

Montanaro UK Income Fund (£)

28 February 2020

Open Ended

Fund Objective

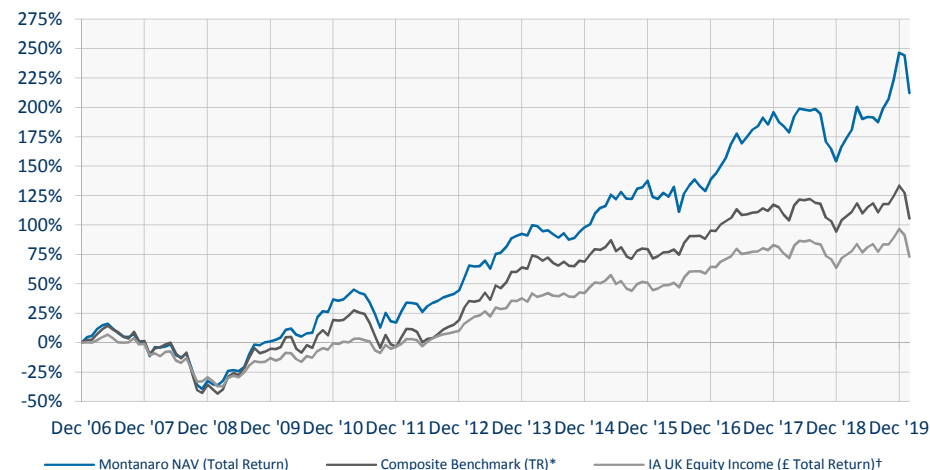
Capital growth and income. The Fund will invest primarily in Small and MidCap companies quoted in the UK that offer an attractive dividend yield or the potential for dividend growth. Up to 20% of the Fund may be invested in companies quoted in the EU (excluding the UK), Iceland, Norway and Switzerland. No unquoted investments are permitted.

Performance

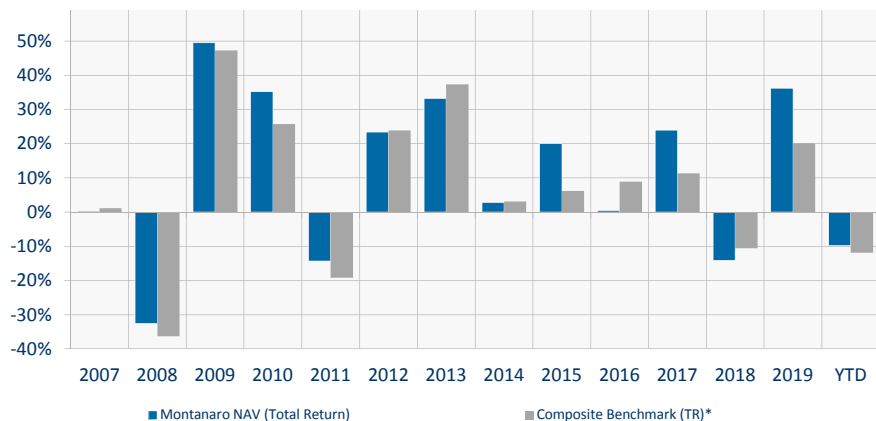
	YTD	1M	3M	6M	12M	3Y	5Y	Launch*
Fund (TR)**	-9.9%	-9.3%	-3.5%	8.6%	14.0%	24.9%	49.0%	212.3%
Benchmark (TR)*	-11.9%	-9.6%	-8.5%	-2.4%	-0.9%	2.6%	14.6%	105.6%
IA: UK Equity Income (TR)†	-11.9%	-9.6%	-8.5%	-2.4%	-0.9%	2.6%	14.6%	73.1%

The IA UK Equity Income (Total Return) Sector returns are shown for comparison purposes only.

Cumulative Performance Since Inception*



Calendar Year Returns



Source: Montanaro, Bloomberg, FE Analytics. NAV to NAV, unrounded, dividends reinvested at ex date. NAVs prior to 24/09/07 priced at close of business; between 24/09/07 and 01/10/09 priced at midday; since 2/10/09 priced at 4pm. Prior to June 2013 the UK Income Fund had a UK weighting of below 50%. * Share class introduced November 2015. ** Performance prior to November 2015 based on GBP seed class. *Please note the benchmark from launch to 08/07/14 was the MSCI Europe SmallCap (Gross TR) Index and from 08/07/14 to 01/07/16 the benchmark was the IA UK Equity Income (Gross TR) Sector. In the composite benchmarks we have continued to use the IA UK Equity Income (Gross TR) Sector from this date for comparison. †The IA UK Equity Income (Gross TR) Sector is shown for the whole period for comparison purposes only.

