

MONTANARO EUROPEAN SMALLER COMPANIES PLC

**INTERIM REPORT
AND
FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2008

MONTANARO EUROPEAN SMALLER COMPANIES PLC

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MONTANARO EUROPEAN SMALLER COMPANIES PLC

MANAGEMENT AND OTHER INFORMATION

Investment Manager

Montanaro Fund Managers Limited
53 Threadneedle Street
London EC2R 8AR
United Kingdom

Listing Sponsor

NCB Stockbrokers Limited
3 George's Dock
International Financial Services Centre
Dublin 1, Ireland

Administrator and Secretary

Northern Trust International Fund Administration Services
(Ireland) Limited (formerly Northern Trust
Investor Services (Ireland) Limited)
Georges Court
54-62 Townsend Street
Dublin 2, Ireland

Custodian

Northern Trust Fiduciary Services (Ireland)
Limited (formerly Northern Trust Custodial
Services (Ireland) Limited)
Georges Court
54-62 Townsend Street
Dublin 2, Ireland

Legal Advisers

As to Irish Law
Mason Hayes + Curran
South Bank House,
Barrow Street,
Dublin 4, Ireland

Legal Adviser

As to UK & US Law
Salans
Millenium Bridge House
2 Lambeth Hill
London EC4V 4AJ
United Kingdom

Independent Auditors

Ernst & Young
Harcourt Centre
Harcourt Street,
Dublin 2, Ireland.

Directors

Paul McNaughton (Irish) (Chairman)
Chris Jones (British)
David O'Donnell (Irish)
Rodney Barton (British)
Simon O'Sullivan (Irish) (appointed on 18 April
2008)

All Directors are independent of the Manager

Registered Number: 330162

MONTANARO EUROPEAN SMALLER COMPANIES PLC

MONTANARO EUROPEAN SMALLER COMPANIES FUND

INVESTMENT MANAGER'S REVIEW

Policy & Objectives

The Montanaro European Smaller Companies Fund ("the Fund") invests primarily in quoted European companies (including UK) with a market capitalisation below €3 billion and with a focus on "smaller" companies below €500 million. The objective is to outperform its benchmark, the Morgan Stanley Europe Small Companies Index ("MSCI").

Background

The Fund was listed on the Irish Stock Exchange on 11 December 2000. On 12 October 2006, two additional share classes were launched, a euro share class and US dollar share class. The Fund was approved by the Irish Financial Services Regulatory Authority (Financial Regulator) in Ireland on 29 November 2000; the Financial Services Authority (FSA) in the UK on 12 May 2005; the Autorité des Marchés Financiers (AMF) in France on 29 July 2005; by the Netherlands Authority for the Financial Markets on 15 February 2007 and in Sweden on 6 September 2007. Approval in Switzerland is pending.

As a Dublin listed UCITS III fund, it has the benefit of being open-ended. At 30 June 2008, the net asset value of the Fund was €115,797,295 (31 December 2007: €59,061,302).

Six Month Performance ended 30 June 2008

The net asset value of the sterling class of the Fund decreased by 8.0% to 222.01p. In comparison, the MSCI fell by 12.5%.

The net asset value of the euro class of the Fund decreased by 14.3% to €2.81. In comparison, the MSCI fell by 18.6%.

The net asset value of the US dollar class of the Fund decreased by 8.2% to \$4.38. In comparison, the MSCI fell by 12.2%.

Large European companies as measured by the FTSE Eurotop-100 Index in Euros fell by 20.4%.

Charles Montanaro

Montanaro Fund Managers Limited

14 July 2008

**MONTANARO EUROPEAN SMALLER COMPANIES PLC
THE MONTANARO ABSOLUTE RETURN FUND**

INVESTMENT MANAGER'S REVIEW

Background

The Fund is a sub-fund of Montanaro European Smaller Companies plc. The Euro Class, Sterling Class and US Dollar Class were admitted to listing on 20 November 2006 and commenced trading on 5 January 2007.

Policy & Objectives

The investment objective of the Montanaro Absolute Return Fund is to achieve capital growth by investing principally in European (including U.K. and Emerging European) quoted small companies. The Fund can take short positions in DJ EuroStoxx30 and DAX futures to hedge against market risk. The net equity exposure of the Fund is in the range of 0% - 100%.

The Montanaro Absolute Return Fund seeks absolute returns and preservation of capital with the objective to outperform the 3 month Euribor return.

Six Month Performance ended 30 June 2008

The net asset value of the Sterling class of the Fund increased by 4.5% to £0.93 (3 month Euribor: 2.3%).

Charles Montanaro

Montanaro Fund Managers Limited

14 July 2008

MONTANARO EUROPEAN SMALLER COMPANIES PLC
THE MONTANARO EUROPEAN EQUITY INCOME FUND (“Income Fund”)

INVESTMENT MANAGER’S REVIEW

Background

The Income Fund is a sub-fund of Montanaro European Smaller Companies plc. The Euro Class, Sterling Class and US Dollar Class were admitted to listing on 20 November 2006 and commenced trading on 5 January 2007.

