial Instruments**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, cash flow and price risk), credit risk, liquidity risk and capital risk management. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Further, the Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control economic hedging transactions in a timely and accurate manner.

The Company's assets and liabilities comprise financial instruments which mainly include:

- Investments in equity shares, preferred stock and collective investment schemes. These are held in accordance with the Company's investment objectives and policies;
- Cash, liquid resources and short-term debtors and creditors that arise directly from its investment activities.

The investment objectives of the Funds are as follows:

*Montanaro European Smaller Companies Fund*

The investment objective of the Fund is to outperform its Benchmark, the MSCI Europe SmallCap (Capital Return) Index.

*Montanaro UK Income Fund*

The investment objective of the Fund is to deliver capital growth and income.

*Montanaro UK Smaller Companies Fund\*\**

The investment objective of the Fund was to outperform its Benchmark, the Numis Smaller Companies (excluding investment companies) Capital Return Index.

*Montanaro European Income Fund*

The investment objective of the Fund is to deliver capital growth and income.

*Montanaro European MidCap Fund*

The investment objective of the Fund is to outperform its Benchmark, the STOXX Europe Mid 200 (Capital Return) Index.

*Montanaro Select Fund*

The investment objective of the Fund is to outperform its Benchmark, the MSCI Europe SmallCap (Capital Return) Index.

*Montanaro Better World Fund\**

The investment objective of the Fund is to deliver capital growth.

\*The Montanaro Better World Fund was launched on 10 April 2018.

\*\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**7. Risks Associated with Financial Instruments (continued)**

**Market Price Risk**

The Company trades in financial instruments, taking positions in traded instruments to take advantage of market movements in the equity markets.

All securities investments present a risk of loss of capital. Each of the Fund's overall market positions are monitored on a daily basis by the Company's Investment Manager and are reported on a monthly basis to the Directors in the monthly Investment Manager's report. The monthly Investment Manager's report includes details of the Company's performance, relative performance, a Fund analysis, a list of the top ten holdings and a sector and country distribution analysis.

The Company's investments are in accordance with UCITS Regulations investment restrictions such as the standard concentration rule (05/10/40 rule) for funds and also comply to the investment restrictions as disclosed in the Company's Prospectus.

The total value of investments held by the Company at the financial year end is disclosed in the Statement of Financial Position.

The Company calculates its Global Exposure using the commitment approach.

The Company's equity instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Company's market price risk is managed through diversification of the investment portfolios. In the case of each of the Funds, all invested assets are in securities traded on recognised European exchanges. At 31 December 2018 and 31 December 2017, the overall market exposures were as follows:

	Currency	31 December 2018		31 December 2017	
		Fair value	% of net assets at mid prices	Fair value	% of net assets at mid prices
<b>Securities held for trading</b>					
Montanaro European Smaller Companies Fund	€	432,615,744	97.58	617,617,717	97.53
Montanaro UK Income Fund	£	299,851,952	95.69	250,733,843	99.53
Montanaro UK Smaller Companies Fund**	£	–	–	47,769,532	100.10
Montanaro European Income Fund	€	185,236,250	95.61	188,364,861	95.99
Montanaro European MidCap Fund	€	106,253,988	94.43	104,025,019	98.58
Montanaro Select Fund	€	11,230,756	94.92	12,705,668	99.06
Montanaro Better World Fund*	€	125,670,207	97.79	N/A	N/A

\*The Montanaro Better World Fund was launched on 10 April 2018.

\*\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

If the Company's underlying investments at 31 December 2018 had increased or decreased by 5% with all other variables held constant, this would have increased or reduced net assets attributable to holders of redeemable shares of the Montanaro European Smaller Companies Fund by approximately €21.6m (31 December 2017: €30.9m), Montanaro UK Income Fund by approximately £15.0m (31 December 2017: £12.5m), Montanaro UK Smaller Companies Fund by approximately £Nil (31 December 2017: £2.4m), Montanaro European Income Fund by approximately €9.3m (31 December 2017: €9.4m), Montanaro European MidCap Fund by approximately €5.3m (31 December 2017: €5.2m), Montanaro Select Fund by approximately €0.6m (31 December 2017: €0.6m) and Montanaro Better World Fund by approximately €6.3m.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**7. Risks Associated with Financial Instruments (continued)**

**Market Price Risk (continued)**

The top ten country distribution of the Company's investments at 31 December 2018 and 31 December 2017 is as follows:

**Montanaro European Smaller Companies Fund**

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Country</b>	<b>% of net assets at mid prices</b>	<b>% of net assets at mid prices</b>
United Kingdom	32.06	29.50
Germany	14.41	14.44
Sweden	13.72	12.82
Italy	9.78	11.56
Denmark	5.05	5.41
Switzerland	5.03	6.02
France	4.38	5.34
Netherlands	3.95	2.78
Spain	3.50	3.23
Ireland	2.53	—
Belgium	—	3.44

**Montanaro UK Income Fund**

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Country</b>	<b>% of net assets at mid prices</b>	<b>% of net assets at mid prices</b>
United Kingdom	86.25	91.79
Italy	2.33	2.17
Spain	1.70	—
Switzerland	1.65	1.51
Netherlands	1.05	—
Belgium	0.99	—
Norway	0.92	0.94
Sweden	0.80	2.21
Portugal	—	0.91

**Montanaro UK Smaller Companies Fund\***

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Country</b>	<b>% of net assets at mid prices</b>	<b>% of net assets at mid prices</b>
United Kingdom	—	100.10

\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**7. Risks Associated with Financial Instruments (continued)**

*Market Price Risk (continued)*

**Montanaro European Income Fund**

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>% of net</b>	<b>% of net</b>
<b>Country</b>	<b>assets at mid prices</b>	<b>assets at mid prices</b>
Italy	17.48	14.71
Sweden	15.96	17.04
France	14.45	9.38
Spain	10.92	11.39
Germany	9.77	13.24
Norway	6.87	4.22
Denmark	6.50	7.25
Switzerland	5.77	9.02
Portugal	4.18	3.88
Netherlands	2.27	—
Belgium	—	3.71

**Montanaro European MidCap Fund**

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>% of net</b>	<b>% of net</b>
<b>Country</b>	<b>assets at mid prices</b>	<b>assets at mid prices</b>
United Kingdom	34.87	26.89
Germany	15.21	17.42
Sweden	12.23	10.37
France	11.64	11.98
Spain	8.22	8.02
Italy	4.39	6.88
Ireland	4.15	4.43
Switzerland	3.72	4.06
Denmark	—	8.53

**Montanaro Select Fund**

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>% of net</b>	<b>% of net</b>
<b>Country</b>	<b>assets at mid prices</b>	<b>assets at mid prices</b>
United Kingdom	41.87	44.09
Sweden	14.14	11.90
Germany	11.99	9.98
Italy	5.35	4.79
Denmark	5.30	7.48
France	5.00	7.21
Netherlands	4.26	3.67
Switzerland	3.78	5.99
Belgium	3.23	3.95

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**7. Risks Associated with Financial Instruments (continued)**

**Market Price Risk (continued)**

**Montanaro Better World Fund\*\***

	<b>31 December 2018</b>
	<b>% of net</b>
<b>Country</b>	<b>assets at mid prices</b>
United States	29.21
United Kingdom	17.86
Germany	7.60
Japan	5.87
Denmark	5.74
France	4.98
Sweden	4.27
Hong Kong	3.74
Australia	3.55
Switzerland	3.36

\*\*The Montanaro Better World Fund was launched on 10 April 2018.

**Interest Rate Risk**

The majority of the Company's financial assets are equity shares and other instruments which neither pay interest nor have a maturity date. As a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Cash balances of the Company are not subject to significant interest rate risk.

**Foreign Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. In accordance with the Company's policy, the Investment Manager monitors the Company's currency position on a daily basis, and it is reported to the Directors on a monthly basis in the monthly Administration report and the monthly Investment Manager's report.

The Company holds assets denominated in currencies other than their presentation currency. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The Company's policy is not to enter into any currency hedging.

The following table indicates the currencies to which the Company had significant exposure at 31 December 2018 and 31 December 2017 along with the expected movement in value of the currency given a 5% movement relative to the presentation currency:

	<b>Montanaro European Smaller Companies Fund</b>				<b>Montanaro UK Income Fund</b>			
	<b>31 December 2018</b>		<b>31 December 2017</b>		<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>Net Exposure</b>	<b>5% movement</b>	<b>Net Exposure</b>	<b>5% movement</b>	<b>Net Exposure</b>	<b>5% movement</b>	<b>Net Exposure</b>	<b>5% movement</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Danish Krone	22,634,998	1,131,750	34,495,155	1,724,758	—	—	—	—
Norwegian Krone	6,412,956	320,648	7,080,189	354,009	2,878,050	143,903	2,356,836	117,842
Pound Sterling	150,144,128	7,507,206	187,229,794	9,361,490	284,030,539	14,201,527	232,470,763	11,623,538
Swedish Krona	60,931,902	3,046,595	81,315,955	4,065,798	2,512,276	125,614	5,575,340	278,767
Swiss Franc	22,302,871	1,115,144	38,115,914	1,905,796	5,170,784	258,539	3,792,891	189,645
US Dollar	131,101	6,555	30,605	1,530	—	—	—	—

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**7. Risks Associated with Financial Instruments (continued)**

*Foreign Currency Risk (continued)*

	<b>Montanaro UK Smaller Companies Fund**</b>				<b>Montanaro European Income Fund</b>			
	<b>31 December 2018</b>		<b>31 December 2017</b>		<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>Net Exposure</b>	<b>5% movement</b>	<b>Net Exposure</b>	<b>5% movement</b>	<b>Net Exposure</b>	<b>5% movement</b>	<b>Net Exposure</b>	<b>5% movement</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Danish Krone	—	—	—	—	12,739,892	636,995	14,315,176	715,759
Norwegian Krone	—	—	—	—	13,324,563	666,228	8,287,304	414,365
Pound Sterling	—	—	48,364,781	2,418,239	7,660,234	383,012	5,875,207	293,760
Swedish Krona	—	—	—	—	30,912,431	1,545,622	33,445,870	1,672,293
Swiss Franc	—	—	—	—	11,175,261	558,763	17,700,904	885,045

	<b>Montanaro European MidCap Fund</b>				<b>Montanaro Select Fund</b>			
	<b>31 December 2018</b>		<b>31 December 2017</b>		<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>Net Exposure</b>	<b>5% movement</b>	<b>Net Exposure</b>	<b>5% movement</b>	<b>Net Exposure</b>	<b>5% movement</b>	<b>Net Exposure</b>	<b>5% movement</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Danish Krone	57,338	2,867	9,047,812	452,391	631,335	31,567	961,441	48,072
Pound Sterling	39,695,707	1,984,785	28,991,092	1,449,555	5,284,242	264,212	5,684,594	284,230
Swedish Krona	13,755,290	687,764	10,945,366	547,268	1,672,866	83,643	1,526,971	76,349
Swiss Franc	4,184,866	209,243	4,287,800	214,390	446,794	22,340	768,386	38,419

<b>Montanaro Better World Fund*</b>		
<b>31 December 2018</b>		
	<b>Net Exposure</b>	<b>5% movement</b>
	<b>€</b>	<b>€</b>
Australian Dollar	4,569,178	228,459
Danish Krone	7,380,751	369,038
Hongkong Dollar	4,804,961	240,248
Japanese Yen	7,542,939	377,147
New Zealand Dollar	3,464,933	173,247
Pound Sterling	25,498,341	1,274,917
Swedish Krona	5,487,666	274,383
Swiss Franc	4,315,311	215,766
US Dollar	37,539,495	1,876,975

\*The Montanaro Better World Fund was launched on 10 April 2018.

\*\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**Credit/Counterparty Risk**

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Company. The Company's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that counterparties fail to perform their obligations as of 31 December 2018 or 31 December 2017 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Statement of Financial Position.

All transactions in traded securities are settled/paid for using approved brokers. The risk of default is considered minimal, as delivery of securities sold and receipt of payment by the broker and payment on a purchase and receipt of securities by the broker are done simultaneously. The trade will fail if either party fails to meet its obligation.



