

MONTANARO SMALLER COMPANIES PLC

**ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

TABLE OF CONTENTS	PAGE
Management and Other Information	1
Directors' Report	2
Depositary Report to the Shareholders	8
Performance Summary	9
Investment Manager's Review	12
Independent Auditor's Report	14
Statement of Financial Position	23
Statement of Comprehensive Income	25
Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares	27
Notes to the Financial Statements	29
Schedule of Investments	48
Portfolio Changes (unaudited)	53
Total Expense Ratios (unaudited)	57
Portfolio Turnover Rates (unaudited)	58
Remuneration Disclosure (unaudited)	59
Sustainable Finance Disclosure Regulation ("SFDR") Disclosures (unaudited)	60

MONTANARO SMALLER COMPANIES PLC

MANAGEMENT AND OTHER INFORMATION

Directors

Gavin Caldwell (Irish)* (Chairman) †
Cedric Durant des Aulnois (French)
Lisa Martensson (Swedish)* †
Matthew Francis (British)
John Ensor (British)**

Investment Manager

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

Depository

The Bank of New York Mellon SA/NV, Dublin Branch
Riverside II
Sir John Rogerson's Quay
Grand Canal Dock
Dublin 2
Ireland

Administrator

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

Secretary****

Goodbody Secretarial Limited
3 Dublin Landings
North Wall Quay
IFSC
Dublin 1
Ireland

Swiss Representative Office*****

Waystone Fund Services (Switzerland) SA
Avenue Villamont 17
1005 Lausanne
Switzerland

Listing Sponsor

Matheson
70 Sir John Rogerson's Quay
Dublin 2
Ireland

Manager

KBA Consulting Management Limited***
35 Shelbourne Road
Ballsbridge
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D04 A4E0
Ireland

Independent Auditor

Deloitte Ireland LLP
29 Earlsfort Terrace
Dublin 2, D02 AY28
Ireland

Legal Advisor

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

Legal Advisor*****

As to Irish Law
A&L Goodbody LLP
3 Dublin Landings
North Wall Quay
IFSC
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Ireland

Registered Office****

Goodbody Secretarial Limited
3 Dublin Landings
North Wall Quay
IFSC
Dublin 1
Ireland

Swiss Paying Agent

NPB New Private Bank Ltd
Limmatquai 1 am Bellevue
Post Box
8024 Zurich
Switzerland

*Independent non-executive Directors.

†Irish Resident.

**Alternate Director for Matthew Francis.

***Effective 12 December 2022, the address of the Manager, changed from 5 George's Dock, IFSC, Dublin 1, Ireland, Ireland to 35 Shelbourne Road, Ballsbridge, D04 A4E0, Ireland.

****Effective 1 September 2022, the address of the Legal Advisor, Secretary and Registered Office changed from North Wall Quay, IFSC, Dublin 1, Ireland to 3 Dublin Landings IFSC, North Wall Quay, IFSC, Dublin 1, Ireland.

*****The Prospectus, the Articles of Incorporation, Key Investor Information Document, the Annual and Semi-Annual Reports, as well as a list presenting all acquisitions and disposals carried out during the period considered can be obtained without expense from the Representative in Switzerland.

MONTANARO SMALLER COMPANIES PLC

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors present, herewith, their annual report for the financial year ended 31 December 2022.

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 Montanaro Smaller Companies Plc (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;
- make judgements and estimates that are reasonable and prudent;
- 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 (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) Regulations 2019, (the "Central Bank UCITS Regulations") and the Euronext Dublin Code of Listing Requirements and Procedures for Investment Funds. 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. 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

DIRECTORS' REPORT (continued)

Background

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:

Funds/Share Classes	Countries of Registration	
Montanaro European Smaller Companies Fund (All Share Classes)	Ireland	United Kingdom
	Italy (Institutional Investors only)	
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
Montanaro European MidCap Fund (All Share Classes)	Finland	Sweden
	France	Switzerland
	Ireland	United Kingdom

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

MONTANARO SMALLER COMPANIES PLC

DIRECTORS' REPORT (continued)

Right to Publicly Market Shares in Germany (continued)

No notification has been filed with BaFin 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) and the Montanaro European MidCap Fund.

Results for the financial year ended 31 December 2022

The results for the financial year are set out in the Statement of Comprehensive Income on page 25 and the Statement of Financial Position of the Company is set out on page 23.

As at 31 December 2022, the Net Asset Value ("NAV") of the Company was €2,125,206,818 (31 December 2021: €3,229,256,955).

Business Review and Future Developments

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 9 to 11. In addition, the Investment Manager's Review on pages 12 to 13 sets out the objectives of each Fund.

Environmental, Social and Governance Considerations

The sub-funds of Montanaro Smaller Companies Plc promote environmental and/or social characteristics and are therefore subject to the sustainability-related disclosure rules set out in Article 8 of the EU Sustainable Finance Disclosure Regulation ("SFDR").

Further information about the environmental and/or social characteristics of the sub-funds are set out in the SFDR unaudited appendix to the financial statements on page 60.

Dividends and Distributions

The following distributions were paid during the financial years ending 31 December 2022 and 31 December 2021:

Fund	31 December 2022	31 December 2021
Montanaro European Smaller Companies Fund	€Nil	€Nil
Montanaro European MidCap Fund	€Nil	€Nil

Directors

The Directors of the Company as at 31 December 2022 are stated on page 1.

Directors' & Secretary's Interests

Cedric Durant des Aulnois, a Director of the Company, held Shares in the Montanaro Smaller Companies Plc as at 31 December 2021.

No other Directors, nor the Secretary, had any interest in the Shares or deferred Shares of the Company as at 31 December 2022 and 31 December 2021.

No other Director of the Company had at any time during the financial year a material interest in any contract of significance, existing during or at the end of the financial year, in relation to the business of the Company.

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 2021: £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.

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.

MONTANARO SMALLER COMPANIES PLC

DIRECTORS' REPORT (continued)

Risk Management, Objectives and Policies, Uncertainties

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 and the financial instruments utilised is provided in Note 8 to the financial statements.

The investment objectives of the Funds are set out in the Investment Manager's review and Note 8 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.

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Funds' financial performance.

Impact of Russia Ukraine Conflict

The invasion of Ukraine by Russia on 24 February 2022 has created extensive uncertainty on the political and economic front with sanctions being imposed on Russia and allies such as Belarus. The Directors, the Manager and the Investment Manager continue to monitor the sanctions activity globally to ensure the portfolios are in adherence. Currently the Funds are not exposed to Russian or Ukrainian assets, nor any other sanctioned holdings. The Directors, the Manager and the Investment Manager, in conjunction with the Administrator, monitor the investor base with respect to sanctions and, if any sanctioned investors are identified, will ensure timely remediation in line with appropriate policies and procedures in place.

Going Concern

The Company has considerable financial resources in the form of highly liquid investments and cash balances. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements.

Events during the Financial Year

Please refer to Note 16 Events during the Financial Year on page 46.

Events since the Financial Year End

Please refer to Note 17 Events since the Financial Year End on page 47.

Independent Auditor

The Independent Auditor, Deloitte Ireland LLP, was appointed by Montanaro Smaller Companies Plc on 19 August 2021. Deloitte Ireland LLP have indicated their willingness to continue in office in accordance with Section 383 (2) of the Companies Act.

Audit Committee

The Directors are aware of Section 167 of the Companies Act which require certain companies to establish an audit committee. The Company as a Public Interest Entity and a UCITS is exempted by Regulation 115 of the 2016 Audits Regulations from establishing an audit committee.

Connected Persons

Regulation 43 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 82(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 43(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 43(1).

MONTANARO SMALLER COMPANIES PLC

DIRECTORS' REPORT (continued)

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.

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 UCITS Regulations.

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, 3 Dublin Landings, North Wall Quay, IFSC Dublin 1 and at the Companies Registration Office in Ireland;
- (iii) The Central Bank in their UCITS Regulations, 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 Dublin Code of Listing Requirements and Procedures for Investment Funds, 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.

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, and approved by the Board. The annual financial statements of the Company are required to be filed with the Central Bank, Euronext Dublin and the Companies Registration Office. 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 considerations of 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.