Policy & Objectives

The Income Fund invests in quoted smaller companies offering a dividend yield higher than the overall market or offering the potential for above average dividend growth in pursuit of its investment objectives.

Dividends are payable or may be re-invested quarterly.

Six Month Performance to 30 June 2008

The net asset value of the Sterling class of the Income Fund decreased by 11.1% to £0.88. In comparison, the MSCI Europe SmallCap (Total Return) Index fell by 10.5%.

Charles Montanaro

Montanaro Fund Managers Limited

14 July 2008

MONTANARO EUROPEAN SMALLER COMPANIES PLC

INVESTMENT MANAGER'S REVIEW

Interim Review

1Q: January – March 2008: NAV (Euro) – 11.6%

The end of March 2008 marked two consecutive quarters of double digit quarterly declines by small companies. In the UK, SmallCap underperformed over the previous four quarters reflecting a flight to liquidity by investors. Unusual market returns mirror events in the real world which remain turbulent and volatile. The US housing market is fragile, recording the largest falls in over 20 years. The credit crunch is biting ever deeper with banks continuing to announce staggering write-downs. Since last August, some \$195 billion has been written off. Analysts estimate the final total of write downs could reach \$600 billion. Following the shock bail-outs of Northern Rock in the UK and Bear Stearns in the US, investor confidence has been shot to pieces.

2Q: April – June 2008: NAV (Euro) -3.1%

After a difficult first quarter, in June 2008 the market fell by a further 10% joining November 2007 and January 2008 as three of the five worst monthly declines since 1999. The fundamental outlook took a decided turn for the worst during the quarter. To cite the Economist: “almost everything that could be going wrong for world stockmarkets” – economic growth is slowing and therefore profits falling; food and oil prices are rising leading to rising inflation and interest rates”. It has not been a pleasant time for investors.

The second quarter of 2008 marked the fourth consecutive quarter of negative returns. The Bear Market for European SmallCap began in June 2007 and is now more than one year old. In that time, small companies have fallen by 34%.

Outlook

According to Ernst & Young, there were 114 profit warnings among UK listed companies in the first quarter of 2008, not only an increase on a year ago but the second consecutive quarter above 100. The last time this happened was in 2001. Then, on average shares fell by almost 20%, far more than in the previous four years. The stock market is in unforgiving mood and is taking no prisoners. Further profit warnings are likely in particular among consumer and property related companies.

Markets are likely to remain volatile over the next few months torn between concerns over further credit crunch related write-downs and the associated risk of global economic slowdown on the one hand and attractive valuations and short-covering on the other.

Trading volumes remain well below normal historic levels and are likely to remain low as we approach the Summer. The main reporting season is now behind us and corporate news flow may be limited, suggesting a quiet quarter lies ahead. Stock selection, as ever, holds the key to outperformance. In nervous markets where investor confidence is low, it pays (as we do) to stick with high quality companies and seasoned management teams who have seen it all before.

Charles Montanaro

Montanaro Fund Managers Limited

14 July 2008

MONTANARO EUROPEAN SMALLER COMPANIES PLC

BALANCE SHEET

As at 30 June 2008

	Notes	Montanaro European Smaller Companies Fund €	Montanaro Absolute Return Fund €	Montanaro European Equity Income Fund £	Total as at 30 June 2008 €	Total as at 31 December 2007 €
Current assets						
Financial assets at fair value through profit or loss:						
- Transferable securities		400,204,923	3,085,966	3,290,705	405,896,055	560,625,051
- Collective investment schemes		1,673,658	-	-	1,673,658	1,871,580
- Derivative instruments		-	32,460	-	32,460	-
Cash and cash equivalents	3	16,506,338	806,984	498,054	17,707,618	10,788,583
Other receivables		3,153,527	54,172	68,051	3,261,573	186,433
Spot contract receivable		1,952,399	39,048	61,900	2,040,452	-
Dividends and interest receivable		104,217	1,567	-	105,784	467,688
Total current assets		423,595,062	4,020,197	3,918,710	430,717,600	573,939,335
Current liabilities						
Investment management fees	5	(2,601,039)	-	-	(2,601,039)	(3,495,717)
Spot contract payable		(1,947,984)	(38,960)	(61,772)	(2,035,847)	-
Performance fees	5	-	-	-	-	(260,470)
Trustee fee		(141,627)	(2,497)	(5,483)	(148,465)	(120)
Administrator fee		(136,633)	(1,214)	(1,243)	(138,831)	(71,564)
Other accrued expenses		-	-	-	-	(253)
Audit fee		(2,532)	-	-	(2,532)	(24,664)
Capital shares payable		(2,945,250)	-	(4,183)	(2,948,562)	(373,129)
Bank overdraft	3	-	-	-	-	(544,794)
Directors fees payable		(22,702)	-	-	(22,702)	(13,355)
Total current liabilities		(7,797,767)	(42,671)	(72,681)	(7,897,978)	(4,784,066)
<i>(excluding net assets attributable to holders of redeemable participating shares)</i>						
Net asset value attributable to holders of redeemable participating shares		415,797,295	3,977,526	3,846,029	422,819,622	569,155,269
Net asset value per share						
GBP class shares	12	£2.22	£0.93	£0.88		
based on shares outstanding	7,12	29,946,101	1,359,030	2,735,140		
EUR class shares	12	€2.81	€0.80	€0.66		
based on shares outstanding	7,12	118,172,762	2,984,734	2,777,778		
USD class shares	12	US\$4.38	-	-		
based on shares outstanding	7,12	14,803	-	-		