**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**7. Risks Associated with Financial Instruments (continued)**

***Credit/Counterparty Risk (continued)***

In accordance with the Company's policy, the Investment Manager monitors the Company's credit position on a daily basis and the Administrator reports on it to the Board of Directors four times a year in the Administrator's monthly report. Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Company. At 31 December 2018, the Company held cash of €40,030,242 with BNY Mellon Trust Company (Ireland) Limited (31 December 2017: €26,031,680) who has a credit rating of AA- (31 December 2017: AA-) rated by Standard & Poor's.

The Company's securities are maintained within the Depositary's network in segregated accounts. The Depositary is required to ensure that any agent it appoints to assist in safekeeping the assets of the Company will segregate the assets of the Company. Thus in the event of insolvency or bankruptcy of the Depositary, the Company's assets should be segregated and protected and this should further reduce counterparty risk. The Company is, however, exposed to the risk that the Depositary or certain depositories used by the Depositary may fail. In event of the insolvency or bankruptcy of the Depositary, the Company will be treated as a general creditor of the Depositary in relation to cash holdings of the Company and as such the amount that the Company will recover is dependent on the amount of cash available to the liquidator to distribute.

***Significant concentrations of credit risk***

Concentrations of credit risk exist when changes in economic, industry or geographic factors affect counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified along industry, product and geographic lines, and transactions are entered into with creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must be based on future events and must not be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. As at 31 December 2018 and 31 December 2017, the Company was not subject to master netting arrangements with its counterparties.

***Liquidity Risk***

The Company is exposed to daily cash redemptions of redeemable shares. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

The Company's traded securities are considered readily realisable as they are traded on recognised stock exchanges. The Company is permitted to borrow in the short term to ensure settlement. As at 31 December 2018, no such borrowings existed (31 December 2017: Nil).

In accordance with the Company's policy, the Investment Manager monitors the Company's liquidity on a daily basis. The Board of Directors receives reports on it on a monthly basis in the monthly Administrator's report and the monthly Investment Manager's report.

All of the liabilities of the Company are payable in less than three months.

***Capital Risk Management***

The capital of the Company is represented by the net asset value attributable to the holder of redeemable participating shares. The amount of net asset value attributable to the holder of redeemable participating shares can change significantly on a monthly basis, as the Company is subject to daily subscriptions and redemptions at the discretion of the Shareholder. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the Shareholder and maintain a strong capital base to support the development of the investment activities of the Company.

Investors should note that the smaller companies market in which the Company invests may be less liquid than the market in larger capitalisation stocks and can be more sensitive to economic and other factors. As a result, the Company may experience greater volatility both in the value of its investments and in its Net Asset Value per Share than a Company investing in larger capitalisation shares. This may be particularly relevant where positions need to be liquidated to meet redemption requests or other funding requirements.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**7. Risks Associated with Financial Instruments (continued)**

***Capital Risk Management (continued)***

The Directors' current intention is to make at their discretion a distribution of substantially the whole of the net income (including interest and dividend income less expenditure and liabilities) to Shareholders each calendar quarter. In the event that the net distributable income generated by the Montanaro UK Income Fund during the relevant period and attributable to the relevant Class is insufficient to pay a distribution which is declared, the Directors may at their discretion determine such dividends may be paid from the capital of the Montanaro UK Income Fund. Investors should note that where the payment of distributions are paid out of capital, this represents and amounts to a return or withdrawal of part of the amount originally invested or capital gains attributable to, and may result in an immediate decrease in the value of, the Shares of the relevant Class and will reduce any capital appreciation for the Shareholders of such Class.

***Fair Value Estimation***

The financial statements have been prepared in accordance with the amendments to FRS 102 fair value hierarchy disclosures as issued by the FRC in March 2016. The financial statements have been prepared in accordance with these amendments and fair value measurement is categorised based on Level 1, 2 and 3 classification.

Under FRS 102, the Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 The unadjusted traded price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than traded prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The best evidence of fair value is a traded price for an identical asset or liability in an active market and is therefore classified within Level 1. These include actively traded equities, exchange traded derivatives and other traded securities. Traded in an active market in this context means traded prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When traded prices are unavailable, the price of a recent transaction for an identical asset or liability provides evidence of fair value and is classified within Level 2, as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. These include money market instruments, certain traded equities and open-ended collective investment schemes. If the Company can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), then that price is adjusted.

If the market for the asset or liability is not active and recent transactions of an identical asset or liability on their own are not a good estimate of fair value, the Company estimates the fair value by using a valuation technique and classifies the asset or liability within Level 3. These include investment-grade government and corporate bonds, over-the-counter derivatives, private equity and corporate debt securities. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions for an identical asset or liability between knowledgeable, willing parties, if available, reference to the current fair value of another asset or liability that is substantially the same as the asset or liability being measured, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the asset or liability and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Company uses that technique.

The Company's investments values are based on traded market prices in active markets and therefore all of the Company's investments were classified as Level 1 at 31 December 2018 and 31 December 2017. There were no transfers between levels during the financial year. The Company does not hold any investments classified within Level 2 or Level 3. The fair value levels of the securities held by the Funds are monitored on a monthly basis by the Investment Manager. There were no financial liabilities at 31 December 2018 and 31 December 2017.

# **MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)***

### ***Financial year ended 31 December 2018***

#### **8. Soft Commission Arrangements**

No soft commission arrangements were entered into during the financial years ended 31 December 2018 and 31 December 2017.

#### **9. Efficient Portfolio Management**

The Company may enter into derivative contracts, such as forward currency, futures and options, for the purpose of efficient portfolio management. The use of such techniques and instruments for efficient portfolio management involve certain special risks as outlined in the Prospectus.

The Company did not enter into any derivative contracts during the financial years ended 31 December 2018 or 31 December 2017 for efficient portfolio management or any other purpose.

When required, the Company will use the commitment approach to calculate its global exposure.

#### **10. Share Capital and Redeemable Participating Shares**

The authorised share capital of the Company is 1,000,000,000 redeemable participating shares of no par value. The redeemable participating shares issued by the Company are freely transferable and are entitled to participate equally in the profits and dividends of the relevant Fund and its assets upon liquidation. The redeemable participating shares, which are of no par value and which must be fully paid up on issue, carry no preferential or pre-emptive rights. Holders of redeemable participating shares are entitled on a poll to one vote at general meetings of the Company in respect of each redeemable participating share held.

##### **Subscriber Shares**

The Company has authorised Share Capital of €38,100 (divided into 38,100 Subscriber Shares of one Euro each). As at 31 December 2018 and 31 December 2017 there were 7 Subscriber Shares of €1 each in issue (being the minimum share capital of the Company) held by the Investment Manager. Subscriber shares do not entitle the holders to any dividend and on a winding-up entitle the holder to receive the amount paid thereon but not otherwise to participate in the assets of the Company. The Subscriber shares do not form part of redeemable participating Shareholders' Funds. They are thus disclosed by way of this note only. In the opinion of the Directors, this disclosure reflects the nature of the Company's business as an investment fund.

##### **Redemption of Shares**

Shareholders may redeem their Shares on and with effect from any Dealing Day at the NAV per Share calculated on or with respect to the relevant Dealing Day in accordance with the procedures specified in the relevant Supplement (save during any period when the calculation of NAV is suspended). If the redemption of part only of a Shareholder's shareholding would leave the Shareholder holding less than the Minimum Holding for the relevant Fund, the Directors or their delegates may, if they think fit, redeem the whole of that Shareholder's holding.

In the event that the net distributable income generated by the Montanaro UK Income Fund during the relevant financial period and attributable to the relevant Class is insufficient to pay a distribution which is declared, the Directors may at their discretion determine such dividends may be paid from the capital of the Sub-Fund. Shareholders should note that where the payment of distributions are paid out of capital, this represents and amounts to a return or withdrawal of part of the amount originally invested or capital gains attributable to and may result in an immediate decrease in the value of the Shares of the relevant Class and will reduce any capital appreciation for the Shareholders of such Class.

##### **Share Classes**

Shares will be issued to investors as Shares of a class in the Funds. The Directors may, whether on the establishment of each Fund or from time to time, with prior notification to, and clearance by the Central Bank, create more than one class of Shares in each of the Funds. The Directors may, in their absolute discretion, differentiate between classes of shares, without limitation, as to currency denomination of a particular class, dividend policy, hedging strategies if any applied to the designated currency of particular classes, fees and expenses or the minimum subscription or minimum holding applicable.

Where the amount subscribed for Shares is not equivalent to an exact number of Shares, fractions of Shares may be issued to the nearest one thousandth of a Share. The holder of a fraction of a Share may not exercise any voting right in respect of such Share.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**10. Share Capital and Redeemable Participating Shares (continued)**

**31 December 2018**

	Shares in issue at beginning of financial year	Subscriptions	Redemptions	Shares in issue at end of financial year
<b>Montanaro European Smaller Companies Fund</b>				
Euro Accumulation Class	43,219,842	1,125,071	(6,229,374)	38,115,539
Euro Class	28,416,699	369,540	(10,647,205)	18,139,034
Euro Institutional Accumulation Class	16,529,734	830,208	(7,164,159)	10,195,783
Euro Institutional Distribution Class	3,201,319	913,506	(1,035,190)	3,079,635
Sterling Class	7,422,517	46,876	(3,816,414)	3,652,979
Sterling Institutional Distribution Class	12,910,428	802,871	(684,824)	13,028,475
Swedish Krona Accumulation Class	1,267,520	4,673	(799,032)	473,161
US Dollar Class	271,326	3,666	(118,082)	156,910
<b>Montanaro UK Income Fund</b>				
Euro Class	10,814	281,652	(91)	292,375
Euro Seed Class	3,288,662	136,766	(259,556)	3,165,872
Sterling Accumulation Class**	—	946,446	(6,308)	940,138
Sterling Class	2,670,090	21,330,461	(2,585,397)	21,415,154
Sterling Seed Class	117,248,007	51,095,812	(3,356,980)	164,986,839
<b>Montanaro UK Smaller Companies Fund***</b>				
Sterling Distribution Class	27,278,239	46,729	(27,324,968)	—
<b>Montanaro European Income Fund</b>				
Euro Class	4,787,428	4,579,570	(323,856)	9,043,142
Sterling Accumulation Class**	—	140,503	(592)	139,911
Sterling Class	89,861,665	24,299,492	(17,265,303)	96,895,854
<b>Montanaro European MidCap Fund</b>				
Euro Distribution Class	50,420,565	3,662,309	(356,723)	53,726,151
Euro Institutional Accumulation Class	4,434,717	1,652,042	(90,616)	5,996,143
<b>Montanaro Select Fund</b>				
Euro Distribution Class	4,014,545	53,647	—	4,068,192
Sterling Distribution Class	5,172,457	113,758	—	5,286,215
<b>Montanaro Better World Fund*</b>				
Euro Distribution Class	—	5,786,980	—	5,786,980
Sterling Distribution Class	—	114,834,456	(12,793)	114,821,663

\*The Montanaro Better World Fund was launched on 10 April 2018.

\*\*The Sterling Accumulation Share class was launched on 2 July 2018.

