

European Equity Income Fund (£)

MONTANARO

★★★★ – Morningstar Rating™
(as at 30/11/11)

Monthly Fact Sheet: November 2011

Montanaro, an independent specialist fund manager, was established in 1991 to invest in Pan-European quoted SmallCap companies. Funds under management currently total €1.3 billion. The objective of the European Equity Income Fund is to provide investors with higher than market average dividend income by investing principally in quoted European (including UK) companies below €3 billion in size. Dividends are payable or may be re-invested quarterly. The European Equity Income Fund is a UCITS III fund which is authorised for distribution and regulated in Ireland, the UK, the Netherlands, Finland, France, Sweden, Switzerland and Norway.

Monthly Review

November was another volatile month. Greece and Italy have new Prime Ministers whilst the Greeks almost derailed the bailout process by considering (and then rejecting) a referendum. The end of the month saw a sharp recovery in stock markets as Central Banks around the world took concerted action and China cut interest rates. The portfolio outperformed its benchmark by a further 1% during the month.

In a difficult month there were a number of positive performers including **LEM**, the Swiss manufacturer of electrical transducers, where earlier destocking may be coming to an end. **Cineworld**, the leading Cinema operator in the UK, rose in anticipation of an improving film line up for the rest of the year. Finally **Croda**, the UK based manufacturer of speciality chemicals, reacted favourably to the announcement of its third quarter results.

On the downside **Euler Hermes**, the French credit insurance company, remains one of the more cyclical holdings in the portfolio. With increased concerns over lower economic growth for 2012, the shares drifted back. **Domino Printing** the UK manufacturer of ink jet printers, experienced some profit taking after a strong October. Finally **JM Group**, the Swedish house builder, eased back after slightly disappointing third quarter sales.

We have followed **Rotork** for over 25 years and recently attended its Capital Markets Day in London. Rotork is the global market leader in valve automation and flow control selling to the oil and gas, power and water & waste treatment markets. The company is largely driven by the continuous expansion of the global oil and gas installed capacity, but also increasingly by tightening emission control standards for power producers and miners as well as by the scarcity of water. Due to its well balanced

product portfolio from electrically-operated valve actuators and fluid-controlled automated valve systems to manual and motorised gearboxes and mounting kits, the company has constantly increased market share.

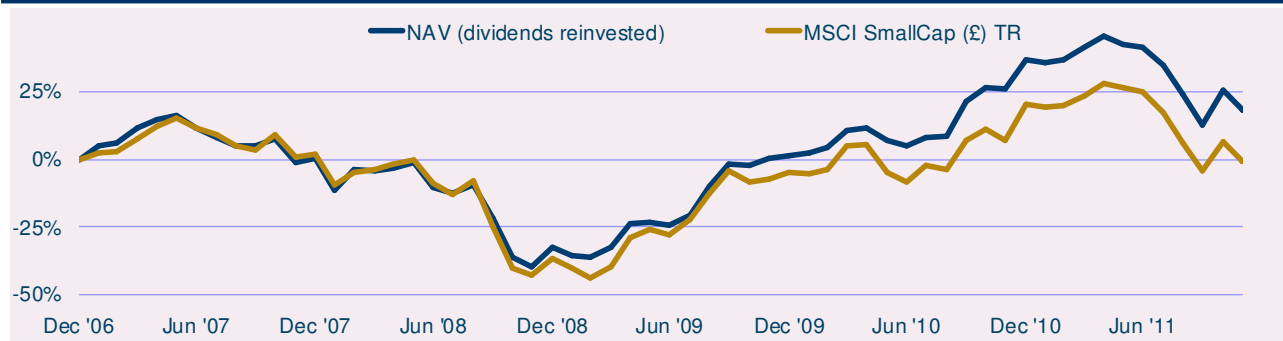
Rotork emphasized its product portfolio and the potential overlap with new adjacent product markets such as pressure control & measurement and temperature control & measurement. Just a few days after the meeting, it announced the acquisition of Fairchild Industrial Products, a manufacturer of devices involved in the precision control of pneumatic devices and motion control equipment. Fairchild will form the basis of a new division and increases the exposure to other industries such as pharmaceutical and biomedical equipment, tyre manufacturing machinery, robotics, food processing and chemical manufacturing.

In summary the presentations confirmed that Rotork has a strong product portfolio in markets offering long term growth potential. With exceptional margins and strong cash flow, Rotork is one of the highest quality companies in our portfolios and one which regularly pays special dividends.