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

MONTANARO EUROPEAN SMALLER COMPANIES PLC

PROFIT AND LOSS ACCOUNT

Period ended 30 June 2008

	Notes	Montanaro European Smaller Companies Fund €	Montanaro Absolute Return Fund €	Montanaro European Equity Income Fund £	Total as at 30 June 2008 €	Total as at 31 December 2007 €
Income						
Net realised (loss)/gain on investments and foreign exchange		(25,281,646)	71,064	(249,277)	(25,407,928)	11,293,125
Net change in fair value of investments and foreign exchange		(56,945,327)	(299,120)	(319,275)	(57,497,209)	(80,966,182)
Interest income		267,307	36,763	4,376	307,534	437,801
Dividend income		9,187,643	75,115	124,919	9,361,653	9,607,046
Less withholding taxes on dividends & other investment income		(929,302)	(4,749)	(12,311)	(943,797)	(1,189,090)
<hr/>						
Net investment expenditure		(73,701,325)	(120,927)	(451,568)	(74,179,747)	(60,817,300)
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Expenses						
Management fee	5	(3,331,248)	(3,546)	(11,960)	(3,344,262)	(7,205,113)
Performance fee	5	-	-	-	-	(260,470)
Trustee fee		(253,986)	(6,681)	(7,723)	(266,781)	(235,949)
Administrator's fee		(167,167)	(1,445)	(1,452)	(169,762)	(394,604)
Directors' fees		(33,734)	-	(149)	(33,852)	(78,274)
Other operating expenses		(226,599)	(2,809)	(2,260)	(231,197)	(256,094)
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Total operating expenses		(4,012,734)	(14,481)	(23,544)	(4,045,854)	(8,430,504)
<hr/>						
Net expense from operations before finance costs		(77,714,059)	(135,408)	(475,112)	(78,225,601)	(69,247,804)
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Finance costs						
Income distribution	2	(249,932)	(39,583)	(16,064)	(302,232)	(113,449)
<hr/>						
Loss attributable to holders of redeemable participating shares		(77,963,991)	(174,991)	(491,176)	(78,527,833)	(69,361,253)
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All Profit and Loss Account items arose solely from continuing operations.

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

MONTANARO EUROPEAN SMALLER COMPANIES PLC

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

Period ended 30 June 2008

	Montanaro European Smaller Companies Fund €	Montanaro Absolute Return Fund €	Montanaro European Equity Income Fund £	Total as at 30 June 2008 €	Total as at 31 December 2007 €
Net assets attributable to holders of redeemable participating shares at 1 January	559,061,302	4,179,890	4,343,763	566,680,036	224,862,645
Loss attributable to holders of redeemable participating shares at end of the period	(77,963,991)	(174,991)	(491,176)	(78,527,833)	(69,361,253)
Proceeds from issuance of shares	38,990,594	1,281	-	38,991,875	493,048,415
Payments on redemptions of shares	(104,290,610)	(28,654)	(6,558)	(104,324,456)	(79,394,538)
Net assets attributable to holders of redeemable participating shares at 30 June	415,797,295	3,977,526	3,846,029	422,819,622	569,155,269

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

MONTANARO EUROPEAN SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Period ended 30 June 2008

1. Principal Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are consistent with the accounting policies applied in the preparation of the Audited Financial Statements for the year ended 31 December 2007.

Basis of preparation

These financial statements are prepared in accordance with Generally Accepted Accounting Principles and comply with the ASB Statement on Interim Reports and as such condensed Financial Statements and selected note disclosures have been presented. The same accounting policies and methods of computation followed in the most recent annual financial statements have been used in the preparation of the interim financial statements.

The financial statements have been prepared for the period ended 30 June 2008.

2. Distribution Policy

The Company made the following distributions to redeemable participating shareholders during the period ended 30 June 2008:

Montanaro European Smaller Companies Fund: €249,932 (2007: €nil)

Montanaro Absolute Return Fund: €39,583 (2007: €nil)

Montanaro European Equity Income Fund: £16,064 (2007: £83,326)

Distributions may be paid out of the net investment income of the Company. Otherwise all income and gains of the Company will be accumulated within the Company.

It is the intention of the Directors to apply for UK Distributor Status certification period from 1 January 2008 to 31 December 2008.

3. Cash at Bank

All uninvested cash is held on deposit with the Northern Trust Company, London. At the period end, the Company had a balance of €17,707,618 (2007: €10,788,583) with the Northern Trust Company, London.