\*\*\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**10. Share Capital and Redeemable Participating Shares (continued)**

**31 December 2017**

	Shares in issue at beginning of financial year	Subscriptions	Redemptions	Shares in issue at end of financial year
<b>Montanaro European Smaller Companies Fund</b>				
Euro Accumulation Class	67,226,627	4,588,251	(28,595,036)	43,219,842
Euro Class	20,150,301	11,780,594	(3,514,196)	28,416,699
Euro Institutional Accumulation Class	80,103,876	7,659,792	(71,233,934)	16,529,734
Euro Institutional Distribution Class	5,205,273	2,113,462	(4,117,416)	3,201,319
Sterling Class	9,223,632	88,918	(1,890,033)	7,422,517
Sterling Institutional Distribution Class	26,179,429	1,878,222	(15,147,223)	12,910,428
Swedish Krona Accumulation Class	1,229,845	37,675	—	1,267,520
US Dollar Class	3,575,548	6,000	(3,310,222)	271,326
<b>Montanaro UK Income Fund</b>				
Euro Class	10,411	403	—	10,814
Euro Seed Class	3,282,143	90,850	(84,331)	3,288,662
Sterling Class	173,372	2,886,980	(390,262)	2,670,090
Sterling Seed Class	85,407,612	42,726,888	(10,886,493)	117,248,007
<b>Montanaro UK Smaller Companies Fund</b>				
Sterling Distribution Class	27,826,127	284,038	(831,926)	27,278,239
<b>Montanaro European Income Fund</b>				
Euro Class	878,601	3,982,270	(73,443)	4,787,428
Sterling Class	83,718,531	10,297,495	(4,154,361)	89,861,665
<b>Montanaro European MidCap Fund</b>				
Euro Distribution Class	58,588,629	2,750,805	(10,918,869)	50,420,565
Euro Institutional Accumulation Class	9,753,033	8,708	(5,327,024)	4,434,717
<b>Montanaro Select Fund</b>				
Euro Distribution Class	4,000,000	14,545	—	4,014,545
Sterling Distribution Class	3,345,200	1,827,257	—	5,172,457

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

**Financial year ended 31 December 2018**

**11. Exchange Rates**

The exchange rates to Euro (€) at the financial years ended 31 December 2018 and 31 December 2017 are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Australian Dollar	1.6238	N/A
Danish Krone	7.4624	7.4454
Hong Kong Dollar	8.9501	N/A
Japanese Yen	125.4208	N/A
New Zealand Dollar	1.7048	N/A
Norwegian Krone	9.8987	9.8218
Pound Sterling	0.8976	0.8877
Swedish Krona	10.1350	9.8316
Swiss Franc	1.1269	1.1702
US Dollar	1.1432	1.2008

**12. Taxation**

Under current law and practice, the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis, it is not liable to Irish tax on its income or gains. However, Irish tax may arise on the happening of a "chargeable event". A chargeable event includes any distribution payments to shareholders, any encashment, redemption, cancellation or transfer of shares and the holding of shares at the end of each eight year period beginning with the acquisition of such shares.

No Irish tax will arise on the Company in respect of chargeable events in respect of:

- (a) a shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended, are held by the Fund; and
- (b) certain exempted Irish tax resident shareholders who have provided the Fund with the necessary signed statutory declarations.

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to withholding taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Fund or its shareholders.

**13. Comparatives**

The comparative financial statements relate to the financial year ended 31 December 2017.

For the 31 December 2018 Annual Report, "Income distribution" is presented within the Financial Statements in the Statement of Comprehensive Income. The 31 December 2017 comparative has accordingly been re-classified from the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares to the Statement of Comprehensive Income.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**14. Net Asset Value per Redeemable Participating Share at last traded price**

**31 December 2018**

	Net assets for dealing	Shares in issue	NAV per share
<b>Montanaro European Smaller Companies Fund</b>			
Euro Accumulation Class	€189,883,377	38,115,539	€4.982
Euro Class	€93,732,894	18,139,034	€5.167
Euro Institutional Accumulation Class	€53,866,503	10,195,783	€5.283
Euro Institutional Distribution Class	€16,124,385	3,079,635	€5.236
Sterling Class	£17,093,597	3,652,979	£4.679
Sterling Institutional Distribution Class	£62,408,991	13,028,475	£4.790
Swedish Krona Accumulation Class	kr8,000,175	473,161	kr16.908
US Dollar Class	\$442,450	156,910	\$2.820
<b>Montanaro UK Income Fund</b>			
Euro Class	€228,095	292,375	€0.780
Euro Seed Class	€3,471,393	3,165,872	€1.097
Sterling Accumulation Class**	£809,000	940,138	£0.861
Sterling Class	£21,339,962	21,415,154	£0.996
Sterling Seed Class	£287,875,846	164,986,839	£1.745
<b>Montanaro European Income Fund</b>			
Euro Class	€9,118,219	9,043,142	€1.008
Sterling Accumulation Class**	£127,181	139,911	£0.909
Sterling Class	£165,581,934	96,895,854	£1.709
<b>Montanaro European MidCap Fund</b>			
Euro Distribution Class	€100,757,267	53,726,151	€1.875
Euro Institutional Accumulation Class	€11,767,686	5,996,143	€1.963
<b>Montanaro Select Fund</b>			
Euro Distribution Class	€4,644,230	4,068,192	€1.142
Sterling Distribution Class	£6,451,377	5,286,215	£1.220
<b>Montanaro Better World Fund*</b>			
Euro Distribution Class	€5,406,202	5,786,980	€0.934
Sterling Distribution Class	£110,497,990	114,821,663	£0.962

\*The Montanaro Better World Fund was launched on 10 April 2018.

\*\*The Sterling Accumulation Class was launched on 2 July 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**14. Net Asset Value per Redeemable Participating Share at last traded price (continued)**

**31 December 2017**

	<b>Net assets for dealing</b>	<b>Shares in issue</b>	<b>NAV per share</b>
<b>Montanaro European Smaller Companies Fund</b>			
Euro Accumulation Class	€236,173,061	43,219,842	€5.464
Euro Class	€161,465,940	28,416,699	€5.682
Euro Institutional Accumulation Class	€94,995,149	16,529,734	€5.747
Euro Institutional Distribution Class	€18,569,048	3,201,319	€5.800
Sterling Class	£37,946,209	7,422,517	£5.112
Sterling Institutional Distribution Class	£67,644,048	12,910,428	£5.239
Swedish Krona Accumulation Class	kr22,781,480	1,267,520	kr17.973
US Dollar Class	\$953,963	271,326	\$3.516
<b>Montanaro UK Income Fund</b>			
Euro Class	€10,218	10,814	€0.945
Euro Seed Class	€4,364,906	3,288,662	€1.327
Sterling Class	£3,196,348	2,670,090	£1.197
Sterling Seed Class	£244,849,446	117,248,007	£2.088
<b>Montanaro UK Smaller Companies Fund</b>			
Sterling Distribution Class	£47,720,254	27,278,239	£1.749
<b>Montanaro European Income Fund</b>			
Euro Class	€5,379,111	4,787,428	€1.124
Sterling Class	£169,421,370	89,861,665	£1.885
<b>Montanaro European MidCap Fund</b>			
Euro Distribution Class	€96,678,792	50,420,565	€1.917
Euro Institutional Accumulation Class	€8,841,639	4,434,717	€1.994
<b>Montanaro Select Fund</b>			
Euro Distribution Class	€5,059,598	4,014,545	€1.260
Sterling Distribution Class	£6,893,964	5,172,457	£1.333



**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**14. Net Asset Value per Redeemable Participating Share at last traded price (continued)**

**31 December 2016**

	Net assets for dealing	Shares in issue	NAV per share
<b>Montanaro European Smaller Companies Fund</b>			
Euro Accumulation Class	€317,478,939	67,226,627	€4.723
Euro Class	€99,380,153	20,150,301	€4.932
Euro Institutional Accumulation Class	€393,751,439	80,103,876	€4.916
Euro Institutional Distribution Class	€26,232,923	5,205,273	€5.040
Sterling Class	£39,378,109	9,223,632	£4.269
Sterling Institutional Distribution Class	£114,556,042	26,179,429	£4.376
Swedish Krona Accumulation Class	kr18,619,350	1,229,845	kr15.140
US Dollar Class	\$9,575,435	3,575,548	\$2.678
<b>Montanaro UK Income Fund</b>			
Euro Class	€8,513	10,411	€0.818
Euro Seed Class	€3,750,944	3,282,143	€1.143
Sterling Class	£172,514	173,372	£0.995
Sterling Seed Class	£147,677,953	85,407,612	£1.729
<b>Montanaro UK Smaller Companies Fund</b>			
Sterling Distribution Class	£39,543,400	27,826,127	£1.421
<b>Montanaro European Income Fund</b>			
Euro Class	€861,776	878,601	€0.981
Sterling Class	£132,589,299	83,718,531	£1.584
<b>Montanaro European MidCap Fund</b>			
Euro Distribution Class	€95,137,633	58,588,629	€1.624
Euro Institutional Accumulation Class	€16,317,735	9,753,033	€1.673
<b>Montanaro Select Fund</b>			
Euro Distribution Class	€4,145,960	4,000,000	€1.036
Sterling Distribution Class	£3,526,533	3,345,200	£1.054

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

*Financial year ended 31 December 2018*

**15. Reconciliation of Net Asset Value Attributable to Holders of Redeemable Participating Shares**

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>€</b>	
<b>Net Asset Value attributable to holders of redeemable participating shares per Financial Statements</b>	1,239,068,817	1,285,419,546
Performance fee adjustment*	-	(107,575)
<b>Net Asset Value attributable to holders of redeemable participating shares per last traded price</b>	<b>1,239,068,817</b>	<b>1,285,311,971</b>

\*On 31 December 2017, a Performance fee of €51,591 was payable on the Montanaro Select Fund and a Performance fee of €55,624 was payable on the Montanaro European Smaller Companies Fund. The Investment Manager agreed to waive the Performance fees in full resulting in an adjustment of €107,575 to the Net Asset Value of the Company as at 31 December 2017.

**16. Events during the Financial Year**

Up to 31 December 2017, the Investment Manager had been charging a fee of 0.45% per annum on the Euro Institutional Accumulation Class of the Montanaro European Smaller Companies Fund. From 1 January 2018. However, the Investment Manager decided, as per the Prospectus, to charge a fee of 0.50% per annum on this share class.

An Addendum to the Prospectus was issued on 21 March 2018 providing details relating to the launch of the Montanaro Better World Fund.

The Montanaro Better World Fund was launched on 10 April 2018 and two classes of shares were made available for subscriptions i.e. the Euro Distribution Class and Sterling Distribution Class. These share classes were registered for marketing in the United Kingdom and Iceland on 19 April 2018.

At the EGM held on 6 June 2018, shareholders approved the removal of the benchmark for the Montanaro European Income Fund, the "MSCI Europe (ex-UK) SmallCap (Total Return) Index", with an effective date of 29 June 2018.

At the AGM held on 6 June 2018, shareholders resolved to update the Company name to Montanaro Smaller Companies plc with an effective date of 29 June 2018. The resolution was put forward by the Board of Directors in order to reflect the global focus of a number of the Investment Manager.

On 29 June 2018, the Prospectus was updated to reflect the launch of the Sterling Accumulation Share Classes for the Montanaro UK Income Fund and the Montanaro European Income Fund and the change of Company name to Montanaro Smaller Companies plc, together with other regulatory updates including the GDPR and European Benchmark Regulation.

On 1 July 2018, KB Associates were appointed to provide Designated Persons and consulting services to the Company.

The Sterling Accumulation Classes on both the Montanaro UK Income Fund and Montanaro European Income Fund were made available for subscription on 2 July 2018. These share classes were registered for marketing in the United Kingdom on 2 July 2018.

On 23 July 2018, the Euro Distribution Class and Sterling Distribution Class of the Montanaro Select Fund were registered for marketing in Finland and Sweden.

On 15 August 2018, Oligo Swiss Fund Services, SA were appointed as the Company's Swiss Representative Office replacing First Independent Fund Services Ltd.

On 20 August 2018, the Board of Directors approved the termination of the Montanaro UK Smaller Companies Fund.

On 28 September 2018, the Montanaro UK Smaller Companies Fund was terminated and redemption proceeds were paid on 1 October 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

**Financial year ended 31 December 2018**

**16. Events during the Financial Year (continued)**

On 23 July 2018, 3 September 2018 and 13 December 2018 respectively the Euro Distribution Class and Sterling Distribution Class of the Montanaro Better World Fund were registered for marketing in Finland and Sweden, France and the Netherlands.

On 19 April 2018, the Euro Class and Sterling Class of the Montanaro European Income Fund were registered for marketing in Iceland.

Please refer to page 4 for details of distributions approved during the financial year.

There were no other significant events affecting the Company during the financial year

**17. Events since the Financial Year End**

The following distributions in respect of the financial year ending 31 December 2018 were approved by the Directors in 2019.