MONTANARO SMALLER COMPANIES PLC

DIRECTORS' REPORT (continued)

Corporate Governance Statement (continued)

Dealings with Shareholders (continued)

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 seven 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.

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 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:

Gavin Caldwell
Director
23 March 2023

Lisa Martensson
Director

REPORT FROM THE DEPOSITARY TO THE SHAREHOLDERS DATED 31 DECEMBER 2022

For the period from 1 January 2022 to 31 December 2022 (the “Period”)

The Bank of New York Mellon SA/NV, Dublin Branch (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 and solely 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
The Bank of New York Mellon SA/NV, Dublin Branch,
Riverside II,
Sir John Rogerson’s Quay,
Grand Canal Dock,
Dublin 2
Ireland**

Date: 23 March 2023

Registered in Ireland No. 907126, VAT No. IE9578054E

The Bank of New York Mellon SA/NV, trading as The Bank of New York Mellon SA/NV, Dublin Branch is authorised by the National Bank of Belgium regulated by the Central Bank of Ireland for conduct of business rules.

The Bank of New York Mellon SA/NV, 46 Rue Montoyerstraat, B-1000 Brussels, Belgium - Tel. (32) 2 545 81 11, V.A.T. BE 0806.743.159 - RPM-RPR Brussels Company No. 0806.743.159. The Bank of New York Mellon SA/NV is a Belgian limited liability company, authorized and regulated as a significant credit institution by the European Central Bank and the National Bank of Belgium under the Single Supervisory Mechanism and by the Belgian Financial Services and Markets Authority.

MONTANARO SMALLER COMPANIES PLC

PERFORMANCE SUMMARY

	Montanaro European Smaller Companies Fund							
	EUR	EUR (Acc)	GBP	GBP (Inst)	USD	EUR (Inst)	EUR (Inst, Acc)	SEK (Acc)
31/12/22 NAV per share	6.681	6.415	5.981	6.295	3.388	6.874	7.319	23.967
2022 - 12 month Fund NAV return ⁽¹⁾	-33.4%	-33.4%	-29.6%	-29.1%	-37.5%	-32.9%	-32.7%	-28.1%
2022 - 12 month Benchmark return ⁽²⁾	-24.4%	-24.4%	-20.1%	-20.1%	-29.0%	-24.4%	-24.4%	-18.2%
3 year annualised return – Fund ⁽¹⁾	-1.8%	-1.9%	-0.3%	0.8%	-3.4%	-1.2%	-0.2%	0.1%
3 year annualised return – Benchmark ⁽²⁾	-1.7%	-1.7%	-0.2%	-0.2%	-3.4%	-1.7%	-1.7%	0.2%

	Montanaro European MidCap Fund	
	EUR	EUR (Inst, Acc)
31/12/22 NAV per share	2.377	2.543
2022 - 12 month Fund NAV return ⁽¹⁾	-28.4%	-27.8%
2022 - 12 month Benchmark return ⁽²⁾	-21.5%	-21.5%
3 year annualised return - Fund ⁽¹⁾	-0.7%	-0.3%
3 year annualised return – Benchmark ⁽²⁾	-3.2%	-3.2%

⁽¹⁾ Source: Montanaro. NAV to NAV, unrounded.

⁽²⁾ The relevant benchmark information for the Sub-Funds and Share Classes can be found on pages 12 to 13. Source for benchmark returns: Bloomberg, MSCI.

MONTANARO SMALLER COMPANIES PLC

PERFORMANCE SUMMARY (continued)

Review

As the global pandemic of Covid-19 eased, some commentators suggested an economic boom was on the cards. Freed from lockdown, the world was ready to party: “Goodbye virus...hello Roaring Twenties⁽¹⁾” screamed one hopeful article in the Financial Times. You only had to look back a century to the boom that followed the 1918 pandemic (Spanish Flu) to see what would follow: a hedonistic decade of economic growth and stock market excess spurred by technological innovation (the car and the radio); “the illicit thrill of Prohibition moonshine and the un-girdling of women”¹. London had its “Bright Young Things”, New York the Jazz Age of The Great Gatsby.

While economic growth initially rebounded faster from the impact of Covid than many had expected, 2022 brought surprises that derailed this trajectory. The first war in Europe since the Second World War brought with it rising oil prices and inflation unseen in a generation. The era of easy money came to an abrupt halt. The mood music changed. It was as brutal a start to a year as we can remember.

Our Funds recorded one of the worst months ever in relative terms in January 2022. The reason for this was a dramatic style rotation from Growth to Value, one of the fastest that we have witnessed in over 30 years of managing Small and MidCap portfolios. The swift change in sentiment was due to a burst of global inflation, which stoked fears of interest rate rises and disproportionately hurt long duration assets, notably Growth Small and MidCap equities.

The year did not get much better for Quality Growth managers as recessionary fears mounted. Exacerbated by the dreadful war in Ukraine, investors sought refuge in larger companies. The result was our worst year looking after investments for our clients since 2008 on an absolute basis and our worst relative year since the Eurozone crisis of 2013. Usually, our Portfolios hold up well in market downturns due their high quality. Not so this time. The rotation out of SmallCap, Quality and Growth was a “perfect storm”.

It is never nice to report such disappointing results and for this we are sorry. Yet as we note below, the outlook offers us hope for the months ahead.

Performance of Funds (all figures quoted in Euros)

The NAV of the Euro Class of the **Montanaro European Smaller Companies Fund** fell by 33.4% in 2022, an underperformance of 9% relative to the MSCI Europe Small Cap benchmark index. The Fund suffered from the severe headwinds experienced by the Quality and Growth styles, against a backdrop of rising interest rates.

The strongest contributors were 4imprint, the supplier of promotional merchandise in the US and the UK; MTU Aero Engines, the German maker of commercial aircraft engines; and Ideagen, a UK supplier of compliance software which was taken over by HG Capital at a premium of 46%.

The largest detractors were MIPS, the Swedish manufacturer of safety inserts for helmets; Thule, the world leader in roof boxes for cars; and Marshalls, the UK’s leading hard landscaping manufacturer.

The NAV of the Euro Class of the **Montanaro European MidCap Fund** declined by 28.4% during the year, an underperformance of 6.9% relative to the Stoxx Europe Mid 200 benchmark index. Like the other sub-funds, the MidCap Fund suffered from the severe underperformance of the Quality and Growth styles against a backdrop of rising interest rates.

The strongest contributors were Edenred, the French company behind the invention of the ‘Ticket Restaurant’; MTU Aero Engines, the German maker of commercial aircraft engines; and Galenica, the Swiss pharmacy chain.

The largest detractors were Dechra Pharmaceuticals, the UK animal health specialist; Teleperformance, the leading global call centre and business process outsourcing provider which was accused of poor labour practices in Colombia; and Temenos, the Swiss provider of banking software.

1 “The need for a damned good party”, *Financial Times*, 1 January 2021

MONTANARO SMALLER COMPANIES PLC

PERFORMANCE SUMMARY (continued)

Outlook

How to think about the months ahead from an investment perspective? Perhaps like the Aymara Tribe in South America, we should walk backwards into the future. In their culture, the most important feature of time is what we know: *“we can see the present and the past; they are laid out before us...anything we know or believe about the future is based on inference from what we have experienced in the present or the past...when making plans for the future, we should take much the same attitude as if we were walking backwards into unknown terrain”*². As an investment house founded by an anthropologist, we find such a philosophy appealing.

With this in mind, what do we know and how can this inform our thinking? Many P/E valuations halved in 2022 and are back to 2016 levels or even 2008. Equity values are more attractive in our Quality Growth segment of the market than it has been for years. We also know that inflation dramatically rose last year but appears to have peaked last June. This suggests that monetary policy may be having the desired effect. If this trend continues, central bankers may refrain from further tightening.

We also know that economic growth has slowed, with some regions possibly entering into recession. In such an environment, it is likely that the earnings of equity markets will decline this year. And here comes the nub of our outlook: in such an environment, the well capitalised quality companies in which we invest should deliver *better* earnings growth than the wider market. As we walk (backwards) into the future, we can have confidence in the resilience of our companies and that, after a very difficult year, they are well placed to deliver attractive returns to our investors over the long term as they have in the past.