4. Cash Flow Statement

The Fund has used the exemption available to open-ended investment funds under FRS No.1 (Revised) not to prepare a cash flow statement.

5. Related Parties

The following transactions were entered into during the period by the Company in the ordinary course of business and on normal commercial terms:

Montanaro Fund Managers Limited as "Manager" earned a Management Fee of €3,344,262 (2007: €7,205,113) of which €2,601,039 (2007: €3,495,717) was payable at the period end.

Montanaro Fund Managers Limited as "Manager" earned a Performance fee of €nil (2007: €260,470) of which €nil (2007: €260,470) was payable at the period end.

Paul McNaughton, Company Chairman held 147,679 shares in the Company at the period end (2007: 147,679 shares).

MONTANARO EUROPEAN SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Period ended 30 June 2008

6. Soft Commission Arrangements

During the period ended 30 June 2008 there were no soft commission arrangements entered into by the Company.

7. Share Capital and Redeemable Participating Shares

Redeemable Participating Shares – non equity

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 to one vote at General Meetings of the Company in respect of each redeemable participating Share held.

Subscriber Shares – equity

The Company has authorised Share Capital of €38,100 (divided into 38,100 Subscriber Shares of one euro each). At 30 June 2008 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.

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 Financial Regulator, 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 of Minimum Holding applicable.

Montanaro European Smaller Companies Fund	GBP Class	EUR Class	USD Class
Units in Issue at beginning of period	32,647,037	137,129,275	772,340
Subscriptions	252,365	12,687,449	-
Redemptions	(2,953,301)	(31,643,962)	(757,537)
Units in Issue at end of period	29,946,101	118,172,762	14,803
Montanaro Absolute Return Fund	GBP Class	EUR Class	
Units in Issue at beginning of period	1,383,155	2,984,734	
Subscriptions	1,128	-	
Redemptions	(25,253)	-	
Units in Issue at end of period	1,359,030	2,984,734	
Montanaro European Equity Income Fund	GBP Class	EUR Class	
Units in Issue at beginning of period	2,742,340	2,777,778	
Subscriptions	-	-	
Redemptions	(7,200)	-	
Units in Issue at end of period	2,735,140	2,777,778	

MONTANARO EUROPEAN SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Period ended 30 June 2008

8. Exchange Rates

The exchange rates to euro (€) at the period end were:

	30 June 2008	31 December 2007
Czech koruna	23.9045	26.5890
British sterling pound	0.7917	0.7345
Iceland krona	125.1696	91.7071
Danish kroner	7.4578	7.4565
Norwegian kronor	8.0250	7.9387
Polish zloty	3.3510	3.5957
Swedish kronor	9.4775	9.4495
Swiss franc	1.6049	1.6553
US dollar	1.5755	1.4621

9. Taxation

Under current law and Irish practice, the Company qualifies as an investment undertaking under Section 739B of the Taxes Consolidation Act 1997 and is not therefore chargeable to Irish tax on its relevant income or relevant gains. No stamp, transfer or registration tax is payable in Ireland on the issue, redemption or transfer of shares in the Company. Distributions and interest on securities issued in countries other than Ireland may be subject to taxes including withholding taxes imposed by such countries. The Company may not be able to benefit from a reduction in the rate of withholding tax by virtue of the double taxation agreement in operation between Ireland and the other countries. The Company may not therefore be able to reclaim withholding tax suffered by it in particular countries.

To the extent that a chargeable event arises in respect of a Shareholder, the Company may be required to deduct in connection with that chargeable event and pay the tax to the Irish Revenue Commissioners. A chargeable event can include dividend payments to Shareholders, appropriation, cancellation, redemption, repurchase or transfer of shares, or a deemed disposal of Shares every 8 periods beginning from the date of acquisition of those Shares. Certain exemptions can apply. To the extent that Shareholders have appropriate tax declarations in place with the Company there may be no requirement to deduct tax.

10. Directors' Interests

Paul McNaughton, Company Chairman held 147,679 shares in the Company at the period end (2007: 147,679 shares).

11. Appointment of Director

Simon O'Sullivan was appointed a Director to the Company on 18 April 2008.

MONTANARO EUROPEAN SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Period ended 30 June 2008