**Ex-Date of 8 February 2019:**

**Montanaro UK Income Fund**

Share Class	Rate per Share	Distribution
Euro Class	€0.006721	€1,965
Euro Seed Class	€0.009441	€29,891
Sterling Class	£0.00749	£179,681
Sterling Seed Class	£0.014617	£2,417,536

**Montanaro European Income Fund**

Share Class	Rate per Share	Distribution
Euro Class	€0.003680	€35,342
Sterling Class	£0.006419	£625,893

**Ex-Date of 13 March 2019:**

**Montanaro European Smaller Companies Fund**

Share Class	Rate per Share	Distribution
Euro Class	€0.003211	€58,102
Euro Institutional Distribution Class	€0.052862	€135,778
Sterling Institutional Distribution Class	£0.046249	£572,657

**Montanaro European MidCap Fund**

Share Class	Rate per Share	Distribution
Euro Distribution Class	€0.008023	€431,384

**Montanaro Select Fund**

Share Class	Rate per Share	Distribution
Euro Distribution Class	€0.019250	€78,313
Sterling Distribution Class	£0.019578	£103,817

**Montanaro Better World Fund\***

Share Class	Rate per Share	Distribution
Euro Distribution Class	€0.002610	€15,125
Sterling Distribution Class	£0.002304	£266,191

\*The Montanaro Better World Fund was launched on 10 April 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)***

***Financial year ended 31 December 2018***

**17. Events since the Financial Year End (continued)**

There is considerable uncertainty in relation the outcome of the Brexit negotiations between the European Union and the UK. The Board monitors the situation closely and continues to plan for necessary and timely contingencies to account for these uncertainties.

There were no other significant events affecting the Company since the financial year end.

**18. Approval of Financial Statements**

These financial statements were approved by the Directors of the Company on 19 March 2019.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS  
MONTANARO EUROPEAN SMALLER COMPANIES FUND**

*As at 31 December 2018*

Shares	Description	Fair value €	% of net assets
<b>Transferable securities admitted to a stock exchange listing or dealt in on another regulated market</b>			
<b>Belgium (31 December 2017: 3.44%)</b>			
150,000	Melexis NV	7,635,000	1.72
		<b>7,635,000</b>	<b>1.72</b>
<b>Denmark (31 December 2017: 5.41%)</b>			
200,000	SimCorp A/S	11,942,493	2.70
135,000	Chr Hansen Holding A/S	10,431,054	2.35
		<b>22,373,547</b>	<b>5.05</b>
<b>France (31 December 2017: 5.34%)</b>			
120,000	Sartorius Stedim Biotech	10,482,000	2.37
100,000	Orpea	8,922,000	2.01
		<b>19,404,000</b>	<b>4.38</b>
<b>Germany (31 December 2017: 14.44%)</b>			
80,000	MTU Aero Engines AG	12,672,000	2.86
25,000	Rational AG	12,400,000	2.79
325,000	CTS Eventim AG & Co KGaA	10,588,500	2.39
100,000	GRENKE AG	7,420,000	1.67
175,000	CompuGroup Medical SE	7,077,000	1.59
70,000	Carl Zeiss Meditec AG	4,781,000	1.08
55,000	Krones AG	3,712,500	0.84
30,000	Nemetschek SE	2,872,500	0.65
16,100	Hypoport AG	2,386,020	0.54
		<b>63,909,520</b>	<b>14.41</b>
<b>Ireland (31 December 2017: 1.87%)</b>			
300,000	Kingspan Group Plc	11,214,000	2.53
		<b>11,214,000</b>	<b>2.53</b>
<b>Italy (31 December 2017: 11.56%)</b>			
1,100,000	Brembo SpA	9,784,500	2.21
150,000	IMA Industria Macchine Automatiche SpA	8,160,000	1.84
1,000,000	Cerved Group SpA	7,155,000	1.61
250,000	De' Longhi SpA	5,525,000	1.25
175,000	Recordati SpA	5,300,750	1.20
225,000	MARR SpA	4,635,000	1.04
200,000	Amplifon SpA	2,810,000	0.63
		<b>43,370,250</b>	<b>9.78</b>
<b>Netherlands (31 December 2017: 2.78%)</b>			
175,000	IMCD NV	9,800,000	2.21
525,000	Intertrust NV '144A'	7,712,250	1.74
		<b>17,512,250</b>	<b>3.95</b>

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS**

**MONTANARO EUROPEAN SMALLER COMPANIES FUND (continued)**

*As at 31 December 2018*

Shares	Description	Fair value €	% of net assets
<b>Norway (31 December 2017: 1.12%)</b>			
150,000	Bakkafrost P/F	6,412,956	1.45
		<b>6,412,956</b>	<b>1.45</b>
<b>Spain (31 December 2017: 3.23%)</b>			
900,000	Merlin Properties Socimi SA (REIT)	9,706,500	2.19
3,000,000	Prosegur Cash SA '144A'	5,802,000	1.31
		<b>15,508,500</b>	<b>3.50</b>
<b>Sweden (31 December 2017: 12.82%)</b>			
1,125,000	Elektro AB	11,694,005	2.64
350,000	Loomis AB	9,876,665	2.23
600,000	Thule Group AB '144A'	9,596,448	2.16
600,000	AAK AB	7,263,937	1.64
130,000	Avanza Bank Holding AB	5,433,448	1.23
365,000	Vitrolife AB	5,294,030	1.19
550,000	RaySearch Laboratories AB	5,236,803	1.18
450,000	Biotage AB	4,839,664	1.09
244,732	Fortnox AB	1,613,034	0.36
		<b>60,848,034</b>	<b>13.72</b>
<b>Switzerland (31 December 2017: 6.02%)</b>			
3,000	Belimo Holding AG	10,488,787	2.36
27,500	VZ Holding AG	6,466,755	1.46
5,750	LEM Holding SA	5,347,329	1.21
		<b>22,302,871</b>	<b>5.03</b>
<b>United Kingdom (31 December 2017: 29.50%)</b>			
2,500,000	Rightmove Plc	12,039,401	2.72
700,000	Halma Plc	10,637,566	2.40
1,000,000	St James's Place Plc	10,517,242	2.37
1,900,000	Marshalls Plc	9,838,969	2.22
1,000,000	Big Yellow Group Plc (REIT)	9,731,791	2.19
500,000	James Fisher & Sons Plc	9,659,374	2.18
4,750,000	NCC Group Plc	9,276,954	2.09
1,000,000	Shaftesbury Plc (REIT)	9,252,722	2.09
3,000,000	Cineworld Group Plc	8,797,049	1.98
775,000	Consort Medical Plc	8,073,153	1.82
300,000	Dechra Pharmaceuticals Plc	6,918,652	1.56
130,000	Renishaw Plc	6,141,000	1.39
1,750,000	IntegraFin Holdings Plc	5,985,581	1.35
2,000,000	Domino's Pizza Group Plc	5,194,002	1.17
200,000	4imprint Group Plc	4,111,083	0.93
150,000	First Derivatives Plc	3,542,884	0.80
1,000,000	Advanced Medical Solutions Group Plc	3,063,815	0.69
150,000	Hiscox Ltd	2,708,970	0.61
90,000	Cranswick Plc	2,639,115	0.60
1,500,000	Ideagen Plc	2,055,541	0.46

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS**

**MONTANARO EUROPEAN SMALLER COMPANIES FUND (continued)**

*As at 31 December 2018*

<b>Shares</b>	<b>Description</b>	<b>Fair value €</b>	<b>% of net assets</b>
<b>United Kingdom (31 December 2017: 29.50%) (continued)</b>			
250,000	Dignity Plc	1,939,952	0.44
		<b>142,124,816</b>	<b>32.06</b>
<b>Total equities</b>		<b>432,615,744</b>	<b>97.58</b>
<b>Total financial assets at fair value through profit or loss</b>		<b>432,615,744</b>	<b>97.58</b>
Cash and cash equivalents		9,939,702	2.24
Other net assets		803,120	0.18
<b>Total net assets attributable to holders of redeemable participating shares</b>		<b>443,358,566</b>	<b>100.00</b>

	<b>% of Total Assets</b>
<b>Analysis of Total Assets</b>	
Financial assets at fair value through profit or loss	97.10
Cash and cash equivalents	2.23
Other assets	0.67
<b>Total assets</b>	<b>100.00</b>

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS  
MONTANARO UK INCOME FUND**

*As at 31 December 2018*

Shares	Description	Fair value £	% of net assets
<b>Transferable securities admitted to a stock exchange listing or dealt in on another regulated market</b>			
<b>Belgium (31 December 2017: Nil%)</b>			
67,500	Melexis NV	3,083,839	0.99
		<b>3,083,839</b>	<b>0.99</b>
<b>Italy (31 December 2017: 2.17%)</b>			
150,000	Recordati SpA	4,078,126	1.30
175,000	MARR SpA	3,235,753	1.03
		<b>7,313,879</b>	<b>2.33</b>
<b>Netherlands (31 December 2017: Nil%)</b>			
250,000	Intertrust NV '144A'	3,296,340	1.05
		<b>3,296,340</b>	<b>1.05</b>
<b>Norway (31 December 2017: 0.94%)</b>			
75,000	Bakkafrost P/F	2,878,050	0.92
		<b>2,878,050</b>	<b>0.92</b>
<b>Portugal - Nil (31 December 2017: 0.91%)</b>			
<b>Spain (31 December 2017: Nil%)</b>			
550,000	Merlin Properties Socimi SA (REIT)	5,324,183	1.70
		<b>5,324,183</b>	<b>1.70</b>
<b>Sweden (31 December 2017: 2.21%)</b>			
175,000	Thule Group AB '144A'	2,512,276	0.80
		<b>2,512,276</b>	<b>0.80</b>
<b>Switzerland (31 December 2017: 1.51%)</b>			
150,000	Galenica AG '144A'	5,170,785	1.65
		<b>5,170,785</b>	<b>1.65</b>
<b>United Kingdom (31 December 2017: 91.79%)</b>			
4,500,000	Cineworld Group Plc	11,844,000	3.78
1,225,000	Big Yellow Group Plc (REIT)	10,700,375	3.41
2,250,000	Marshalls Plc	10,458,000	3.34
3,000,000	Polypipe Group plc	9,822,000	3.13
400,000	Victrex Plc	9,152,000	2.92
1,000,000	Hilton Food Group Plc	9,020,000	2.88
500,000	James Fisher & Sons Plc	8,670,000	2.77
2,500,000	Brewin Dolphin Holdings Plc	8,060,000	2.57
650,000	Diploma Plc	7,865,000	2.51
425,000	4imprint Group Plc	7,841,250	2.50
3,500,000	BCA Marketplace Plc	7,700,000	2.46
475,000	Hiscox Ltd	7,699,750	2.46
2,500,000	IntegraFin Holdings Plc	7,675,000	2.45
750,000	St James's Place Plc	7,080,000	2.26
1,000,000	Pennon Group Plc	6,928,000	2.21
375,000	Severn Trent Plc	6,808,125	2.17
3,000,000	Equiniti Group Plc '144A'	6,495,000	2.07
335,000	Clarkson Plc	6,365,000	2.03
1,750,000	DiscoverIE Group Plc	6,352,500	2.03
850,000	FDM Group Holdings Plc	6,315,500	2.02
300,000	XP Power Ltd	6,315,000	2.02