Montanaro Asset Management Limited
March 2023

² *What We Owe The Future*, William Macaskill

MONTANARO 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, the United Kingdom, Iceland, Norway and Switzerland whose market capitalisation shall not exceed that of the largest market capitalisation of any of the constituents of the Benchmark at the time of initial investment. No unquoted investments are permitted.

Performance Review

See Performance Summary on pages 9 to 11.

Montanaro Asset Management Limited
March 2023

MONTANARO 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, the United Kingdom, Iceland, Norway and Switzerland whose market capitalisation shall not exceed that of the largest unadjusted market capitalisation of any of the constituents of the Benchmark at the time of initial investment. No unquoted investments are permitted.

Performance Review

See Performance Summary on pages 9 to 11.

Montanaro Asset Management Limited
March 2023

Independent auditor's report to the members of Montanaro Smaller Companies Plc

Report on the audit of the financial statements

Opinion on the financial statements of Montanaro Smaller Companies Plc (the 'company')

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 2022 and of the loss for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Statement of Financial Position;
- the Statement of Comprehensive Income;
- the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares; and
- the related notes 1 to 20, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council ("the relevant financial reporting framework").

The applicable regulations that have been applied in their preparation is the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 and Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations, 2019 ("the Applicable Regulations").

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 described below 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 the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to public interest entities, 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.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none">• Valuation of financial assets at fair value through profit and loss• Existence of financial assets at fair value through profit and loss
Materiality	The materiality that we used in the current year was 1% of Average Net Assets determined in respect of each Sub-Fund.
Scoping	Our audit is a risk-based approach taking into account the structure of the company, types of investments, the involvement of the third-party service providers, the accounting processes and controls in place and the industry in which the company operates.
Significant changes in our approach	There are no significant changes to our approach which we feel require disclosure.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- As part of our risk assessment procedures, we obtained an understanding of the relevant controls in place regarding going concern as part of our audit risk assessment procedures.
- Held discussions with management on the directors' going concern assessment, the future plans for the company and the feasibility of those plans.
- Challenged the reasonableness of the key assumptions applied by the directors in their assessment.
- Reviewed all board meeting minutes during the period up to the date of approval of the financial statements, for evidence of any discussions and/or decisions that could impact the company's ability to continue as a going concern.
- Reviewed the capital activity and NAV movements, subsequent to the financial year end.
- Assessed the adequacy of the relevant going concern disclosures made in the annual accounts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability to continue as a going concern for a period of at least twelve months from when the annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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.

Valuation of financial assets at fair value through profit and loss

Key audit matter description



For the financial year ended, the financial assets and liabilities at fair value through profit or loss of the company is €2.085 billion representing 98.1% of total net assets €2.125 billion. The valuation of financial assets and liabilities at fair value through profit or loss is considered a key audit matter as financial assets and liabilities at fair value through profit or loss represents a significant balance on the Statement of Financial Position.

There is a risk that financial assets and liabilities at fair value through profit or loss are valued incorrectly, inappropriate valuation methodologies are applied, and the use of inappropriate assumptions could result in the valuation being materially misstated.

Refer also to note 1 and note 8 in the financial statements.

How the scope of our audit responded to the key audit matter



We have performed the following procedures to address the key audit matter:

- We obtained the BNY Mellon Fund Services (Ireland) Designated Activity Company SOC 1 Report in order to gain an understanding and evaluate the design, implementation, and operating effectiveness of key controls over the valuation process for financial assets and liabilities at fair value through profit or loss; and
- We independently valued the financial assets by using independent market feeds. We compared the prices published by independent pricing sources to the investment portfolio.

Existence of financial assets at fair value through profit and loss

Key audit matter description



For the financial year ended, the financial assets and liabilities at fair value through profit or loss of the company is €2.085 billion representing 98.1% of total net assets €2.125 billion. The existence of financial assets and liabilities at fair value through profit or loss is considered a key audit matter as financial assets and liabilities at fair value through profit or loss represents a significant balance on the Statement of Financial Position.

The existence of financial assets and liabilities at fair value through profit or loss is crucial to ensuring the financial statements are free from material misstatement.

Refer also to note 1 and note 8 in the financial statements.

How the scope of our audit responded to the key audit matter



- We have performed the following procedures to address the key audit matter:
- We obtained the BNY Mellon Fund Services (Ireland) Designated Activity Company SOC 1 Report in order to gain an understanding and evaluate the design, implementation, and operating effectiveness of key controls over the valuation process for financial assets and liabilities at fair value through profit or loss; and
 - We obtained independent confirmations from the depository and counterparties at the financial year end and agreed the amounts held to the investment portfolio.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Basis for determining materiality	1% of Average Net Assets of each Sub-Fund
Rationale for the benchmark applied	The Net Asset Value of the company is the primary indicator of the size and performance of the company and is considered the key area of interest for the shareholders, who are the primary users of the annual accounts. The use of the Average Net Asset Value is considered the industry practice benchmark for Investment Funds.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the annual accounts as a whole. Performance materiality was set at 50% of materiality for the 2022 audit. In determining performance materiality, we considered the following factors:

- our understanding of the company;
- the quality of the control environment;
- the nature and extent of misstatements identified in previous audits; and
- our expectations in relation to misstatements in the current period.

We agreed with the Board of Directors that we would report to them all audit differences in excess of 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit is a risk-based approach taking into account the structure of the company, types of investments, the involvement of the third parties service providers, the accounting processes and controls in place and the industry in which the company operates. The company is incorporated as an open-ended umbrella company with variable capital and is organised under the laws of Ireland as a public limited company pursuant to the Companies Act 2014. The company is authorised by the Central Bank of Ireland (“the Central Bank”) as a UCITS (Undertakings for Collective Investment in Transferable Securities) pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011. The company is organised as an umbrella fund with segregated liability between each Sub-Fund. We assess the risks of each Sub-Fund separately. We have conducted our audit based on the books and records maintained by the administrator BNY Mellon Fund Services (Ireland) Designated Activity Company at One Dockland Central, Guild Street, Dublin 1.

Other information

The other information comprises the information included in the Annual Report and Audited Financial Statements, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the Annual Report and Audited Financial Statements.

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.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors’ Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors 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 company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have 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.

A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at: <https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/>. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including IT and valuations regarding how and where fraud might occur in the annual accounts and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: Valuation of financial assets at fair value through profit and loss and Revenue Recognition. In common with all audits under ISAs (Ireland), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the annual accounts. The key laws and regulations we considered in this context included the Companies Act, Listing Rules and the Applicable Regulations.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the annual accounts but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included matters regulated by the Central Bank of Ireland.

Audit response to risks identified

As a result of performing the above, we identified 'Valuation of Investments' as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the annual accounts;
- enquiring of management and the Board of Directors concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with the Central Bank of Ireland;
- In addressing the risk of fraud in Revenue Recognition, independently valuing all securities using our own market feeds and completing an unrealised gain/loss reconciliation; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

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

- 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.
- The financial statements are in agreement with the accounting records.

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

Corporate Governance Statement required by the Companies Act 2014

We report, in relation to information given in the Corporate Governance Statement on pages 7 to 9 that:

- In our opinion, based on the work undertaken during the course of the audit, the information given in the Corporate Governance Statement pursuant to subsections 2(c) of section 1373 of the Companies Act 2014 is consistent with the company's statutory financial statements in respect of the financial year concerned and such information has been prepared in accordance with the Companies Act 2014. Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in this information.
- In our opinion, based on the work undertaken during the course of the audit, the Corporate Governance Statement contains the information required by Regulation [6(2) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended); and
- In our opinion, based on the work undertaken during the course of the audit, the information required pursuant to section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 is contained in the Corporate Governance Statement.

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 the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

The Listing Rules of the Euronext Dublin require us to review six specified elements of disclosures in the report to shareholders by the Board of Directors' remuneration committee. We have nothing to report in this regard.