12. Net Asset Value per Redeemable Participating Share

As at 30 June 2008	GBP Class	EUR Class	USD Class
Montanaro European Smaller Companies Fund			
Net Asset Value	£66,618,215	€332,065,461	US\$ 26,053
Shares in Issue	29,946,101	118,172,762	14,803
Net Asset Value per share	£2.22	€2.81	US\$4.38
Montanaro Absolute Return Fund			
Net Asset Value	£1,269,572	€2,387,787	-
Shares in Issue	1,359,030	2,984,734	-
Net Asset Value per share	£0.93	€0.80	-
Montanaro European Equity Income Fund			
Net Asset Value	£2,406,923	€1,824,545	-
Shares in Issue	2,735,140	2,777,778	-
Net Asset Value per share	£0.88	€0.66	-
As at 31 December 2007			
Montanaro European Smaller Companies Fund			
Net Asset Value	£78,679,358	€449,784,021	US\$ 3,684,062
Shares in Issue	32,647,037	137,129,275	772,340
Net Asset Value per share	£2.41	€3.28	US\$ 4.77
Montanaro Absolute Return Fund			
Net Asset Value	£1,231,008	€2,507,176	-
Shares in Issue	1,383,155	2,984,734	-
Net Asset Value per share	£0.89	€0.84	-
Montanaro European Equity Income Fund			
Net Asset Value	£2,714,917	€2,194,444	-
Shares in Issue	2,742,340	2,777,778	-
Net Asset Value per share	£0.99	€0.79	-
As at 31 December 2006			
Montanaro European Smaller Companies Fund			
Net Asset Value	£87,246,607	€95,309,436	US\$ 42,034
Shares in Issue	37,284,875	27,546,080	9,259
Net Asset Value per share	£2.34	€3.46	US\$ 4.54
As at 31 December 2005			
Montanaro European Smaller Companies Fund			
Net Asset Value	£30,152,192	-	-
Shares in Issue	17,429,012	-	-
Net Asset Value per share	£1.73	-	-

MONTANARO EUROPEAN SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Period ended 30 June 2008

13. Post Balance Sheet Events

Subsequent to the period end the following distributions per share were proposed in respect of the financial year ending:

31 December 2008	GBP class	EUR class	USD class
Montanaro European Equity Income Fund	£0.0098	€0.0072	-

Subsequent to the period end HM Revenue & Customs in the United Kingdom have certified the relevant distributing classes of the Company's sub-funds as distributing classes in respect of the year to 31 December 2007. The Company intends to apply for distributor status with regard to the distributing share classes for each future accounting year.

There have been no other events subsequent to the Balance Sheet date which impact on these financial statements.

14. Approval of Financial Statements

These financial statements were approved by the Directors of the Company on 20 August 2008.

MONTANARO EUROPEAN SMALLER COMPANIES PLC

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

As at 30 June 2008

Financial assets at fair value through profit or loss	Shares/Par	Fair Value €	% of Net Assets
Common Stock (2007: 98.52%)			
Austria (2007: 5.69%)			
Andritz	200,000	8,202,000	1.97
Palfinger	350,000	7,346,500	1.77
Schoeller Bleckmann	185,350	12,357,285	2.97
		27,905,785	6.71
Belgium (2007: 0.81%)			
Van De Velde	129,532	3,878,188	0.93
		3,878,188	0.93
Finland (2007: 11.67%)			
Konecranes International	300,000	7,617,000	1.83
Lassila & Tikanoja	370,140	5,755,677	1.38
Nokian Renkaat	365,000	10,895,250	2.62
Poyry	649,035	10,689,606	2.57
Ramirent	650,000	4,322,500	1.04
Vacon	300,000	7,725,000	1.86
Vaisala 'A' Shares	166,565	4,097,499	0.99
Yit-Yhtyma	200,000	3,172,000	0.76
		54,274,532	13.05
France (2007: 2.98%)			
Cegedim	92,780	4,750,336	1.14
Guerbet	61,142	7,337,651	1.76
Silic	33,500	2,725,225	0.66
		14,813,212	3.56
Germany (2007: 5.37%)			
Elringklinger	50,000	2,931,500	0.71
Fuchs Petrolub	132,500	7,897,000	1.90
GFK	399,650	10,858,491	2.61
Rational	24,772	3,070,985	0.74
		24,757,976	5.96
Greece (2007: 5.56%)			
Frigoglass	548,489	8,282,184	1.99
Hellenic Exchange Holdings	299,984	2,447,869	0.59
		10,730,053	2.58
Ireland (2007: 0.88%)			
Kenmare Resources	8,485,000	4,468,888	1.07
		4,468,888	1.07
Italy (2007: 2.51%)			
Azimut Holdings	900,000	4,936,500	1.19
Saes Getters Di Risip	350,000	4,102,000	0.99
		9,038,500	2.18
Netherlands (2007: 7.69%)			
Arcadis	714,900	10,223,070	2.46
Imtech	331,318	4,900,193	1.18
Smit International	150,000	9,306,000	2.24
		24,429,263	5.88

MONTANARO EUROPEAN SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS

MONTANARO EUROPEAN SMALLER COMPANIES FUND (Continued)