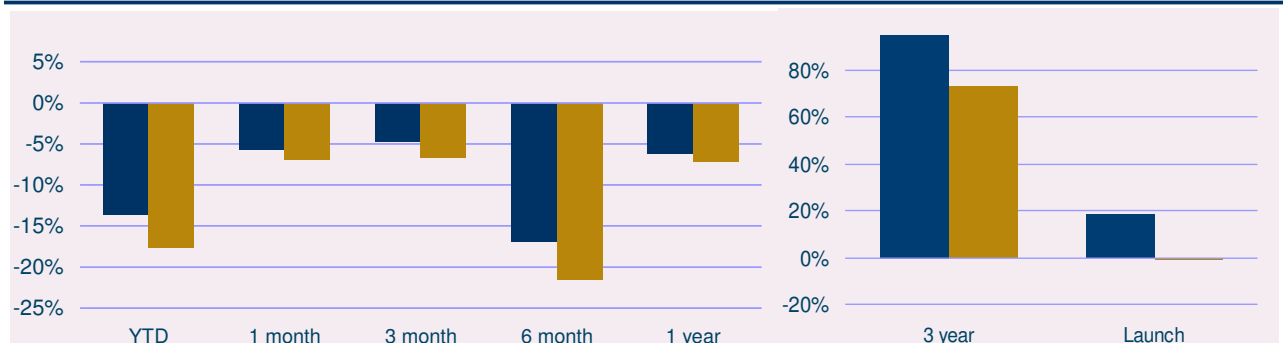
Current market valuations of European SmallCap suggest that the Stock Market is assuming a decline in earnings of 15% - 25% in 2012. Although a recession is possible – indeed we may already be in one – we do not expect a major economic downturn provided that the Euro survives. With important developing economies such as China once again promoting pro-growth policies and the risk of inflation falling, we expect economic expectations to become more positive as next year progresses.

We would like to thank you for your support and to wish you a merry Christmas and a healthy, happy and prosperous New Year.

Fund Performance



Relative Performance



Fund Performance

Y/E: December	YTD	1 month	3 month	6 month	1 year	3 year	Launch
Montanaro NAV (£) TR	-13.5%	-5.7%	-4.7%	-16.9%	-6.2%	95.0%	18.1%
MSCI SmallCap Europe (£) TR	-17.6%	-6.9%	-6.7%	-21.5%	-7.1%	72.9%	-1.0%

Source: Montanaro, Bloomberg. 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. October '11 NAV and Index as at 28/10/11, due to Irish Bank Holiday on 31/10/11 (no NAV produce d).

Fund Analysis

	Fund	Index
Month End NAV	£1.01	na
Beta*	0.78	1.00
P/E 12F†	11.5	10.4
EPS Growth 12F†	5.9%	11.7%
ROE 12F†	17.7%	11.2%
Dividend Yield 11F†	4.9%	3.6%

* risk statistics over three years

† Source: FactSet consensus estimates

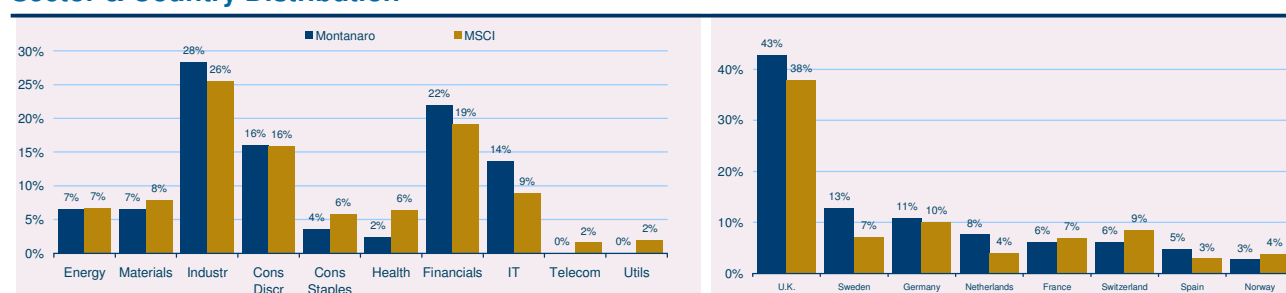
Fund Details

Launch Date	January 2007
Fund Size	€10 million
No. of holdings	48
Mgmt Fee	nil
Perf Fee	nil
Legal Status	OEIC
Listing	Irish Stock Exchange
Valuation	Daily
Dividends	Quarterly

Top Ten Holdings

Name	Country	Sector	% of portfolio
1 LEM Holding	Switzerland	Electronic Equipment & Instruments	3.4%
2 AF Group	Sweden	Professional Supplies	2.9%
3 James Halstead	UK	Building Products	2.9%
4 Aberdeen Asset Management	UK	Capital Markets	2.9%
5 Domino Printing	UK	Electronic Equipment & Instruments	2.8%
6 Croda	UK	Chemicals	2.7%
7 Banque Cantonale	Switzerland	Commercial Banks	2.7%
8 TGS Nopec	Norway	Oil & Gas Producers	2.7%
9 S.I.L.I.C.	France	Real Estate Investment Trusts	2.7%
10 Andritz	Austria	Machinery	2.7%
TOTAL			28.3%
CASH			0.8%

Sector & Country Distribution



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