Other matters which we are required to address

We were appointed by Board of Directors on 20 September 2021 to audit the financial statements for the 31 December 2021. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years, covering the years ending 31 December 2021 to 31 December 2022.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the company in conducting the audit.

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISA (Ireland) 260.

Use of our report

This 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.

Brian Forrester
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2
Date 23 March 2023

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		Montanaro European Smaller Companies Fund €	Montanaro European MidCap Fund €	Total* €
Current assets	Note			
Cash and cash equivalents	6	6,844,192	3,712,866	40,501,291
Financial assets at fair value through profit or loss	4			
- Equities		395,876,138	98,323,034	2,084,940,534
Dividends receivable		277,222	37,419	2,496,609
Receivable for fund Shares sold		101,557	14	884,999
Other receivables		582,896	146,092	2,290,709
Total current assets		<u>403,682,005</u>	<u>102,219,425</u>	<u>2,131,114,142</u>
Current liabilities				
Payable for fund Shares repurchased		(280,281)	(923)	(376,732)
Management fees payable	3	(2,121)	(540)	(10,369)
Investment management fees payable	3	(1,177,118)	(373,684)	(4,380,982)
Administration fees payable	3	(147,979)	(26,374)	(781,329)
Depository fees payable	3	(43,805)	(9,812)	(189,833)
Legal fees payable		(2,289)	(730)	(15,491)
Professional fees payable	3	(6,140)	(1,662)	(38,898)
Audit fees payable	3	(10,472)	(2,833)	(59,492)
Other accrued expenses payable	3	(9,165)	(1,390)	(54,198)
Total current liabilities		<u>(1,679,370)</u>	<u>(417,948)</u>	<u>(5,907,324)</u>
Net asset value attributable to holders of redeemable participating Shares		<u>402,002,635</u>	<u>101,801,477</u>	<u>2,125,206,818</u>

* See Note 1 Statement of Accounting Policies (h).

Total includes Funds not distributed in Switzerland.

Please refer to Note 15 for NAV and NAV per Share details.

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

On behalf of the Board of Directors:

Gavin Caldwell
 Director
 23 March 2023

Lisa Martensson
 Director

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		Montanaro European Smaller Companies Fund €	Montanaro European MidCap Fund €	Total* €
Current assets	Note			
Cash and cash equivalents	6	25,417,507	1,221,233	76,809,388
Financial assets at fair value through profit or loss	4			
- Equities		608,443,167	173,857,619	3,163,454,569
Dividends receivable		400,779	–	2,887,197
Receivable for fund Shares sold		103,281	–	451,848
Receivable for investments sold		–	2,361,114	2,361,114
Other receivables		563,210	116,326	1,855,155
Total current assets		<u>634,927,944</u>	<u>177,556,292</u>	<u>3,247,819,271</u>
Current liabilities				
Payable for fund Shares repurchased		(304,308)	(1,233,987)	(1,550,683)
Payable for investments purchased		–	(933,814)	(933,814)
Management fees payable	3	(8,747)	(2,552)	(45,284)
Investment management fees payable	3	(1,784,534)	(611,089)	(6,187,968)
Performance fees payable**	3	(5,743,450)	(3,141,946)	(8,885,396)
Administration fees payable	3	(140,130)	(25,953)	(645,547)
Depositary fees payable	3	(47,814)	(10,759)	(182,416)
Legal fees payable		(3,137)	(955)	(18,607)
Professional fees payable	3	(5,007)	(1,531)	(26,066)
Audit fees payable	3	(11,460)	(3,504)	(59,655)
Other accrued expenses payable	3	(9,283)	(133)	(26,880)
Total current liabilities		<u>(8,057,870)</u>	<u>(5,966,223)</u>	<u>(18,562,316)</u>
Net asset value attributable to holders of redeemable participating Shares		<u>626,870,074</u>	<u>844,885,286</u>	<u>3,229,256,955</u>

* See Note 1 Statement of Accounting Policies (h).

** Performance fees are accrued and taken into account in the calculation of the NAV on each dealing day when the performance fee conditions have been met. They crystallise at the financial year end of the Company, i.e. 31 December and daily on redemptions where applicable. Please refer to the Prospectus for further details.

Total includes Funds not distributed in Switzerland.

Please refer to Note 15 for NAV and NAV per Share details.

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

MONTANARO SMALLER COMPANIES PLC

STATEMENT OF COMPREHENSIVE INCOME

Financial year ended 31 December 2022

		Montanaro European Smaller Companies Fund €	Montanaro European MidCap Fund €	Total* €
Income	Note			
Net realised gain on financial assets at fair value through profit or loss and foreign exchange	1 (g)	8,248,268	5,749,313	55,716,375
Net change in fair value of financial assets at fair value through profit or loss and foreign exchange	1 (g)	(214,066,525)	(54,078,671)	(1,061,973,676)
Dividend income		7,133,353	2,340,967	56,001,419
Interest income		22,587	7,124	125,849
Investment income		<u>(198,662,317)</u>	<u>(45,981,267)</u>	<u>(950,130,033)</u>
Expenses				
Management fee	3	(26,646)	(7,415)	(148,580)
Investment management fees	3	(5,309,902)	(1,767,105)	(19,760,638)
Administration fees	3	(153,351)	(35,820)	(1,029,757)
Depository fees	3	(75,225)	(21,432)	(406,535)
Legal fees		(19,649)	(5,407)	(106,435)
Directors' fees	3	(11,213)	(3,190)	(63,116)
Professional fees	3	(10,941)	(2,660)	(117,405)
Audit fees		(10,589)	(2,496)	(59,491)
Other expenses	3	(110,780)	(25,613)	(503,584)
Total operating expenses		<u>(5,728,296)</u>	<u>(1,871,138)</u>	<u>(22,195,541)</u>
Net loss from operations		<u>(204,390,613)</u>	<u>(47,852,405)</u>	<u>(972,325,574)</u>
Withholding taxes		(447,761)	(132,681)	(2,218,922)
Finance costs				
Interest expense		(50,004)	(10,391)	(171,304)
Income distribution	5	–	–	(27,475,662)
Loss for the financial year		<u>(204,888,378)</u>	<u>(47,995,477)</u>	<u>(1,002,191,462)</u>

* See Note 1 Statement of Accounting Policies (h).

Total includes Funds not distributed in Switzerland.

Gains 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

STATEMENT OF COMPREHENSIVE INCOME

Financial year ended 31 December 2021

		Montanaro European Smaller Companies Fund €	Montanaro European MidCap Fund €	Total* €
Income	Note			
Net realised gain on financial assets at fair value through profit or loss and foreign exchange	1 (g)	28,990,283	30,320,635	162,883,198
Net change in fair value of financial assets at fair value through profit or loss and foreign exchange	1 (g)	111,962,698	14,893,232	561,079,763
Dividend income		5,599,698	1,774,790	50,968,775
Interest income		–	–	1,117
Investment income		146,552,679	46,988,657	774,932,853
Expenses				
Management fee	3	(8,747)	(2,552)	(45,284)
Investment management fees	3	(6,651,691)	(2,397,883)	(23,152,324)
Performance fees**	3	(5,743,450)	(3,141,946)	(8,885,396)
Administration fees	3	(172,858)	(45,513)	(1,070,825)
Depositary fees	3	(92,626)	(29,520)	(473,205)
Legal fees		(22,515)	(7,569)	(135,335)
Directors' fees	3	(11,551)	(3,857)	(63,191)
Professional fees	3	(9,315)	(3,063)	(76,105)
Audit fees		(9,912)	(2,855)	(60,419)
Other expenses	3	(113,748)	(32,149)	(535,583)
Total operating expenses		(12,836,413)	(5,666,907)	(34,497,667)
Net income from operations		133,716,266	41,321,750	740,435,186
Withholding taxes		(368,964)	(104,753)	(2,129,101)
Finance costs				
Interest expense		(65,914)	(20,326)	(205,347)
Income distribution	5	–	–	(25,618,922)
Profit for the financial year		133,281,388	41,196,671	712,481,816

* See Note 1 Statement of Accounting Policies (h).