As at 30 June 2008

Financial assets at fair value through profit or loss	Shares/Par	Fair Value €	% of Net Assets
Common Stock (2007: 98.52%) (Continued)			
Norway (2007: 3.23%)			
TGS Nopec Geophysical	700,000	6,192,600	1.49
		6,192,600	1.49
Spain (2007: 2.29%)			
Prosegur Cia Segures	395,000	10,732,150	2.58
		10,732,150	2.58
Sweden (2007: 8.03%)			
Angpanneforeningen	325,000	5,786,016	1.39
D. Carnegie & Co	800,000	6,804,281	1.64
Raysearch	1,265,220	3,168,187	0.76
Skistar	468,450	4,380,290	1.05
Sweco	963,535	5,293,796	1.27
		25,432,570	6.11
Switzerland (2007: 1.44%)			
Belimo Holding	7,273	4,704,234	1.13
		4,704,234	1.13
United Kingdom (2007: 39.52%)			
Albemarle & Bond	1,216,250	3,136,136	0.75
Aquarius Platinum	400,000	4,175,602	1.00
BPP Holdings	1,043,362	6,317,822	1.52
Brewin Dolphin	2,102,242	3,003,392	0.72
Care UK	871,700	4,071,489	0.98
Chemring Group	311,634	9,199,238	2.21
Chloride Group	3,450,000	11,500,725	2.77
Consort Medical	900,000	6,755,393	1.62
Croda International	675,000	5,407,153	1.30
Dana Petroleum	250,000	5,925,949	1.43
Dignity	966,500	9,052,936	2.18
Domino's Pizza	2,500,000	5,668,916	1.36
DTZ Holdings	1,129,871	2,747,353	0.66
Fisher & Sons	997,259	7,233,808	1.74
Genus	950,137	9,744,688	2.34
Latchways	338,326	3,670,498	0.88
NCC Group	1,210,000	6,191,195	1.49
Northgate	379,100	1,640,360	0.39
Ocean Wilson Holdings	515,000	5,602,826	1.35
Phoenix IT Group	1,409,000	5,261,309	1.27
Premier Oil	100,000	2,043,648	0.49
Primary Health Properties	900,000	3,179,008	0.76
Raymarine	900,000	1,561,120	0.38
Rensburg Sheppards	510,000	3,409,865	0.82
Ricardo	1,703,235	6,854,194	1.65
RPS Group	2,350,000	8,952,946	2.15

MONTANARO EUROPEAN SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS

MONTANARO EUROPEAN SMALLER COMPANIES FUND (Continued)

As at 30 June 2008

Financial assets at fair value through profit or loss	Shares/Par	Fair Value €	% of Net Assets
Common Stock (2007: 98.52%) (Continued)			
United Kingdom (2007: 39.52%) (Continued)			
Scott Wilson Group	1,745,000	4,881,465	1.17
Senior	1,500,000	1,892,267	0.46
Severfield Rowen	1,203,246	3,601,238	0.87
Shaftesbury	332,740	1,619,206	0.39
Superglass Holdings	2,347,194	2,087,513	0.50
Victrex	900,000	8,469,787	2.04
VP	850,000	2,779,898	0.67
Wilmington Group	2,310,065	5,391,220	1.30
WSP Group	882,485	5,816,809	1.41
		178,846,972	43.02
Total Common Stock (2007: 98.52%)		400,204,923	96.25
Investments in other UCITS Collective Investment Schemes (2007: 0.34%)			
Montanaro European Equity Income Fund	1,262,626	828,157	0.20
Montanaro Absolute Return Fund	1,059,392	845,501	0.20
Total Collective Investment Schemes (2007: 0.34%)		1,673,658	0.40
Total financial assets at fair value through profit or loss		401,878,581	96.65
Cash at bank (2007: 1.77%)		16,506,338	3.97
Other net liabilities (2007: (0.63%))		(2,587,624)	(0.62)
Total net assets attributable to holders of redeemable participating shares		415,797,295	100.00

MONTANARO EUROPEAN SMALLER COMPANIES PLC

**SCHEDULE OF INVESTMENTS
MONTANARO ABSOLUTE RETURN FUND**

As at 30 June 2008

Financial assets at fair value through profit or loss	Shares/Par	Fair Value €	% of Net Assets
Common Stock (2007: 96.51%)			
Austria (2007: 5.03%)			
Andritz	1,250	51,263	1.29
Palfinger	4,000	83,960	2.11
Schoeller Bleckmann	1,750	116,673	2.93
		251,896	6.33
Finland (2007: 11.19%)			
Konecranes International	5,000	126,950	3.19
Nokian Renkaat	3,000	89,550	2.25
Poyry	7,000	115,290	2.90
Ramirent	7,500	49,875	1.25
Vacon	3,000	77,250	1.94
		458,915	11.53
France (2007: 1.64%)			
Cegedim	1,500	76,800	1.93
		76,800	1.93
Germany (2007: 6.29%)			
Fuchs Petrolub	1,000	59,600	1.50
GFK	5,000	135,850	3.42
KSB	150	59,280	1.49
		254,730	6.41
Ireland (2007: 1.75%)			
Kenmare Resources	100,000	52,668	1.32
		52,668	1.32
Italy (2007: 2.55%)			
Azimut Holdings	12,000	65,820	1.65
		65,820	1.65
Netherlands (2007: 12.00%)			
Arcadis	7,500	107,250	2.70
Boskalis Westminster	1,000	33,030	0.83
Fugro	2,000	106,300	2.67
Grontmij	1,500	40,350	1.01
Imtech	5,000	73,950	1.86
Smit International	2,000	124,080	3.12
		484,960	12.19
Norway (2007: 5.08%)			
TGS Nopec Geophysical	10,000	88,466	2.22
		88,466	2.22
Spain (2007: 3.50%)			
Prosegur Cia Segures	6,000	163,020	4.10
		163,020	4.10
Sweden (2007: 7.84%)			
D. Carnegie & Co	10,000	85,054	2.14
Raysearch	12,000	30,049	0.76
		115,103	2.90