**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS**  
**MONTANARO UK INCOME FUND (continued)**

*As at 31 December 2018*

Shares	Description	Fair value £	% of net assets
<b>United Kingdom (31 December 2017: 91.79%) (continued)</b>			
725,000	Bovis Homes Group Plc	6,248,050	1.99
1,650,000	Ashmore Group Plc	6,032,400	1.93
750,000	Britvic Plc	5,996,250	1.91
4,350,000	RPS Group Plc	5,916,000	1.89
2,000,000	Jupiter Fund Management Plc	5,904,000	1.88
1,150,000	Mucklow A & J Group Plc (REIT)	5,744,250	1.83
5,000,000	Primary Health Properties Plc (REIT)	5,550,000	1.77
2,500,000	Charles Taylor Plc	5,450,000	1.74
85,000	Spirax-Sarco Engineering Plc	5,304,000	1.69
3,000,000	NCC Group Plc	5,259,000	1.68
1,250,000	Headlam Group Plc	5,125,000	1.64
190,000	Cranswick Plc	5,000,800	1.60
200,000	Rathbone Brothers Plc	4,684,000	1.49
500,000	Consort Medical Plc	4,675,000	1.49
650,000	Savills Plc	4,595,500	1.47
1,300,000	Mears Group Plc	4,238,000	1.35
600,000	Dignity Plc	4,179,000	1.33
1,500,000	Clipper Logistics Plc	3,375,000	1.08
1,350,000	Domino's Pizza Group Plc	3,146,850	1.00
400,000	Galliford Try Plc	2,492,000	0.80
350,000	Ricardo Plc	2,191,000	0.70
		<b>270,272,600</b>	<b>86.25</b>
<b>Total equities</b>		<b>299,851,952</b>	<b>95.69</b>
<b>Total financial assets at fair value through profit or loss</b>		<b>299,851,952</b>	<b>95.69</b>
Cash and cash equivalents		12,641,394	4.03
Other net assets		852,045	0.28
<b>Total net assets attributable to holders of redeemable participating shares</b>		<b>313,345,391</b>	<b>100.00</b>
<b>Analysis of Total Assets</b>			<b>% of Total</b>
Financial assets at fair value through profit or loss			Assets
Cash and cash equivalents			95.57
Other assets			4.03
<b>Total assets</b>			<b>100.00</b>

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS  
MONTANARO EUROPEAN INCOME FUND**

*As at 31 December 2018*

Shares	Description	Fair value €	% of net assets
<b>Transferable securities admitted to a stock exchange listing or dealt in on another regulated market</b>			
<b>Belgium (31 December 2017: 3.71%)</b>			
55,000	Melexis NV	2,799,500	1.44
		<b>2,799,500</b>	<b>1.44</b>
<b>Denmark (31 December 2017: 7.25%)</b>			
310,000	Tryg A/S	6,808,641	3.51
40,000	Chr Hansen Holding A/S	3,090,683	1.60
45,000	SimCorp A/S	2,687,061	1.39
		<b>12,586,385</b>	<b>6.50</b>
<b>France (31 December 2017: 9.38%)</b>			
90,000	Euronext NV '144A'	4,527,000	2.34
60,000	Gaztransport Et Technigaz SA	4,029,000	2.08
120,000	Edenred	3,853,200	1.99
200,000	Bureau Veritas SA	3,559,000	1.84
250,000	Getlink SE	2,932,500	1.51
60,000	Amundi SA '144A'	2,769,600	1.43
50,000	Thermador Groupe	2,225,000	1.15
175,000	Mercialys SA (REIT)	2,094,750	1.08
60,000	Kaufman & Broad SA	2,004,000	1.03
		<b>27,994,050</b>	<b>14.45</b>
<b>Germany (31 December 2017: 13.24%)</b>			
25,000	MTU Aero Engines AG	3,960,000	2.05
7,000	Rational AG	3,472,000	1.79
100,000	CTS Eventim AG & Co KGaA	3,258,000	1.68
34,200	Bertrandt AG	2,344,410	1.21
90,000	Mensch und Maschine Software SE	2,286,000	1.18
55,000	FUCHS PETROLUB SE - Preference	1,978,900	1.02
30,000	Fielmann AG	1,620,000	0.84
		<b>18,919,310</b>	<b>9.77</b>
<b>Italy (31 December 2017: 14.71%)</b>			
235,000	Recordati SpA	7,118,150	3.67
320,000	MARR SpA	6,592,000	3.40
100,000	IMA Industria Macchine Automatiche SpA	5,440,000	2.81
1,100,000	Enav SpA '144A'	4,666,200	2.41
200,000	De' Longhi SpA	4,420,000	2.28
600,000	Cerved Group SpA	4,293,000	2.22
150,000	Brembo SpA	1,334,250	0.69
		<b>33,863,600</b>	<b>17.48</b>
<b>Netherlands (31 December 2017: 2.15%)</b>			
300,000	Intertrust NV '144A'	4,407,000	2.27
		<b>4,407,000</b>	<b>2.27</b>
<b>Norway (31 December 2017: 4.22%)</b>			
80,000	Bakkafrost P/F	3,420,243	1.76
250,000	Atea ASA	2,803,395	1.45
125,000	TGS NOPEC Geophysical Co ASA	2,636,707	1.36
300,000	Borregaard ASA	2,266,962	1.17

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS**

**MONTANARO EUROPEAN INCOME FUND (continued)**

*As at 31 December 2018*

<b>Shares</b>	<b>Description</b>	<b>Fair value €</b>	<b>% of net assets</b>
<b>Norway (31 December 2017: 4.22%) (continued)</b>			
2,500,000	Kitron ASA	2,197,256	1.13
		<b>13,324,563</b>	<b>6.87</b>
<b>Portugal (31 December 2017: 3.88%)</b>			
900,000	NOS SGPS SA	4,765,500	2.46
370,000	Corticeira Amorim SGPS SA	3,330,000	1.72
		<b>8,095,500</b>	<b>4.18</b>
<b>Spain (31 December 2017: 11.39%)</b>			
570,000	Merlin Properties Socimi SA (REIT)	6,147,450	3.17
280,000	Red Electrica Corp SA	5,458,600	2.82
70,000	Viscofan SA	3,368,400	1.74
135,000	Bolsas y Mercados Espanoles SHMSF SA	3,283,200	1.69
1,500,000	Prosegur Cash SA '144A'	2,901,000	1.50
		<b>21,158,650</b>	<b>10.92</b>
<b>Sweden (31 December 2017: 17.04%)</b>			
200,000	Loomis AB	5,643,808	2.91
120,000	Avanza Bank Holding AB	5,015,491	2.59
275,000	Thule Group AB '144A'	4,398,372	2.27
300,000	Hufvudstaden AB	4,052,294	2.09
100,000	Nolato AB	3,616,181	1.87
220,000	AF AB	3,481,796	1.80
250,000	Biotage AB	2,688,702	1.39
300,000	Nilorngruppen AB	2,015,787	1.04
		<b>30,912,431</b>	<b>15.96</b>
<b>Switzerland (31 December 2017: 9.02%)</b>			
120,000	Galenica AG '144A'	4,608,677	2.38
6,000	Partners Group Holding AG	3,173,257	1.64
2,000	LEM Holding SA	1,859,941	0.96
7,500	Burckhardt Compression Holding AG	1,533,386	0.79
		<b>11,175,261</b>	<b>5.77</b>
<b>Total equities</b>		<b>185,236,250</b>	<b>95.61</b>
<b>Total financial assets at fair value through profit or loss</b>		<b>185,236,250</b>	<b>95.61</b>
Cash and cash equivalents		8,345,182	4.31
Other net assets		155,747	0.08
<b>Total net assets attributable to holders of redeemable participating shares</b>		<b>193,737,179</b>	<b>100.00</b>
<b>Analysis of Total Assets</b>			<b>% of Total</b>
Financial assets at fair value through profit or loss			<b>Assets</b>
Cash and cash equivalents			95.39
Other assets			4.30
<b>Total assets</b>			<b>100.00</b>

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS  
MONTANARO EUROPEAN MIDCAP FUND**

*As at 31 December 2018*

Shares	Description	Fair value €	% of net assets
<b>Transferable securities admitted to a stock exchange listing or dealt in on another regulated market</b>			
<b>Denmark - Nil (31 December 2017: 8.53%)</b>			
<b>France (31 December 2017: 11.98%)</b>			
431,000	Getlink SE	5,055,630	4.49
91,000	Amundi SA '144A'	4,200,560	3.73
44,000	Sartorius Stedim Biotech	3,843,400	3.42
		<b>13,099,590</b>	<b>11.64</b>
<b>Germany (31 December 2017: 17.42%)</b>			
73,000	Symrise AG	4,708,500	4.19
29,500	MTU Aero Engines AG	4,672,800	4.15
142,000	CTS Eventim AG & Co KGaA	4,626,360	4.11
57,500	Fielmann AG	3,105,000	2.76
		<b>17,112,660</b>	<b>15.21</b>
<b>Ireland (31 December 2017: 4.43%)</b>			
54,000	Kerry Group Plc	4,671,000	4.15
		<b>4,671,000</b>	<b>4.15</b>
<b>Italy (31 December 2017: 6.88%)</b>			
163,000	Recordati SpA	4,937,270	4.39
		<b>4,937,270</b>	<b>4.39</b>
<b>Spain (31 December 2017: 8.02%)</b>			
250,000	Red Electrica Corp SA	4,873,750	4.33
990,000	Prosegur Cia de Seguridad SA	4,377,780	3.89
		<b>9,251,530</b>	<b>8.22</b>
<b>Sweden (31 December 2017: 10.37%)</b>			
410,000	Elektro AB	4,261,816	3.79
103,000	Hexagon AB	4,146,423	3.69
136,100	Veoneer Inc SDR	3,016,760	2.68
37,500	Autoliv Inc SDR	2,330,291	2.07
		<b>13,755,290</b>	<b>12.23</b>
<b>Switzerland (31 December 2017: 4.06%)</b>			
40,000	Temenos AG	4,184,866	3.72
		<b>4,184,866</b>	<b>3.72</b>
<b>United Kingdom (31 December 2017: 26.89%)</b>			
217,000	Bunzl Plc	5,727,362	5.09
324,000	Halma Plc	4,923,674	4.37
238,000	Severn Trent Plc	4,813,967	4.28
3,060,000	Taylor Wimpey Plc	4,645,022	4.13
910,000	Auto Trader Group Plc '144A'	4,610,964	4.10
410,000	St James's Place Plc	4,312,069	3.83
1,360,000	Cineworld Group Plc	3,987,995	3.54
760,000	Rightmove Plc	3,659,978	3.25

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS**

**MONTANARO EUROPEAN MIDCAP FUND (continued)**

*As at 31 December 2018*

<b>Shares</b>	<b>Description</b>	<b>Fair value €</b>	<b>% of net assets</b>
<b>United Kingdom (31 December 2017: 26.89%) (continued)</b>			
140,407	Ashtead Group Plc	2,560,751	2.28
		<b>39,241,782</b>	<b>34.87</b>
<b>Total equities</b>		<b>106,253,988</b>	<b>94.43</b>
<b>Total financial assets at fair value through profit or loss</b>		<b>106,253,988</b>	<b>94.43</b>
Cash and cash equivalents		6,339,698	5.63
Other net liabilities		(68,733)	(0.06)
<b>Total net assets attributable to holders of redeemable participating shares</b>		<b>112,524,953</b>	<b>100.00</b>
<b>Analysis of Total Assets</b>			<b>% of Total Assets</b>
Financial assets at fair value through profit or loss			94.02
Cash and cash equivalents			5.61
Other assets			0.37
<b>Total assets</b>			<b>100.00</b>