** Performance fees are accrued and taken into account in the calculation of the NAV on each dealing day when the performance fee conditions have been met. They crystallise at the financial year end of the Company, i.e. 31 December and daily on redemptions where applicable. Please refer to the Prospectus for further details.

Total includes Funds not distributed in Switzerland.

Gains 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

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

Financial year ended 31 December 2022

	Note	Montanaro European Smaller Companies Fund €	Montanaro European MidCap Fund €	Total* €
Net assets value attributable to holders of redeemable participating Shares at the start of the financial year		626,870,074	171,590,069	3,229,256,955
Loss for the financial year		(204,888,378)	(47,995,477)	(1,002,191,462)
Proceeds from issuance of Shares		92,942,042	9,169,272	582,709,672
Payments on redemption of Shares		(112,921,103)	(30,962,387)	(684,568,347)
Net asset value attributable to holders of redeemable participating Shares at the end of the financial year		<u>402,002,635</u>	<u>101,801,477</u>	<u>2,125,206,818</u>

* See Note 1 Statement of Accounting Policies (h).

Total includes Funds not distributed in Switzerland.

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

MONTANARO SMALLER COMPANIES PLC

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

Financial year ended 31 December 2021

	Note	Montanaro European Smaller Companies Fund €	Montanaro European MidCap Fund €	Total* €
Net assets value attributable to holders of redeemable participating Shares at the start of the financial year		425,553,879	168,080,801	2,506,185,492
Profit for the financial year		133,281,388	41,196,671	712,481,816
Proceeds from issuance of Shares		169,047,808	4,269,144	881,183,438
Payments on redemption of Shares		(101,013,001)	(41,956,547)	(870,593,791)
Net asset value attributable to holders of redeemable participating Shares at the end of the financial year		<u>626,870,074</u>	<u>171,590,069</u>	<u>3,229,256,955</u>

* See Note 1 Statement of Accounting Policies (h).

Total includes Funds not distributed in Switzerland.

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

MONTANARO SMALLER COMPANIES PLC

NOTES TO THE FINANCIAL STATEMENTS

1. 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.

(a) Basis of Preparation

The financial statements for the financial year ended 31 December 2022 have been prepared on a going concern basis in accordance with the provisions of the Companies Act, 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) Regulations 2019 (the "Central Bank UCITS Regulations"), 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") and the listing rules of the Euronext Dublin. 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 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.

(b) 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.

(c) Fees and Charges

The investment manager's fee, 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.

(d) 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.

(e) 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.

(f) 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Statement of Accounting Policies (continued)

(g) 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”, (as amended) (“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.

(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 3 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Statement of Accounting Policies (continued)

(h) 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 and Montanaro European MidCap Fund use Euro as the presentation currency, in line with the functional currency.

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

31 December 2022

Average Euro/Pound Sterling 1.1728

Spot Euro/Pound Sterling 1.1271

31 December 2021

Average Euro/Pound Sterling 1.1628

Spot Euro/Pound Sterling 1.1910

(i) 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.

(j) 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.

(k) Accrued Expenses

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

(l) 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.

2. Background

Montanaro Smaller Companies Plc (the "Company" with registered number: 330162) is an open-ended umbrella variable capital investment company. The Company was incorporated on 14 July 2000 in Ireland under the laws of Ireland as an investment Company with variable capital under the laws of the Republic of Ireland and was listed on the main market of the Euronext Dublin exchange (formerly the Irish Stock Exchange) on 11 December 2000.

As at 31 December 2022, the Company had six Funds in existence (collectively the "Funds", each a "Fund"): two of which are registered in Switzerland; Montanaro European Smaller Companies Fund and Montanaro European MidCap Fund.

MONTANARO SMALLER COMPANIES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Background (continued)

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 European MidCap Fund has two Classes of Shares available: a Euro Distribution Class and a Euro Institutional Accumulation Class.

3. Fees

Management Fee

KBA Consulting Management Limited (the “Manager”), as per the agreement signed on 1 October 2021 between the Company and the Manager (the “Management Agreement”), shall be entitled to receive out of the assets of the Funds an annual fee in respect of such Fund or Funds or in respect of each Class of any such Fund, accrued daily, calculated monthly and payable monthly in arrears of up to and not exceeding 0.01% of the Net Asset Value of such Fund or Class as set out in the relevant Supplement. The fee payable to the Manager is subject to a minimum fee of €50,000 per annum based on a single Fund and €10,000 per annum per each additional Fund. The Manager shall be entitled to be reimbursed by the Company for reasonable out of pocket and marketing expenses incurred by it. Each Fund will bear its proportion of the fees and expenses of the Manager. Management fees charged during the financial year ended 31 December 2022 were €148,580 (31 December 2021: €45,284) of which €10,369 was payable at year end (31 December 2021: €45,284).

Investment Management Fee

The following Investment Management fees are paid to Montanaro Asset Management Limited (the “Investment Manager”):

	% of Net Assets	Minimum Subscription
Montanaro European Smaller Companies Fund		
Euro Accumulation Class ¹	1.50	N/A
Euro Class ¹	1.50	N/A
Euro Institutional Accumulation Class	0.50	€250,000,000
Euro Institutional Distribution Class	0.75	€50,000,000
Sterling Class ¹	1.50	N/A
Sterling Institutional Distribution Class	0.75	£50,000,000
Swedish Krona Accumulation Class	1.50	SEK10,000
US Dollar Class ¹	1.50	N/A
	% of Net Assets	Minimum Subscription
Montanaro European MidCap Fund		
Euro Distribution Class ¹	1.50	N/A
Euro Institutional Accumulation Class	0.75	€25,000,000

¹ These respective Share Classes have no minimum subscription amount required to subscribe to the Share Class as per the Prospectus.

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

The Investment Manager earned an Investment Management fee of €19,760,638 for the financial year ended 31 December 2022 (31 December 2021: €23,152,324) of which €4,380,982 (31 December 2021: €6,187,968) was payable at the financial year end.

MONTANARO SMALLER COMPANIES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Fees (continued)

Performance Fees

The Investment Manager (with the exception of the Euro Institutional Accumulation Class of the Montanaro European Smaller Companies 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 NAV per Share, having adjusted the closing NAV per Share by (i) adding back the impact of any accruing Performance fee, and (ii) adding back and compounding at the rate of return of the NAV of the Share Class any dividends paid or payable by reference to the financial period in question, exceeds the higher of High Water Mark or the return on the benchmark plus 3 percentage points (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 NAV 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 NAV 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 Performance Fee Period; and (b) the closing NAV per Share of that Class on the last Performance Fee Period end when a Performance fee was paid (if any).

For the financial year ended 31 December 2022, the Investment Manager earned Performance fees of €Nil (31 December 2021: €8,885,396), of which €Nil (31 December 2021: €8,885,396) was payable at the financial year end.

Performance Fees table:

The following table outlines the actual amount of Performance fee charged and the percentage of the fees based on the unit class NAV during the years ended 31 December 2022 and 31 December 2021:

There were no Performance fees charged during the financial year ended 31 December 2022.

31 December 2021

Sub-Fund	Share Class	Performance fee amount in Base currency of the Fund	Performance fee as % of Unit Class NAV
Montanaro European Smaller Companies Fund	Euro Accumulation Class	€2,171,766	1.30
	Euro Class	€1,724,340	0.98
	Euro Institutional Accumulation Class	N/A	N/A
	Euro Institutional Distribution Class	€854,221	0.59
	Sterling Class	€352,878	0.89
	Sterling Institutional Distribution Class	€627,270	1.10
	Swedish Krona Accumulation Class	€9,866	0.96
	US Dollar Class	€3,109	0.55
Montanaro European MidCap Fund	Euro Distribution Class	€2,560,332	1.72
	Euro Institutional Accumulation Class	€581,614	2.56

MONTANARO SMALLER COMPANIES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Fees (continued)

Performance Fees (continued)

The following table shows the Performance fees for the financial year ended 31 December 2022 and 31 December 2021:

	Performance fee 31 December 2022	Performance fee 31 December 2021
	€	€
Montanaro European Smaller Companies Fund		
Euro Accumulation Class	Nil	2,171,766
Euro Class	Nil	1,724,340
Euro Institutional Accumulation Class	N/A	N/A
Euro Institutional Distribution Class	Nil	854,221
Sterling Class	Nil	352,878
Sterling Institutional Distribution Class	Nil	627,270
Swedish Krona Accumulation Class	Nil	9,866
US Dollar Class	Nil	3,109
	Performance fee 31 December 2022	Performance fee 31 December 2021
	€	€
Montanaro European MidCap Fund		
Euro Distribution Class	Nil	2,560,332
Euro Institutional Accumulation Class	Nil	581,614

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 €1,029,757 for the financial year ended 31 December 2022 (31 December 2021: €1,070,825) of which €781,329 (31 December 2021: €645,547) was payable at the financial year end.