MONTANARO EUROPEAN SMALLER COMPANIES PLC

**SCHEDULE OF INVESTMENTS
MONTANARO ABSOLUTE RETURN FUND (Continued)**

As at 30 June 2008

Financial assets at fair value through profit or loss	Shares/Par	Fair Value €	% of Net Assets
Common Stock (2007: 96.51%) (Continued)			
United Kingdom (2007: 34.71%) (Continued)			
Care UK	15,000	70,061	1.76
Chloride Group	35,000	116,673	2.94
Consort Medical	15,000	112,590	2.83
Domino Printing	30,000	107,102	2.69
Genus	5,000	51,280	1.29
NCC Group	30,000	153,501	3.86
Northgate	6,000	25,962	0.65
Phoenix IT Group	25,000	93,352	2.35
RPS Group	15,000	57,146	1.44
Scott Wilson Group	25,000	69,935	1.76
Severfield Rowen	25,000	74,823	1.88
Victrex	15,000	141,163	3.56
		1,073,588	27.01
Future (2007: 0.00%)			
DJ EuroStoxx 50 - Sept 2008		32,460	0.82
		32,460	0.82
Total financial assets at fair value through profit or loss		3,118,426	78.41
Cash at bank (2007: (12.77%))		806,984	20.28
Other net assets (2007: 16.26%)		52,116	1.31
Total net assets attributable to holders of redeemable participating shares		3,977,526	100.00

MONTANARO EUROPEAN SMALLER COMPANIES PLC

**SCHEDULE OF INVESTMENTS
MONTANARO EUROPEAN EQUITY INCOME FUND**

As at 30 June 2008

Financial assets at fair value through profit or loss	Shares/Par	Fair Value £	% of Net Assets
Common Stock (2007: 98.07%)			
Austria (2007: 2.11%)			
Andritz	4,000	130,020	3.39
		130,020	3.39
Finland (2007: 22.46%)			
Konecranes International	6,500	130,809	3.40
Nordic Aluminium	7,500	121,864	3.17
Orion	12,500	123,945	3.22
Poyry	12,500	163,179	4.24
Ramirent	18,500	97,511	2.54
Vacon	6,000	122,459	3.18
		759,767	19.75
France (2007: 0.00%)			
Neopost	2,500	132,703	3.45
Silic	1,750	112,838	2.93
		245,541	6.38
Germany (2007: 6.89%)			
Rational	1,000	98,260	2.55
Wincor Nixdorf	3,500	121,646	3.16
		219,906	5.71
Greece (2007: 3.60%)			
Profile Systems & Solutions	56,250	68,660	1.79
		68,660	1.79
Italy (2007: 7.10%)			
Saes Getters Di Risp	10,000	112,075	2.91
		112,075	2.91
Netherlands (2007: 16.40%)			
Arcadis	15,000	170,015	4.42
Eurocommercialprop	5,000	119,645	3.11
Exact Holdings	10,000	149,883	3.90
Imtech	5,000	58,614	1.52
Smit International	4,000	196,695	5.11
		694,852	18.06
Sweden (2007: 14.18%)			
Angpanneforeningen	13,000	183,464	4.77
D. Carnegie & Co	18,500	124,731	3.24
Skistar	20,000	148,245	3.85
Sweco	36,000	156,788	4.08
		613,228	15.94
Switzerland (2007: 2.63%)			
Belimo Holding	200	102,541	2.67
		102,541	2.67

MONTANARO EUROPEAN SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS

MONTANARO EUROPEAN EQUITY INCOME FUND (Continued)

As at 30 June 2008

Financial assets at fair value through profit or loss	Shares/Par	Fair Value £	% of Net Assets
Common Stock (2007: 98.07%) (Continued)			
United Kingdom (2007: 10.44%)			
BPP Holdings	30,000	144,000	3.75
Severfield Rowen	38,000	90,155	2.35
Wilmington Group	59,438	109,960	2.86
		344,115	8.96
Total financial assets at fair value through profit or loss		3,290,705	85.56
Cash at bank (2007: 2.43%)		498,054	12.95
Other net assets (2007: (0.50%))		57,270	1.49
Total net assets attributable to holders of redeemable participating shares		3,846,029	100.00

MONTANARO EUROPEAN SMALLER COMPANIES PLC
MONTANARO EUROPEAN SMALLER COMPANIES FUND

PORTFOLIO CHANGES – LARGEST 20 ACQUISITIONS (UNAUDITED)