About Montanaro

Montanaro, an independent specialist asset manager, was established in 1991 to research and invest in quoted Small & MidCap companies. Funds under management are currently £2.6 billion.

Fund Facts

Fund Manager	Charles Montanaro
Fund Launch*	December 2006
Year End	December
Currency	GBP
Class	Distribution
IA Sector	UK All Companies (formerly IA UK Equity Income TR)†
Ticker	MOUKING ID
ISIN	IE00BYSRYZ31
Sedol	BYSRYZ3
Fund Size	£647 million
NAV	116.8p
No. of Holdings	49
Median Mkt Cap	£1499 million
Cash	2.9%
Legal Status	Irish OEIC
Listing	Irish Stock Exchange
Valuation Time	Daily 4pm Dublin time
Minimum Investment	£1,000
Dealing Time	12pm Dublin time
Dividend Date	Quarterly
Reporting Fund Status	Approved
Management Fee	Annual 0.75%
Performance Fee	Nil
Initial Charge	Nil
Dividend Yield 20F	3.8% (Portfolio Yield)

Fund ESG Score

6.3
The Fund ESG Score is the weighted average of Montanaro's proprietary company ESG Checklist scores (0-10; 10 is best).

Platforms

The fund is available to purchase on the following:

Cofunds	Nucleus	MFEX
Novia	Ascentric	SEB
Raymond James	Amber Financial	AllFunds
Transact	Old Mutual	Skandia
Hargreaves Lansdown	FNZ Wealth	Aviva
Alliance Trust Savings	Interactive Investor	James Hay
Pershing Nexus	Fidelity Fundsnetwork	AJ Bell

Ratings and Awards

★★★★ – Morningstar Rating™
(as at 29/02/20)

Important Information

All investments are subject to risk and the value of shares and the income from them can fall as well as rise due to stock market and currency movements. You may not get back as much as you originally invested.

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Top 10 Holdings

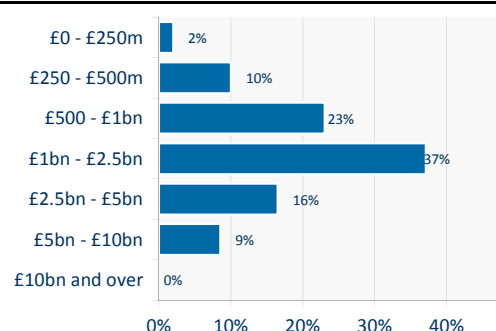
Marshalls	3.9%
Integratin	3.9%
Pennon Group	3.3%
Severn Trent	3.0%
Polypipe Group	2.9%
Avast	2.9%
4Imprint Group	2.9%
Big Yellow Group	2.9%
St. James Place	2.8%
Britvic	2.8%
	31.4%

Portfolio Analysis

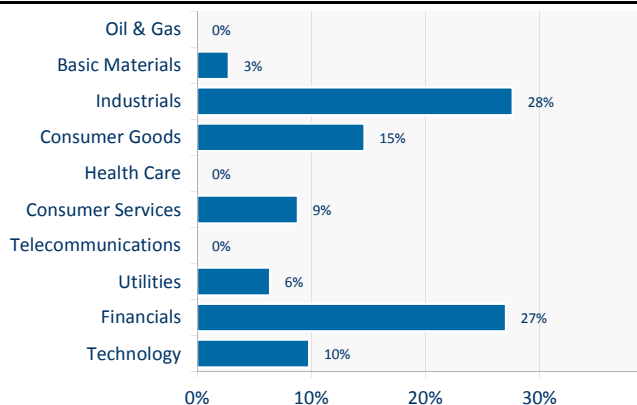
Price / Earnings 20F	15.9
EPS Growth 20F	10.4%
Dividend Yield 20F	3.8%
Dividend Growth 20F	9.7%
Return on Equity 20F	15.9%
EV/EBITDA 20F	13.3
EBIT Margin 20F	27.0%
Net Debt/Equity 20F	33.5%