The Bank of New York Mellon SA/NV, Dublin Branch (the “Depositary”), is paid an annual fee accruing daily and paid monthly in arrears. The Depositary fee was €406,535 for the financial year ended 31 December 2022 (31 December 2021: €473,205) of which €189,833 (31 December 2021: €182,416) 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 €63,116 for the financial year ended 31 December 2022 (31 December 2021: €63,191).

Professional Fees

For the financial year ended 31 December 2022, Professional Fees, which principally comprised Taxation fees, Directors’ indemnity insurance premiums (D&O) and Investment Committee fees, amounted to €117,405 (31 December 2021: €76,105) of which €38,898 (31 December 2021: €26,066) was payable at the financial year end.

MONTANARO SMALLER COMPANIES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Fees (continued)

31 December 2022

	Montanaro European Smaller Companies Fund	Montanaro European MidCap Fund	Total*
	€	€	€
Taxation fees	(6,769)	(1,437)	(42,433)
Directors' indemnity insurance premiums (D&O)	(4,172)	(1,223)	(22,428)
Investment Committee fees	–	–	(52,544)
	<u>(10,941)</u>	<u>(2,660)</u>	<u>(117,405)</u>

31 December 2021

	Montanaro European Smaller Companies Fund	Montanaro European MidCap Fund	Total*
	€	€	€
Taxation fees	(4,499)	(1,488)	(28,000)
Directors' indemnity insurance premiums (D&O)	(4,816)	(1,575)	(24,148)
Investment Committee fees	–	–	(23,957)
	<u>(9,315)</u>	<u>(3,063)</u>	<u>(76,105)</u>

*See Note 1 Statement of Accounting Policies (h).

Total includes Funds not distributed in Switzerland.

Auditor's Remuneration

Fees charged by the Independent Auditor in respect of the financial years ended 31 December 2022 and 31 December 2021 (exclusive of VAT) were:

	Statutory audit	Other assurance services	Tax advisory services	Other non-audit services
	€	€	€	€
31 December 2022	48,500	–	–	4,500*
31 December 2021	48,500	–	–	–

*Other non-audit services comprise of SFDR fees of €750 charged per sub-fund.

MONTANARO SMALLER COMPANIES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Fees (continued)

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 2022, other expenses totalled €503,584 (31 December 2021: €535,583). Other expenses payable at the financial year end amounted to €54,198 (31 December 2021: €26,880).

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 financial assets or financial liabilities are initially recognised at fair value through profit or loss, transaction costs for such instruments are recognised directly in profit and loss.

Transaction costs on purchases and sales of equities measured at fair value through profit or loss 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 2022 and 31 December 2021, the Company incurred transaction costs on purchases and sales as below:

Fund	Currency	31 December 2022	31 December 2021
Montanaro European Smaller Companies Fund	€	224,819	306,924
Montanaro European MidCap Fund	€	111,664	103,623

4. Financial Assets at Fair Value through Profit or Loss

As at 31 December 2022 and 31 December 2021, the fair value of financial assets held at fair value through profit or loss are based on closing last prices which are derived from traded market prices in active markets.

5. 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) and Montanaro European MidCap Fund are registered as reporting funds under the UK Reporting Fund Regime.

The Company made the following distributions to redeemable participating Shareholders during the financial year ended 31 December 2022 and 31 December 2021:

	Montanaro European Smaller Companies Fund	Montanaro European MidCap Fund	Total*
	€	€	€
31 December 2022	–	–	27,475,662
31 December 2021	–	–	25,618,922

*See Note 1 Statement of Accounting Policies (h).

Total includes Funds not distributed in Switzerland.

6. Cash and Cash Equivalents

At the financial year end, the Company had a cash balance totalling €40,501,291 (31 December 2021: €76,809,388) with Bank of New York Mellon SA/NV, Dublin Branch.

MONTANARO SMALLER COMPANIES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. 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, or is a member of the key management personnel of the reporting entity.

A connected person is defined as the Promoter, Manager, Trustee, Investment Adviser and/or associated or group companies of these. The Investment Manager, 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. Details of fees paid to these entities are disclosed in Note 3.

During the financial year, the following Related Party Transactions were entered into:

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 a general meeting. The Directors' fees were €63,116 for the financial year ended 31 December 2022 (31 December 2021: €63,191).

Cedric Durant des Aulnois, a Director of the Company, held Shares in Montanaro Smaller Companies Plc as at 31 December 2022.

No other Directors, nor the Secretary, had any interest in the Shares or deferred Shares of the Company as at 31 December 2022 and 31 December 2021.

No other Director of the Company had at any time during the financial year a material interest in any contract of significance, existing during or at the end of the financial year, in relation to the business of the Company.

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:

	31 December 2022	31 December 2021
Montanaro Asset Management Limited	8,508,637	8,502,984
Montanaro Growth & Income Fund Limited Partnership No. 3	12,016,544	12,016,544

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 3. As at 31 December 2022 and 31 December 2021 there were 7 Subscriber Shares of €1 each in issue (being the minimum share capital of the Company) held by the Investment Manager.

8. 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 SMALLER COMPANIES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Risks Associated with Financial Instruments (continued)

Montanaro European MidCap Fund

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

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 Funds' 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 and Designated Persons in the monthly Investment Manager's factsheet. The monthly Investment Manager's factsheet 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 and also comply with 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'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 2022 and 31 December 2021, the overall market exposures were:

	Currency	31 December 2022		31 December 2021	
		Fair value	% of Net Assets at Mid-Prices	Fair value	% of Net Assets at Mid-Prices
Securities held for trading					
Montanaro European Smaller Companies Fund	€	395,876,138	98.48	608,443,167	97.06
Montanaro European MidCap Fund	€	98,323,034	96.58	173,857,619	101.32

If the Company's underlying investments at 31 December 2022 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 €19.8m (31 December 2021: €30.4m) and Montanaro European MidCap Fund by approximately €4.9m (31 December 2021: €8.7m).

MONTANARO SMALLER COMPANIES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Risks Associated with Financial Instruments (continued)

Market Price Risk (continued)

The top ten country distribution of the Company's investments at 31 December 2022 and 31 December 2021 is as follows:

31 December 2022	Montanaro European Smaller Companies Fund % of Net Assets	31 December 2022	Montanaro European MidCap Fund % of Net Assets
Country		Country	
United Kingdom	29.85	United Kingdom	25.98
Sweden	14.91	France	23.38
Switzerland	10.99	Italy	15.92
Italy	10.61	Switzerland	9.63
Germany	8.93	Netherlands	7.12
France	5.40	Belgium	6.88
Denmark	5.25	Germany	4.37
Netherlands	4.01	Denmark	3.30
Belgium	2.53	Netherlands	
Iceland	1.63		

31 December 2021	Montanaro European Smaller Companies Fund % of Net Assets	31 December 2021	Montanaro European MidCap Fund % of Net Assets
Country		Country	
United Kingdom	25.92	United Kingdom	33.89
Sweden	21.27	France	16.56
Italy	9.57	Italy	12.91
Switzerland	7.86	Switzerland	11.23
France	7.84	Netherlands	8.16
Germany	6.63	Belgium	6.56
Netherlands	3.73	Iceland	3.46
Denmark	3.37	Germany	3.42
Norway	2.68	Sweden	2.61
Belgium	1.76	Denmark	2.52

MONTANARO SMALLER COMPANIES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Risks Associated with Financial Instruments (continued)

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. The Company's currency position is reported to the Designated Persons on a monthly basis in the monthly Administrator's report and Investment Manager's reports and reported to the Directors on a quarterly basis.