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS  
MONTANARO SELECT FUND**

*As at 31 December 2018*

Shares	Description	Fair value €	% of net assets
<b>Transferable securities admitted to a stock exchange listing or dealt in on another regulated market</b>			
<b>Belgium (31 December 2017: 3.95%)</b>			
7,500	Melexis NV	381,750	3.23
		<b>381,750</b>	<b>3.23</b>
<b>Denmark (31 December 2017: 7.48%)</b>			
4,250	Chr Hansen Holding A/S	328,385	2.78
5,000	SimCorp A/S	298,562	2.52
		<b>626,947</b>	<b>5.30</b>
<b>France (31 December 2017: 7.21%)</b>			
3,700	Orpea	330,114	2.79
3,000	Sartorius Stedim Biotech	262,050	2.21
		<b>592,164</b>	<b>5.00</b>
<b>Germany (31 December 2017: 9.98%)</b>			
3,000	MTU Aero Engines AG	475,200	4.01
13,000	CTS Eventim AG & Co KGaA	423,540	3.58
4,000	GRENKE AG	296,800	2.51
450	Rational AG	223,200	1.89
		<b>1,418,740</b>	<b>11.99</b>
<b>Italy (31 December 2017: 4.79%)</b>			
45,000	Cerved Group SpA	321,975	2.72
35,000	Brembo SpA	311,325	2.63
		<b>633,300</b>	<b>5.35</b>
<b>Netherlands (31 December 2017: 3.67%)</b>			
9,000	IMCD NV	504,000	4.26
		<b>504,000</b>	<b>4.26</b>
<b>Sweden (31 December 2017: 11.90%)</b>			
25,000	Thule Group AB '144A'	399,852	3.38
30,000	AAK AB	363,197	3.07
32,000	Biotage AB	344,154	2.91
30,000	Elekta AB	311,840	2.64
17,500	Vitrolife AB	253,823	2.14
		<b>1,672,866</b>	<b>14.14</b>
<b>Switzerland (31 December 2017: 5.99%)</b>			
1,900	VZ Holding AG	446,794	3.78
		<b>446,794</b>	<b>3.78</b>
<b>United Kingdom (31 December 2017: 44.09%)</b>			
30,000	4imprint Group Plc	616,662	5.21
50,000	Hilton Food Group Plc	502,466	4.25
27,000	Ashtead Group Plc	492,427	4.16
32,000	Halma Plc	486,289	4.11
42,500	St James's Place Plc	446,983	3.78
45,000	Big Yellow Group Plc (REIT)	437,931	3.70

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS**  
**MONTANARO SELECT FUND (continued)**

*As at 31 December 2018*

<b>Shares</b>	<b>Description</b>	<b>Fair value €</b>	<b>% of net assets</b>
<b>United Kingdom (31 December 2017: 44.09%) (continued)</b>			
70,000	Smart Metering Systems Plc	409,437	3.46
110,000	IntegraFin Holdings Plc	376,236	3.18
95,000	Restore Plc	341,866	2.89
130,000	Clipper Logistics Plc	325,879	2.75
12,000	First Derivatives Plc	283,431	2.40
8,000	Cranswick Plc	234,588	1.98
		<b>4,954,195</b>	<b>41.87</b>
<b>Total equities</b>		<b>11,230,756</b>	<b>94.92</b>
<b>Total financial assets at fair value through profit or loss</b>		<b>11,230,756</b>	<b>94.92</b>
Cash and cash equivalents		566,849	4.79
Other net assets		34,199	0.29
<b>Total net assets attributable to holders of redeemable participating shares</b>		<b>11,831,804</b>	<b>100.00</b>
<b>Analysis of Total Assets</b>			<b>% of Total Assets</b>
Financial assets at fair value through profit or loss			94.89
Cash and cash equivalents			4.79
Other assets			0.32
<b>Total assets</b>			<b>100.00</b>

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS  
MONTANARO BETTER WORLD FUND\***

*As at 31 December 2018*

Shares	Description	Fair value €	% of net assets
<b>Transferable securities admitted to a stock exchange listing or dealt in on another regulated market</b>			
<b>Australia</b>			
400,000	IDP Education Ltd	2,431,344	1.89
20,000	Cochlear Ltd	2,137,834	1.66
		<b>4,569,178</b>	<b>3.55</b>
<b>Belgium</b>			
55,000	Melexis NV	2,799,500	2.18
		<b>2,799,500</b>	<b>2.18</b>
<b>Denmark</b>			
50,000	Chr Hansen Holding A/S	3,863,353	3.01
90,000	Novozymes A/S	3,508,375	2.73
		<b>7,371,728</b>	<b>5.74</b>
<b>France</b>			
37,500	Orpea	3,345,750	2.60
35,000	Sartorius Stedim Biotech	3,057,250	2.38
		<b>6,403,000</b>	<b>4.98</b>
<b>Germany</b>			
32,500	Nemetschek SE	3,111,875	2.42
4,750	Rational AG	2,356,000	1.83
35,000	Symrise AG	2,257,500	1.76
30,000	Carl Zeiss Meditec AG	2,049,000	1.59
		<b>9,774,375</b>	<b>7.60</b>
<b>Hong Kong</b>			
4,000,000	China Everbright International Ltd	3,137,386	2.44
500,000	Vitasoy International Holdings Ltd	1,667,575	1.30
		<b>4,804,961</b>	<b>3.74</b>
<b>Ireland</b>			
92,500	Kingspan Group Plc	3,457,650	2.69
		<b>3,457,650</b>	<b>2.69</b>
<b>Italy</b>			
200,000	Amplifon SpA	2,810,000	2.19
		<b>2,810,000</b>	<b>2.19</b>
<b>Japan</b>			
60,000	Pigeon Corp	2,248,432	1.75
175,000	Santen Pharmaceutical Co Ltd	2,212,951	1.72
35,000	Shionogi & Co Ltd	1,749,989	1.36
40,000	Mani Inc	1,331,518	1.04
		<b>7,542,890</b>	<b>5.87</b>
<b>Netherlands</b>			
5,000	Adyen NV 'I44A'	2,375,250	1.85
		<b>2,375,250</b>	<b>1.85</b>



**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS**

**MONTANARO BETTER WORLD FUND\* (continued)**

*As at 31 December 2018*

<b>Shares</b>	<b>Description</b>	<b>Fair value €</b>	<b>% of net assets</b>
<b>New Zealand</b>			
550,000	Ryman Healthcare Ltd	3,464,932	2.70
		<b>3,464,932</b>	<b>2.70</b>
<b>Sweden</b>			
175,000	Thule Group AB '144A'	2,798,964	2.18
250,000	Biotage AB	2,688,702	2.09
		<b>5,487,666</b>	<b>4.27</b>
<b>Switzerland</b>			
750	Belimo Holding AG	2,622,197	2.04
10,000	Tecan Group AG	1,693,114	1.32
		<b>4,315,311</b>	<b>3.36</b>
<b>United Kingdom</b>			
250,000	Halma Plc	3,799,131	2.96
70,000	Croda International Plc	3,653,739	2.84
875,000	Polypipe Group plc	3,191,660	2.48
40,000	Spirax-Sarco Engineering Plc	2,780,830	2.16
92,500	Victrex Plc	2,357,912	1.84
35,000	Renishaw Plc	1,653,346	1.29
250,000	Smart Metering Systems Plc	1,462,275	1.14
60,000	First Derivatives Plc	1,417,154	1.10
500,000	Tristel Plc	1,378,717	1.07
350,000	Restore Plc	1,259,507	0.98
		<b>22,954,271</b>	<b>17.86</b>
<b>United States</b>			
60,000	Qualys Inc	3,954,335	3.08
22,500	Waters Corp	3,681,996	2.86
27,500	ANSYS Inc	3,448,715	2.68
90,000	Cognex Corp	2,975,986	2.32
45,000	Medidata Solutions Inc	2,607,531	2.03
47,500	US Ecology Inc	2,575,798	2.00
30,000	Grand Canyon Education Inc	2,480,776	1.93
15,000	IDEXX Laboratories Inc	2,436,293	1.90
52,500	Alarm.com Holdings Inc	2,384,463	1.85
75,000	SolarEdge Technologies Inc	2,243,799	1.75
57,500	AO Smith Corp	2,143,769	1.67
40,000	Neogen Corp	1,987,840	1.55
19,000	IPG Photonics Corp	1,863,351	1.45
30,000	Middlesex Water Co	1,388,006	1.08
25,000	Blackbaud Inc	1,366,837	1.06
		<b>37,539,495</b>	<b>29.21</b>
<b>Total equities</b>		<b>125,670,207</b>	<b>97.79</b>
<b>Total financial assets at fair value through profit or loss</b>		<b>125,670,207</b>	<b>97.79</b>
Cash and cash equivalents		3,041,507	2.37
Other net liabilities		(198,079)	(0.16)
<b>Total net assets attributable to holders of redeemable participating shares</b>		<b>128,513,635</b>	<b>100.00</b>

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**SCHEDULE OF INVESTMENTS**

**MONTANARO BETTER WORLD FUND\* (continued)**

*As at 31 December 2018*

	<b>% of Total</b>
<b>Analysis of Total Assets</b>	<b>Assets</b>
Financial assets at fair value through profit or loss	97.59
Cash and cash equivalents	2.36
Other assets	0.05
<b>Total assets</b>	<b>100.00</b>

\*The Montanaro Better World Fund was launched on 10 April 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO EUROPEAN SMALLER COMPANIES FUND**

**PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Purchases</b>	<b>Nominal</b>	<b>Cost €</b>
Cineworld Group Plc	3,700,000	10,541,512
First Derivatives Plc	150,000	5,842,351
IntegraFin Holdings Plc	1,750,000	4,676,842
4imprint Group Plc	200,000	4,675,998
Biotage AB	450,000	4,427,818
Nemetschek SE	30,000	3,842,100
Amplifon SpA	200,000	3,735,079
Advanced Medical Solutions Group Plc	1,000,000	3,502,367
Cranswick Plc	90,000	3,367,233
Hiscox Ltd	150,000	2,807,704
Ideagen Plc	1,500,000	2,582,489
GRENKE AG	25,000	2,525,955
Restore Plc	350,000	2,073,584
Fortnox AB	244,732	1,652,611
IMA Industria Macchine Automatiche SpA	25,000	1,324,496
Recordati SpA	25,000	772,583
Dignity Plc	50,000	682,411
Brembo SpA	25,000	300,337
Vitrolife AB	15,000	202,537
Hypoport AG	1,100	183,401

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% purchases during the financial year listed in descending order. A change is defined as aggregate purchases of a security exceeding 1% of the total value of the purchases during the financial year. All purchases pertaining to the Fund for the financial period have been listed above.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO EUROPEAN SMALLER COMPANIES FUND**

**PORTFOLIO CHANGES – TOP 1% SALES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Sales</b>	<b>Nominal</b>	<b>Proceeds €</b>
Moncler SpA	450,000	16,880,183
Sartorius Stedim Biotech	180,000	16,064,474
Hufvudstaden AB	700,000	9,339,906
Chr Hansen Holding A/S	115,000	8,824,765
Ontex Group NV	330,000	8,067,966
u-blox Holding AG	45,000	7,226,262
MTU Aero Engines AG	45,000	7,049,375
SimCorp A/S	110,000	6,914,970
Loomis AB	225,000	6,600,744
Cerved Group SpA	700,000	6,535,162
Orpea	60,000	6,248,431
Elektro AB	650,000	5,905,365
MP Evans Group Plc	700,000	5,876,735
RPS Group Plc	2,000,000	5,489,257
Big Yellow Group Plc (REIT)	525,000	5,478,068
NCC Group Plc	1,975,000	4,724,694
STRATEC Biomedical AG	70,000	4,628,884
Cineworld Group Plc	1,625,000	4,566,217
Auto Trader Group Plc '144A'	1,150,000	4,538,510
Bertrandt AG	55,000	4,495,592
James Fisher & Sons Plc	200,000	3,536,624
Dignity Plc	425,000	3,220,377
Brembo SpA	225,000	2,907,847
CompuGroup Medical SE	60,000	2,868,977
Renishaw Plc	45,000	2,567,930
Rightmove Plc	50,000	2,497,785
Rightmove Plc	500,000	2,401,466
Dechra Pharmaceuticals Plc	75,000	2,382,155
Merlin Properties Socimi SA (REIT)	200,000	2,365,167
Partners Group Holding AG	4,000	2,343,000
Carl Zeiss Meditec AG	30,000	2,199,538
Bakkafrost P/F	50,000	2,196,782
CTS Eventim AG & Co KGaA	50,000	1,996,197
Shaftesbury Plc (REIT)	175,000	1,984,581

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% sales during the financial year listed in descending order. A change is defined as aggregate disposals of a security exceeding 1% of the total value of sales during the financial year.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO UK INCOME FUND**

**PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Purchases</b>	<b>Nominal</b>	<b>Cost £</b>
Cineworld Group Plc	4,700,000	11,008,529
Charles Taylor Plc	2,500,000	7,315,542
IntegraFin Holdings Plc	2,500,000	7,029,257
Domino's Pizza Group Plc	1,750,000	6,013,609
Britvic Plc	750,000	5,977,210
Merlin Properties Socimi SA (REIT)	550,000	5,936,080
Spirax-Sarco Engineering Plc	85,000	5,806,768
Dignity Plc	600,000	5,444,859
DiscoverIE Group Plc	1,200,000	4,879,815
Polypipe Group plc	1,250,000	4,749,592
XP Power Ltd	150,000	4,650,474
James Fisher & Sons Plc	275,000	4,640,858
Clipper Logistics Plc	1,000,000	4,595,534
Diploma Plc	400,000	4,506,607
St James's Place Plc	400,000	4,411,217
Recordati SpA	150,000	4,165,742
Melexis NV	67,500	4,076,836
RPS Group Plc	1,950,000	4,066,260
Intertrust NV '144A'	250,000	3,768,486
Mucklow A & J Group Plc (REIT)	660,000	3,660,633
Clarkson Plc	135,000	3,580,175
Severn Trent Plc	175,000	3,401,160
FDM Group Holdings Plc	350,000	3,259,162
Hiscox Ltd	200,000	3,044,719
Bakkafrost P/F	75,000	2,944,740
4imprint Group Plc	150,000	2,729,718
Pennon Group Plc	365,000	2,708,388
Victrex Plc	100,000	2,693,028
Equiniti Group Plc '144A'	1,000,000	2,580,397
Bovis Homes Group Plc	225,000	2,536,649
Ricardo Plc	250,000	2,486,678
Galliford Try Plc	300,000	2,439,926
Marshalls Plc	575,000	2,425,382
BCA Marketplace Plc	1,000,000	2,296,471
NCC Group Plc	1,000,000	2,108,008
Ashmore Group Plc	500,000	1,968,951
Primary Health Properties Plc (REIT)	1,750,000	1,955,612
Galenica AG '144A'	50,000	1,899,331
Jupiter Fund Management Plc	500,000	1,778,851
Brewin Dolphin Holdings Plc	500,000	1,769,945

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% purchases during the financial year listed in descending order. A change is defined as aggregate purchases of a security exceeding 1% of the total value of the purchases during the financial year.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO UK INCOME FUND**

**PORTFOLIO CHANGES – TOP 1% SALES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Sales</b>	<b>Nominal</b>	<b>Proceeds £</b>
Tesco Plc	3,444,000	7,175,144
Fidessa Group Plc	150,000	6,111,639
Ashtead Group Plc	225,000	5,001,185
ITV Plc	2,750,000	4,008,552
Cineworld Group Plc	1,300,000	3,877,873
Taylor Wimpey Plc	1,900,000	3,526,465
Arrow Global Group Plc	1,350,000	3,269,110
Restaurant Group Plc/The	1,000,000	2,640,749
Bakkafrost P/F	75,000	2,587,746
Loomis AB	100,000	2,356,143
Corticeira Amorim SGPS SA	250,000	2,319,241
Cerved Group SpA	275,000	2,235,844
Galliford Try Plc	300,000	1,702,057
Bovis Homes Group Plc	100,000	1,117,956
Domino's Pizza Group Plc	400,000	900,525
Ricardo Plc	100,000	839,313
Thule Group AB '144A'	35,000	590,342
BCA Marketplace Plc	250,000	540,611
Clipper Logistics Plc	200,000	421,468
Cranswick Plc	10,000	341,982

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% sales during the financial year listed in descending order. A change is defined as aggregate disposals of a security exceeding 1% of the total value of sales during the financial year.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO UK SMALLER COMPANIES FUND\***

**PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Purchases</b>	<b>Nominal</b>	<b>Cost £</b>
IntegraFin Holdings Plc	144,693	327,093
First Derivatives Plc	5,000	193,339
Ideagen Plc	150,000	174,157
FDM Group Holdings Plc	1,000	9,907
Advanced Medical Solutions Group Plc	2,000	7,030
Cranswick Plc	200	6,753
Mears Group Plc	2,000	6,647
Clipper Logistics Plc	1,500	6,232
Tracsis Plc	1,000	6,158
Consort Medical Plc	500	5,748
Bovis Homes Group Plc	500	5,747
James Fisher & Sons Plc	300	5,482
Hilton Food Group Plc	500	4,809
Dechra Pharmaceuticals Plc	100	2,995
Ted Baker Plc	100	2,300

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% purchases during the financial year listed in descending order. A change is defined as aggregate purchases of a security exceeding 1% of the total value of the purchases during the financial year. All purchases pertaining to the Fund for the financial year have been listed above.*

\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO UK SMALLER COMPANIES FUND\***

**PORTFOLIO CHANGES – TOP 1% SALES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Sales</b>	<b>Nominal</b>	<b>Proceeds £</b>
Dechra Pharmaceuticals Plc	100,100	2,790,996
Hilton Food Group Plc	300,500	2,602,217
FDM Group Holdings Plc	251,000	2,600,033
Diploma Plc	195,000	2,324,660
GB Group Plc	500,000	2,230,666
Entertainment One Ltd	735,222	2,177,474
Consort Medical Plc	183,500	2,140,329
Cranswick Plc	70,200	2,095,553
Marshalls Plc	475,000	2,011,002
Bovis Homes Group Plc	162,500	1,950,943
James Fisher & Sons Plc	109,300	1,860,206
Big Yellow Group Plc (REIT)	200,000	1,831,556
Advanced Medical Solutions Group Plc	552,000	1,743,253
Sanne Group Plc	270,000	1,660,836
Rathbone Brothers Plc	69,000	1,652,520
Domino's Pizza Group Plc	425,000	1,497,495
NCC Group Plc	650,000	1,332,399
Mears Group Plc	379,000	1,270,037
Restore Plc	200,000	1,090,955
accesso Technology Group Plc	46,894	1,013,373
Ted Baker Plc	40,100	1,008,757
Shaftesbury Plc (REIT)	90,000	877,207
Cineworld Group plc (Rights 21/02/2018)	1,140,000	874,880
Clipper Logistics Plc	201,500	831,969
Cineworld Group Plc	285,000	735,517
Tristel Plc	200,000	647,912
Smart Metering Systems Plc	75,000	578,185
Tracsis Plc	101,000	575,855
Equiniti Group Plc '144A'	200,000	522,691
IntegraFin Holdings Plc	144,693	508,013
Porvair Plc	100,000	490,383

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% sales during the financial year listed in descending order. A change is defined as aggregate disposals of a security exceeding 1% of the total value of sales during the financial year.*

\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.



**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO EUROPEAN INCOME FUND**

**PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Purchases</b>	<b>Nominal</b>	<b>Cost €</b>
Enav SpA '144A'	1,100,000	4,899,992
Edenred	120,000	4,167,083
Prosegur Cash SA '144A'	1,336,873	3,553,007
Gaztransport Et Technigaz SA	60,000	3,321,338
Atea ASA	250,000	3,120,102
Thermador Groupe	25,000	2,838,558
Recordati SpA	95,000	2,822,773
Kaufman & Broad SA	60,000	2,568,581
Kitron ASA	2,500,000	2,399,337
IMA Industria Macchine Automatiche SpA	40,000	2,184,586
Amundi SA '144A'	35,000	2,063,668
Tryg A/S	100,000	2,051,879
CTS Eventim AG & Co KGaA	53,000	1,820,949
De' Longhi SpA	70,000	1,666,233
MARR SpA	70,000	1,540,640
NOS SGPS SA	300,000	1,476,164
Galenica AG '144A'	30,000	1,325,758
Nolato AB	35,000	1,321,935
Merlin Properties Socimi SA (REIT)	95,000	1,108,743
Thule Group AB '144A'	50,000	904,007
Red Electrica Corp SA	40,000	740,918
Loomis AB	25,000	710,612
Coloplast A/S	10,000	706,263
MTU Aero Engines AG	5,000	672,030
Corticeira Amorim SGPS SA	70,000	666,711
Euronext NV '144A'	10,000	600,396

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% purchases during the financial year listed in descending order. A change is defined as aggregate purchases of a security exceeding 1% of the total value of the purchases during the financial year.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO EUROPEAN INCOME FUND**

**PORTFOLIO CHANGES – TOP 1% SALES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Sales</b>	<b>Nominal</b>	<b>Proceeds €</b>
Coloplast A/S	70,000	6,366,224
Pfeiffer Vacuum Technology AG	22,000	3,210,591
Prosegur Cia de Seguridad SA	500,000	3,210,415
Partners Group Holding AG	4,000	2,457,836
Belimo Holding AG	500	1,979,914
ProSiebenSat.1 Media SE	85,000	1,851,040
Ontex Group NV	80,000	1,839,434
MTU Aero Engines AG	10,000	1,722,502
VZ Holding AG	4,705	1,322,663
Biotage AB	120,000	1,264,160
Corticeira Amorim SGPS SA	120,000	1,249,525
Viscofan SA	20,000	1,153,780
MARR SpA	50,000	1,115,417
Euronext NV '144A'	20,000	1,074,801
Melexis NV	10,000	913,158
Amundi SA '144A'	15,000	891,111
Bertrandt AG	10,800	883,818
Nolato AB	15,000	853,961
Brembo SpA	50,000	661,398
Cerved Group SpA	50,000	547,316
TGS NOPEC Geophysical Co ASA	25,000	545,389
Loomis AB	15,000	507,808
Bureau Veritas SA	20,000	479,700
Thule Group AB '144A'	25,000	466,363
Avanza Bank Holding AB	10,000	453,272

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% sales during the financial year listed in descending order. A change is defined as aggregate disposals of a security exceeding 1% of the total value of sales during the financial year.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO EUROPEAN MIDCAP FUND**

**PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Purchases</b>	<b>Nominal</b>	<b>Cost €</b>
Severn Trent Plc	238,000	5,248,353
Cineworld Group Plc	1,360,000	4,590,153
Temenos AG	44,000	4,133,944
Veoneer Inc SDR	98,600	3,697,497
Recordati SpA	63,000	1,882,589
Taylor Wimpey Plc	1,060,000	1,860,967
Prosegur Cia de Seguridad SA	340,000	1,793,124
Amundi SA '144A'	26,000	1,542,315
St James's Place Plc	110,000	1,409,697
Red Electrica Corp SA	55,000	972,439
Auto Trader Group Plc '144A'	230,000	961,500
CTS Eventim AG & Co KGaA	27,000	922,327
Bunzl Plc	17,000	438,148
Symrise AG	5,500	422,988
Elekta AB	56,000	403,841
Kerry Group Plc	4,000	377,011
Halma Plc	24,000	376,097
Getlink SE	31,000	363,575
Rightmove Plc	6,000	350,817
Hexagon AB	3,000	145,492

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% purchases during the financial year listed in descending order. A change is defined as aggregate purchases of a security exceeding 1% of the total value of the purchases during the financial year. All purchases pertaining to the Fund for the financial year have been listed above.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO EUROPEAN MIDCAP FUND**

**PORTFOLIO CHANGES – TOP 1% SALES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Sales</b>	<b>Nominal</b>	<b>Proceeds €</b>
Coloplast A/S	65,000	5,868,789
Chr Hansen Holding A/S	60,000	5,017,340
Moncler SpA	135,000	4,890,550
Partners Group Holding AG	7,500	4,690,148
Sartorius Stedim Biotech	18,500	1,895,760
Ashtead Group Plc	34,593	831,365
Auto Trader Group Plc '144A'	120,000	609,788
Red Electrica Corp SA	30,000	569,442
Elekta AB	46,000	508,810
Temenos AG	4,000	506,087
MTU Aero Engines AG	3,000	457,043

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% sales during the financial year listed in descending order. A change is defined as aggregate disposals of a security exceeding 1% of the total value of sales during the financial year. All sales pertaining to the Fund for the financial period have been listed above.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO SELECT FUND**

**PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Purchases</b>	<b>Nominal</b>	<b>Cost €</b>
4imprint Group Plc	30,000	619,269
Clipper Logistics Plc	130,000	538,351
First Derivatives Plc	12,000	507,967
GRENKE AG	4,000	385,477
IntegraFin Holdings Plc	110,000	332,710
VZ Holding AG	900	244,055
Cerved Group SpA	20,000	188,591
Melexis NV	1,500	104,045
Brembo SpA	7,500	87,425
Cranswick Plc	2,000	74,987
Halma Plc	5,000	73,843
AAK AB	1,000	72,120
Ashtead Group Plc	3,000	70,177
St James's Place Plc	5,000	65,606
Elekta AB	5,000	57,015
Restore Plc	5,000	29,732
CTS Eventim AG & Co KGaA	500	19,866

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% purchases during the financial year listed in descending order. A change is defined as aggregate purchases of a security exceeding 1% of the total value of the purchases during the financial year. All purchases pertaining to the Fund for the financial period have been listed above.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO SELECT FUND**

**PORTFOLIO CHANGES – TOP 1% SALES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Sales</b>	<b>Nominal</b>	<b>Proceeds €</b>
Partners Group Holding AG	850	531,550
Sartorius Stedim Biotech	5,000	508,334
Rightmove Plc	9,000	481,913
SimCorp A/S	4,500	317,059
accesso Technology Group Plc	12,500	311,576
Marshalls Plc	55,000	265,978
Shaftesbury Plc (REIT)	20,000	229,570
Cranswick Plc	7,000	207,131
Chr Hansen Holding A/S	2,250	180,483
MTU Aero Engines AG	700	130,511
Halma Plc	8,000	124,111
Big Yellow Group Plc (REIT)	10,000	106,257
Orpea	800	91,984
Biotage AB	8,000	84,292
Elekta AB	5,000	55,381
Hilton Food Group Plc	5,000	51,799
Smart Metering Systems Plc	310	2,260

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% sales during the financial year listed in descending order. A change is defined as aggregate disposals of a security exceeding 1% of the total value of sales during the financial year. All sales pertaining to the Fund for the financial year have been listed above.*

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO BETTER WORLD FUND\*\***

**PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Purchases</b>	<b>Nominal</b>	<b>Cost €</b>
Melexis NV	55,000	4,493,145
Chr Hansen Holding A/S	60,000	4,479,338
IDEXX Laboratories Inc	27,500	4,445,648
Qualys Inc	65,000	4,152,951
ANSYS Inc	30,000	3,919,277
Orpea	37,500	3,915,716
Novozymes A/S	90,000	3,880,184
Halma Plc	275,000	3,841,645
Polypipe Group plc	875,000	3,831,603
Thule Group AB '144A'	210,000	3,811,338
Croda International Plc	70,000	3,750,798
Waters Corp	22,500	3,734,326
Amplifon SpA	225,000	3,725,888
Cognex Corp	90,000	3,704,419
Ryman Healthcare Ltd	550,000	3,679,161
Sartorius Stedim Biotech	47,500	3,648,121
Tecan Group AG	20,000	3,637,963
IPG Photonics Corp	19,000	3,605,699
LeMaitre Vascular Inc	112,500	3,569,478
China Everbright International Ltd	4,000,000	3,482,631
Kingspan Group Plc	92,500	3,310,117
Victrex Plc	107,500	3,294,273
Carl Zeiss Meditec AG	60,000	3,252,288
First Derivatives Plc	65,000	3,238,276
Neogen Corp	57,500	3,222,582
Nemetschek SE	32,500	3,199,135
Adyen NV '144A'	7,500	3,189,354
SolarEdge Technologies Inc	75,000	3,171,801
Spirax-Sarco Engineering Plc	47,500	3,155,554
US Ecology Inc	62,500	3,124,005
Symrise AG	47,500	3,098,898
Grand Canyon Education Inc	30,000	3,005,306
AO Smith Corp	57,500	2,991,593
Medidata Solutions Inc	50,000	2,833,915
Vitasoy International Holdings Ltd	1,000,000	2,756,641
IDP Education Ltd	500,000	2,697,409
Santen Pharmaceutical Co Ltd	200,000	2,669,561
Belimo Holding AG	750	2,527,204
Rational AG	4,750	2,520,212
Pigeon Corp	60,000	2,507,218
Renishaw Plc	45,000	2,502,029
Cochlear Ltd	20,000	2,442,893
MTU Aero Engines AG	17,500	2,419,005
Autoliv Inc	20,000	2,228,043
Blackbaud Inc	25,000	2,152,741
Restore Plc	350,000	2,140,446

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO BETTER WORLD FUND\*\* (continued)**

**PORTFOLIO CHANGES – TOP 1% PURCHASES (unaudited) (continued)**

*For the financial year ended 31 December 2018*

<b>Purchases</b>	<b>Nominal</b>	<b>Cost €</b>
Biotage AB	250,000	2,089,940
Alarm.com Holdings Inc	52,500	2,074,113
Middlesex Water Co	62,500	2,057,522
Smart Metering Systems Plc	250,000	1,999,123
Shionogi & Co Ltd	35,000	1,975,092

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% purchases during the financial year listed in descending order. A change is defined as aggregate purchases of a security exceeding 1% of the total value of the purchases during the financial year.*

**\*\*The Montanaro Better World Fund was launched on 10 April 2018.**



**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**MONTANARO BETTER WORLD FUND\*\***

**PORTFOLIO CHANGES – TOP 1% SALES (unaudited)**

*For the financial year ended 31 December 2018*

<b>Sales</b>	<b>Nominal</b>	<b>Proceeds €</b>
LeMaitre Vascular Inc	112,500	3,045,658
MTU Aero Engines AG	17,500	2,785,098
IDEXX Laboratories Inc	12,500	2,536,155
Tecan Group AG	10,000	2,113,419
Carl Zeiss Meditec AG	30,000	1,822,045
Middlesex Water Co	32,500	1,618,137
Autoliv Inc	20,000	1,494,524
Vitasoy International Holdings Ltd	500,000	1,396,387
Adyen NV '144A'	2,500	1,322,787
Sartorius Stedim Biotech	12,500	1,254,138
Neogen Corp	17,500	1,236,653
TOTO Ltd	30,000	1,191,950
US Ecology Inc	15,000	903,179
Symrise AG	12,500	899,450
Chr Hansen Holding A/S	10,000	802,148
Thule Group AB '144A'	35,000	750,881
IDP Education Ltd	100,000	667,924
Veoneer Inc	17,500	644,094
Renishaw Plc	10,000	588,779
Spirax-Sarco Engineering Plc	7,500	549,539
Victrex Plc	15,000	490,339
Amplifon SpA	25,000	421,473
Halma Plc	25,000	408,483
Santen Pharmaceutical Co Ltd	25,000	385,720
Qualys Inc	5,000	378,498
ANSYS Inc	2,500	372,616
Medidata Solutions Inc	5,000	340,937

*In accordance with UCITS Regulations, the above details the Fund's Portfolio Changes - top 1% sales during the financial year listed in descending order. A change is defined as aggregate disposals of a security exceeding 1% of the total value of sales during the financial year.*

**\*\*The Montanaro Better World Fund was launched on 10 April 2018.**

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**TOTAL EXPENSE RATIOS (ANNUALISED) (unaudited)**

*For the financial year ended 31 December 2018*

The average total expense ratio table shows the annualised actual expenses incurred by each Fund during the financial reporting period, expressed as a percentage of the average net asset value of that Fund for the corresponding financial period.

	<b>Total expense ratio %</b>
<b>Montanaro European Smaller Companies Fund</b>	
Euro Accumulation Class	1.62
Euro Class	1.62
Euro Institutional Accumulation Class	0.62
Euro Institutional Distribution Class	0.87
Sterling Class	1.61
Sterling Institutional Distribution Class	0.87
Swedish Krona Accumulation Class	1.62
US Dollar Class	1.62
<b>Montanaro UK Income Fund</b>	
Euro Class	0.87
Euro Seed Class	0.36
Sterling Accumulation Class**	0.90
Sterling Class	0.87
Sterling Seed Class	0.36
<b>Montanaro UK Smaller Companies Fund***</b>	
Sterling Distribution Class	—
<b>Montanaro European Income Fund</b>	
Euro Class	0.86
Sterling Accumulation Class**	0.87
Sterling Class	0.85
<b>Montanaro European MidCap Fund</b>	
Euro Distribution Class	1.60
Euro Institutional Accumulation Class	0.86
<b>Montanaro Select Fund</b>	
Euro Distribution Class	0.10
Sterling Distribution Class	0.10
<b>Montanaro Better World Fund*</b>	
Euro Distribution Class	0.66
Sterling Distribution Class	0.66

\*The Montanaro Better World Fund was launched on 10 April 2018.

\*\*The Sterling Accumulation Share class was launched on 2 July 2018.

\*\*\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018.

**MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

**PORTFOLIO TURNOVER RATES (unaudited)**

*For the financial year ended 31 December 2018*

The portfolio turnover rate shows the turnover\* incurred by each Fund, whose redeemable participating shares are registered for sale in Switzerland during the financial reporting period, expressed as a percentage of the average net asset value of that Fund for the corresponding financial period.

	<b>Portfolio Turnover %</b>
Montanaro European Smaller Companies Fund	11.1
Montanaro UK Income Fund	29.1
Montanaro UK Smaller Companies Fund***	9.3
Montanaro European Income Fund	0.4
Montanaro European MidCap Fund	39.6
Montanaro Select Fund	52.4
Montanaro Better World Fund**	42.8

\*\*The Montanaro Better World Fund was launched on 10 April 2018.

\*\*\*The Montanaro UK Smaller Companies Fund was terminated on 28 September 2018. The above PTR figure was calculated for the period 1 January 2018 to 28 September 2018.

\* Turnover being a Fund's aggregate value of total cost of securities purchased plus total disposal proceeds of securities sold, less the aggregate value of that Fund's redeemable participating shares' subscriptions plus redemptions, during the financial reporting period. All values in the turnover calculation are in the functional currency of the respective Fund.

Past performance is no indication of current or future performance and the performance data does not take account of commissions and costs incurred on the issue and redemption of shares.

## **MONTANARO SMALLER COMPANIES PLC (formerly MONTANARO EUROPEAN SMALLER COMPANIES PLC)**

### **REMUNERATION POLICY (unaudited)**

In line with the requirements of the Undertakings for Collective Investment in Transferable Securities (UCITS) V, the UCITS Manager is subject to a remuneration policy which is consistent with the principles outlined in SYSC19E of the FCA Handbook (UCITS Remuneration Code).

The Manager's remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the UCITS funds it manages. The remuneration policy is renewed on an annual basis, or more frequently where required, and approved by Montanaro Asset Management Limited's Remuneration Committee. Details of the up-to-date remuneration policy are available at [www.montanaro.co.uk](http://www.montanaro.co.uk).

Regulation 89(3A) of the UCITS Regulations requires that the annual financial report of the Company contain certain disclosures on remuneration paid by the Company to its staff during the financial year and details of any material changes to the Company's remuneration policy made during the financial period. The Company has no employees or staff that it employs and pays directly. The Company has a board of directors, one of which is an employee of Montanaro Asset Management Limited and receives no remuneration from the Company. The remaining three directors, each of whom is independent, receive a fixed fee only (which for the year ended 31 December 2018 is subject to a limit of £120,000 in total as noted in the Prospectus) and do not receive variable remuneration. The Directors' fees were €79,666 for the financial year ended 31 December 2018 (31 December 2017: €81,817). These fees are considered to be consistent with the powers, tasks, expertise and responsibility of each Director.

The services of two designated persons are provided to the Company pursuant to a management services agreement between the Company and Clifton Fund Consulting Limited trading as KB Associates, in respect of which a fixed fee only is paid and such designated persons do not receive any variable remuneration. The fee for the year ended 31 December 2018 was €19,962 in aggregate.

The Company has prepared a remuneration policy outlining how it adheres to the remuneration requirements set out in the UCITS Regulations. The remuneration policy was adopted with effect from 7 March 2016.

Details of the Company's up-to-date remuneration policy are available at [www.montanaro.co.uk](http://www.montanaro.co.uk).

No material changes have been made to the remuneration policy during the financial year.