Source: Factset consensus estimates

Market Capitalisation Allocation

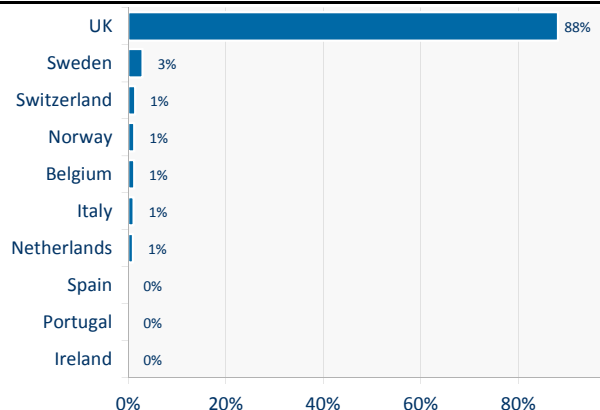


Sector Allocation



Sector breakdown is based on ICB classification.

Country Allocation (Top 10)



Monthly Commentary

It was Klemens von Metternich, a distinguished diplomat during the Napoleonic era, who came up with one of the most famous phrases about the economy. In an era when Europe dominated the world, he stated: *"When France sneezes, Europe catches a cold."* Once the United States had acquired economic dominance, this was adapted: *"When America sneezes, the world catches a cold."*

The same is now true of China, in both economic and health terms. The country has grown to 17% of global GDP. As the Coronavirus spread across the world, China – the workshop of the global economy – closed for business. The result was an indiscriminate sell-off in risk assets as fear overtook greed to become the dominant force in financial markets.

In this context, the NAV of the share class declined by 9.3% in February (in GBP).

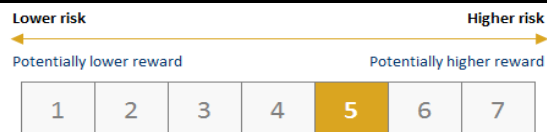
The strongest contributions during the month came from **Galenica**, the Swiss pharmacy chain, which reported better than expected sales figures and operating results for 2019. **Consort Medical**, the provider of formulation and manufacturing solutions for pharmaceuticals, outperformed a declining market after its takeover by Recipharm was completed. **Melexis**, the Belgian supplier of sensors to the automotive industry, rose after guiding for a strong start to 2020.

The weakest contributions during the month came from **RPS**, the global engineering consultancy, which announced a disappointing set of results and the need for further investment in its systems and processes. **Jupiter**, the fund manager, suffered from worries that the Coronavirus would negatively impact asset inflows. **4imprint**, the supplier of promotional merchandise, traded lower as fears that its supply chain may face disruption in China increased.

Nobody knows what the impact of Covid-19 will be. Despite the uncertainty, it is clear that the regularity of daily life across the northern hemisphere is under threat to an extent rarely seen in peace time. Global growth will be negatively impacted due to the double whammy of supply and demand shocks. Yet it is too early to tell if growth will plummet, or be pushed back towards the warmer months of the year when the virus may become less virulent.

Away from predictions about the virus, it is worth pointing out that from a purely financial market standpoint, the fall in equity prices is to some extent welcome. Markets had again reached record highs and the "froth" of expensive valuations has been skimmed away. While the situation may well worsen – both in health and economic terms – we would caution against selling. It rarely pays to run for the hills after the market has fallen. One of the reasons that quality companies outperform over the long-term is because their strong balance sheets provide the resilience to outlive periods of economic turbulence. Market falls provide opportunity to the rational and long-term investor.

Risk and Reward Profile



These numbers rate how the Fund may perform and the risk of losing some or all of your investment. In general the potential for higher returns also implies a higher level of risk. However, the lowest category (1) does not mean a risk free investment.

This risk rating is based on historical data which may not be a reliable indication of the future risks and rewards of the fund. The risk rating of the fund may change over time.

Past performance is not a reliable indicator of future results. All investments are subject to risk and the value of shares and the income from them can fall as well as rise due to stock market and currency movements. You may not get back as much as you originally invested.

For further information please see the Risk and Reward section of the Key Investor Information Document (KIID).

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