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 2022 and 31 December 2021 along with the expected movement in value of the currency given a 5% movement relative to the presentation currency:

	Montanaro European Smaller Companies Fund				Montanaro European MidCap Fund			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	Net Exposure	5% movement	Net Exposure	5% movement	Net Exposure	5% movement	Net Exposure	5% movement
	€	€	€	€	€	€	€	€
Danish Krone	21,226,277	1,061,314	21,209,783	1,060,489	3,391,259	169,563	4,343,911	217,196
Norwegian Krone	5,079,191	253,960	16,786,505	839,325	–	–	–	–
Pound Sterling	129,992,285	6,499,614	183,275,224	9,163,761	26,851,328	1,342,566	58,510,014	2,925,501
Swedish Krona	60,030,446	3,001,522	133,425,093	6,671,255	–	–	4,471,621	223,581
Swiss Franc	44,161,538	2,208,077	49,296,917	2,464,846	9,807,475	490,374	19,268,499	963,425
US Dollar	155,621	7,781	270,102	13,505	–	–	–	–

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 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.

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 quarterly in the Administrator's report. At 31 December 2022, the Company held cash of €40,501,291 with the Bank of New York Mellon SA/NV, Dublin Branch (31 December 2021: €76,809,388) who has a credit rating of AA- (31 December 2021: AA-) by Standard & Poor's.

The Company's securities are maintained within the Depository's network in segregated accounts. The Depository 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 Depository, 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 Depository or certain depositories used by the Depository may fail. In event of the insolvency or bankruptcy of the Depository, the Company will be treated as a general creditor of the Depository 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Risks Associated with Financial Instruments (continued)

Credit/Counterparty Risk (continued)

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 2022 and 31 December 2021, 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 2022, no such borrowings existed (31 December 2021: 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 quarterly basis in the Administrator's report and the 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 NAV attributable to the holder of redeemable participating Shares. The amount of NAV 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 NAV 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.

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. 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.

8. Risks Associated with Financial Instruments (continued)

Fair Value Estimation

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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Risks Associated with Financial Instruments (continued)

Fair Value Estimation (continued)

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 model. 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 2022 and 31 December 2021. 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 held at 31 December 2022 and 31 December 2021.

9. Soft Commission Arrangements

No soft commission arrangements were entered into during the financial years ended 31 December 2022 and 31 December 2021.

10. Efficient Portfolio Management

The Company may, on behalf of a Fund, use techniques and instruments for the purposes of efficient portfolio management (including but not limited to forward foreign currency contracts, futures contracts, options, put and call options on securities, indices and currencies, stock index contracts, swap contracts) subject to the restrictions and limitations laid down by the Central Bank. The Company may engage in such techniques and instruments for the reduction of risk, cost or the generation of additional capital or income for a Fund with an appropriate level of risk, taking into account the risk profile of the Company as described in the Prospectus and the general provisions of the UCITS Regulations.

The Company may employ techniques and instruments relating to transferable securities provided that such techniques and instruments are used for efficient portfolio management purposes and techniques and instruments intended to provide protection against exchange rate risk and equity market risk. Where applicable, the entities to which direct and indirect operational costs and/or fees have been paid during the annual period to the relevant accounting year end of a Fund will be disclosed in the annual report for such period.

The prices of derivative instruments, including futures and options prices, are highly volatile. Price movements of forward foreign currency contracts, futures contracts and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly markets in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Efficient Portfolio Management (continued)

The use of such techniques and instruments for efficient portfolio management involves certain special risks including: a dependence on the ability to predict movements in the prices of securities being hedged and movements in interest rates, imperfect correlations between the hedging instruments and the securities or market sectors being hedged, the fact that skills needed to use these instruments are different from those needed to select the Company's securities, the possible absence of a liquid market for any particular instrument at any particular time and possible impediments to effective portfolio management such as the ability to meet redemption requests or other short term obligations because of the percentage of the Company's assets being segregated to cover its obligations.

The Company does not currently use financial derivative instruments and it is not the current intention of the Investment Manager to employ efficient portfolio management techniques. A risk management process will be submitted to the Central Bank in accordance with the Central Bank's requirements prior to the Company engaging in financial derivative transactions on behalf of a Fund.

The Company did not enter into any derivative contracts during the financial years ended 31 December 2022 or 31 December 2021 for efficient portfolio management or any other purpose.

11. 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 2022 and 31 December 2021 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Share Capital and Redeemable Participating Shares (continued)

Share Classes (continued)

31 December 2022

	Shares in issue at beginning of financial year	Subscriptions	Redemptions	Shares in issue at end of financial year
Montanaro European Smaller Companies Fund				
Euro Accumulation Class	17,338,780	4,070,310	(3,010,953)	18,398,137
Euro Class	17,617,147	906,438	(1,534,918)	16,988,667
Euro Institutional Accumulation Class	3,615,503	1,982,109	(1,359,397)	4,238,215
Euro Institutional Distribution Class	14,192,708	4,989,523	(6,526,760)	12,655,471
Sterling Class	3,936,898	140,542	(183,131)	3,894,309
Sterling Institutional Distribution Class	5,390,007	507,753	(2,333,646)	3,564,114
Swedish Krona Accumulation Class	317,630	–	–	317,630
US Dollar Class	117,873	4,130	(49,030)	72,973
Montanaro European MidCap Fund				
Euro Distribution Class	44,873,516	3,383,592	(8,680,225)	39,576,883
Euro Institutional Accumulation Class	6,453,262	1,653	(3,411,803)	3,043,112

31 December 2021

	Shares in issue at beginning of financial year	Subscriptions	Redemptions	Shares in issue at end of financial year
Montanaro European Smaller Companies Fund				
Euro Accumulation Class	22,563,500	1,499,200	(6,723,920)	17,338,780
Euro Class	18,586,796	721,153	(1,690,802)	17,617,147
Euro Institutional Accumulation Class	3,272,291	911,004	(567,792)	3,615,503
Euro Institutional Distribution Class	3,593,473	11,435,762	(836,527)	14,192,708
Sterling Class	3,748,961	548,858	(360,921)	3,936,898
Sterling Institutional Distribution Class	3,379,783	3,176,921	(1,166,697)	5,390,007
Swedish Krona Accumulation Class	317,630	–	–	317,630
US Dollar Class	83,440	50,100	(15,667)	117,873
Montanaro European MidCap Fund				
Euro Distribution Class	54,083,224	828,402	(10,038,110)	44,873,516
Euro Institutional Accumulation Class	9,650,854	618,145	(3,815,737)	6,453,262

MONTANARO SMALLER COMPANIES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Exchange Rates

The exchange rates to Euro (€) at the financial years ended 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Australian Dollar	1.5738	1.5641
Danish Krone	7.4364	7.4376
Israeli New Shekel	3.7658	3.5394
Japanese Yen	140.8184	130.9543
New Zealand Dollar	1.6875	1.6610
Norwegian Krone	10.5135	10.0282
Pound Sterling	0.8872	0.8340
Swedish Krona	11.1202	10.2960
Swiss Franc	0.9874	1.0362
US Dollar	1.0673	1.1372

13. 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.

14. Comparatives

The comparative financial statements relate to the financial year ended 31 December 2021.

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

The below share classes are unhedged.