Period from 1 January 2008 to 30 June 2008

	Nominal	Cost €
WSP Group	882,485	6,471,245
Vacon	145,000	4,047,384
Elringklinger	50,000	3,840,488
JM Bygg & Fastigh	300,000	3,601,890
Rational	24,772	3,432,035
Silic	33,500	3,090,280
Ricardo	615,000	2,684,385
Domino's Pizza	1,000,000	2,538,282
Ramirent	250,000	2,528,760
Arcadis	65,000	2,451,794
Prosafe	200,000	2,207,306
Shaftesbury	332,740	2,163,516
Schoeller Bleckmann	38,000	2,160,362
Senior	1,500,000	2,120,596
Premier Oil	100,000	2,114,832
Nokian Renkaat	65,000	2,049,933
Wilmington Group	768,972	1,776,789
RPS	380,000	1,557,775
Frigoglass	67,711	1,478,748
TGS Nopec	150,000	1,432,719

PORTFOLIO CHANGES – LARGEST 20 DISPOSALS (UNAUDITED)

Period from 1 January 2008 to 30 June 2008

	Nominal	Proceeds €
Prosafe	886,200	7,428,384
Nokian Renkaat	275,000	6,908,297
Grontmij	275,711	6,545,510
Genus	618,222	6,532,673
Jumbo	325,000	6,258,834
Detica	1,651,814	5,717,127
Rational	44,130	5,471,649
Aquarius Platinum	650,000	5,294,688
Aker Yards	615,000	5,192,324
Tullow Oil	600,000	4,912,186
Elekt	450,000	4,823,232
Schoeller Bleckmann	82,650	4,365,452
Zentiva	130,000	4,173,975
Domino Printing	1,082,104	4,140,644
Prosegur Cia Segures	175,000	4,069,758
Eaga	2,246,651	3,777,782
H&R Wasag	232,888	3,673,945
Konecranes International	130,000	3,444,139
Boskalis Westminster	90,000	3,320,155
Wavin	400,000	2,943,258

MONTANARO EUROPEAN SMALLER COMPANIES PLC
MONTANARO ABSOLUTE RETURN FUND

PORTFOLIO CHANGES – LARGEST 20 ACQUISITIONS (UNAUDITED)

For the period ended 30 June 2008

	Nominal	Cost
		€
Cegedim	1,500	83,890
Vacon	3,000	81,763
JM Bygg & Fastigh	5,000	59,158
Genus	5,000	54,570
Andritz	1,250	49,906
Severfield Rowen	10,000	40,831
Arcadis	1,000	38,407

PORTFOLIO CHANGES – LARGEST 20 DISPOSALS (UNAUDITED)

For the period ended 30 June 2008

	Nominal	Proceeds
		€
M.P. Evans	25,000	147,074
Aquarius Platinum	13,500	142,688
Elekta	10,000	113,336
Jumbo	5,000	95,710
Nokian Renkaat	3,000	82,155
Prosafe	10,000	65,342
Guerbet	500	56,508
JM Bygg & Fastigh	5,000	45,761
Dana Petroleum	2,500	45,125
Tullow Oil	5,000	41,324
Prosafe Production	10,000	39,219
Hellenic	3,500	35,779
Grontmij	1,000	23,894

MONTANARO EUROPEAN SMALLER COMPANIES PLC
MONTANARO EUROPEAN EQUITY INCOME FUND

PORTFOLIO CHANGES – LARGEST 20 ACQUISITIONS (UNAUDITED)

For the period ended 30 June 2008

	Nominal	Cost £
Ramirent	18,500	164,429
Sweco	36,000	161,165
Arcadis	5,000	153,332
Poyry	12,500	146,956
Euro commercial properties	5,000	137,954
Wincor Nixdorf	3,500	125,987
Neopost	2,500	124,904
Vacon	6,000	121,598
Silic	1,750	118,094
Konecranes International	6,500	117,014
Andritz	4,000	115,129
Wilmington	59,438	109,983
Rational	1,000	109,923
JM Bygg & Fastigh	10,000	103,982
BPP	15,000	77,037
Imtech	5,000	71,128
Severfield Rowen	10,000	32,351

PORTFOLIO CHANGES – LARGEST 20 DISPOSALS (UNAUDITED)

For the period ended 30 June 2008

	Nominal	Proceeds £
Raute	30,000	317,449
Spirax-Sarco	17,000	165,021
Grammer	12,000	159,384
Wilh Wilhelmsen	10,000	159,261
Eriks	4,500	156,322
Nordic Aluminium	7,500	146,615
Beter Bed	13,448	142,663
Gesco	4,000	133,891
ABG Sundal Collier	140,000	130,889
Recordati	35,000	129,082
Aquarius Platinum	15,000	120,489
Marimekko	10,000	107,127
Prosafe	20,000	103,514
Semperit	5,000	99,812
Boliden	17,500	90,238
JM Bygg & Fastigh	10,000	72,733
Prosafe Production	20,000	62,138
Orion	5,000	60,205
Profile Systems & Software	13,750	18,749
JM	10,000	3,827