31 December 2022

	Net Assets for dealing	Shares in issue	NAV per Share
Montanaro European Smaller Companies Fund			
Euro Accumulation Class	€118,027,059	18,398,137	€6.415
Euro Class	€113,506,114	16,988,667	€6.681
Euro Institutional Accumulation Class	€31,021,290	4,238,215	€7.319
Euro Institutional Distribution Class	€86,992,758	12,655,471	€6.874
Sterling Class	£23,290,718	3,894,309	£5.981
Sterling Institutional Distribution Class	£22,436,455	3,564,114	£6.295
Swedish Krona Accumulation Class	SEK7,612,505	317,630	SEK23.967
US Dollar Class	\$247,237	72,973	\$3.388

MONTANARO SMALLER COMPANIES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

31 December 2022 (continued)

	Net Assets for dealing	Shares in issue	NAV per Share
Montanaro European MidCap Fund			
Euro Distribution Class	€94,062,595	39,576,883	€2.377
Euro Institutional Accumulation Class	€7,738,882	3,043,112	€2.543

31 December 2021

	Net Assets for dealing	Shares in issue	NAV per Share
Montanaro European Smaller Companies Fund			
Euro Accumulation Class	€167,004,517	17,338,780	€9.632
Euro Class	€176,723,871	17,617,147	€10.031
Euro Institutional Accumulation Class	€39,336,254	3,615,503	€10.880
Euro Institutional Distribution Class	€145,382,096	14,192,708	€10.243
Sterling Class	£33,453,609	3,936,898	£8.497
Sterling Institutional Distribution Class	£47,848,193	5,390,007	£8.877
Swedish Krona Accumulation Class	SEK10,582,375	317,630	SEK33.317
US Dollar Class	\$638,920	117,873	\$5.420

Montanaro European MidCap Fund

Euro Distribution Class	€148,856,591	44,873,516	€3.317
Euro Institutional Accumulation Class	€22,733,478	6,453,262	€3.523

31 December 2020

	Net Assets for dealing	Shares in issue	NAV per Share
Montanaro European Smaller Companies Fund			
Euro Accumulation Class	€168,279,466	22,563,500	€7.458
Euro Class	€144,151,800	18,586,796	€7.756
Euro Institutional Accumulation Class	€27,000,176	3,272,291	€8.251
Euro Institutional Distribution Class	€28,248,835	3,593,473	€7.861
Sterling Class	£26,242,010	3,748,961	£7.000
Sterling Institutional Distribution Class	£24,573,874	3,379,783	£7.271
Swedish Krona Accumulation Class	SEK7,984,736	317,630	SEK25.138
US Dollar Class	\$376,233	83,440	\$4.509

Montanaro European MidCap Fund

Euro Distribution Class	€141,355,961	54,083,224	€2.614
Euro Institutional Accumulation Class	€26,724,840	9,650,854	€2.769

16. Events during the Financial Year

An updated Prospectus and Supplements were issued on 1 January 2022 to incorporate amendments including:

- updates to the sustainable finance investment descriptions in order to add disclosure required by Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ("Taxonomy Regulation");
- for Funds which pay a performance fee, the methodology has been reviewed for consistency with the Central Bank's requirements and guidelines. The description and operation of each performance fee methodology was updated to make it clear that it is high water mark based. In addition, concrete examples have been added to outline how the performance fee operates in a range of scenarios;
- other minor and general amendments were made throughout.

On 28 October 2022, the Manager became a member of the Waystone Group and, on 12 December 2022, changed their address to 35 Shelbourne Road, 4th Floor, Ballsbridge, Dublin, D04 A4E, Ireland.

MONTANARO SMALLER COMPANIES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Events during the Financial Year (continued)

The invasion of Ukraine by Russia on 24 February 2022 has created extensive uncertainty on the political and economic front with sanctions being imposed on Russia and allies such as Belarus. The Directors, the Manager and the Investment Manager continue to monitor the sanctions activity globally to ensure the portfolios are in adherence. Currently the funds are not exposed to Russian or Ukrainian assets, nor any other sanctioned holdings. The Directors, the Manager and the Investment Manager, in conjunction with the Administrator, monitor the investor base with respect to sanctions and, if any sanctioned investors are identified, will ensure timely remediation in line with appropriate policies and procedures in place.

Updated Prospectus and Supplements were issued on 25 November 2022 to incorporate the level 2 SFDR requirements to pre-contractual documentation disclosures for the financial products.

There were no other significant events affecting the Company during the financial period.

17. Events since the Financial Year End

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

18. Commitments and Contingent Liabilities

As at 31 December 2022 and 31 December 2021 there were no commitments or contingent liabilities.

19. Valuation Date

The financial statements have been prepared on the last Net Asset Value of the financial year which has been calculated on 30 December 2022 with a price of that date.

20. Approval of Financial Statements

These financial statements were approved by the Directors of the Company on 23 March 2023.

MONTANARO SMALLER COMPANIES PLC

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

As at 31 December 2022

Shares	Description	Fair value €	% of net assets
Transferable securities admitted to a stock exchange listing or dealt in on another regulated market			
Belgium (31 December 2021: 1.76%)			
125,000	Melexis NV	10,187,500	2.53
		10,187,500	2.53
Denmark (31 December 2021: 3.37%)			
135,000	Chr Hansen Holding A/S	9,071,475	2.25
84,717	Chemometec A/S	7,866,273	1.96
65,000	SimCorp A/S	4,179,821	1.04
		21,117,569	5.25
Finland - Nil (31 December 2021: 1.70%)			
France (31 December 2021: 7.84%)			
40,000	Sartorius Stedim Biotech	12,156,000	3.03
60,000	Esker SA	9,534,000	2.37
		21,690,000	5.40
Germany (31 December 2021: 6.63%)			
70,000	MTU Aero Engines AG	14,154,000	3.52
200,000	CTS Eventim AG & Co KGaA	11,920,000	2.97
13,000	Rational AG	7,215,000	1.79
210,000	hGears AG	1,520,400	0.38
11,000	Hypoport SE	1,071,400	0.27
		35,880,800	8.93
Iceland (31 December 2021: 1.52%)			
2,000,000	Marel HF '144A'	6,560,000	1.63
		6,560,000	1.63
Italy (31 December 2021: 9.57%)			
220,000	Moncler SpA	10,914,200	2.72
1,000,000	Brembo SpA	10,490,000	2.61
90,000	Reply SpA	9,738,000	2.42
260,000	Carel Industries SpA '144A'	6,123,000	1.52
800,000	Technoprobe SpA	5,392,000	1.34
		42,657,200	10.61
Netherlands (31 December 2021: 3.73%)			
120,000	IMCD NV	16,098,000	4.01
		16,098,000	4.01
Norway (31 December 2021: 2.68%)			
500,000	PhotoCure ASA	5,079,190	1.26
		5,079,190	1.26

MONTANARO SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS

MONTANARO EUROPEAN SMALLER COMPANIES FUND (continued)

As at 31 December 2022

Shares	Description	Fair value €	% of net assets
Singapore (31 December 2021: 1.36%)			
175,000	XP Power Ltd	4,013,892	1.00
		4,013,892	1.00
Spain (31 December 2021: 0.92%)			
600,000	Merlin Properties Socimi SA (REIT)	5,283,000	1.31
		5,283,000	1.31
Sweden (31 December 2021: 21.27%)			
2,000,000	Fortnox AB	8,569,976	2.13
500,000	AAK AB	8,061,892	2.00
200,000	MIPS AB	7,717,474	1.92
375,000	Thule Group AB '144A'	7,368,336	1.83
500,000	Sectra AB	6,736,379	1.67
325,000	Biotage AB	5,456,503	1.36
350,000	Hufvudstaden AB	4,699,098	1.17
300,010	Surgical Science Sweden AB	4,494,666	1.12
200,000	Avanza Bank Holding AB	4,046,683	1.01
150,000	Plejd AB	2,803,002	0.70
		59,954,009	14.91
Switzerland (31 December 2021: 7.86%)			
25,000	Tecan Group AG	10,481,858	2.61
140,000	VZ Holding AG	10,194,240	2.54
22,000	Belimo Holding AG	9,914,724	2.47
110,000	Bachem Holding AG	8,934,392	2.22
30,000	Kardex Holding AG	4,636,324	1.15
		44,161,538	10.99
United Kingdom (31 December 2021: 25.92%)			
300,000	4imprint Group Plc	14,455,084	3.60
600,000	Kainos Group Plc	10,434,711	2.60
325,000	Diploma Plc	10,168,715	2.53
80,000	Spirax-Sarco Engineering Plc	9,571,351	2.38
250,000	Cranswick Plc	8,673,050	2.16
3,650,000	NCC Group Plc	8,227,845	2.05
350,000	Halma Plc	7,787,148	1.94
600,000	St James's Place Plc	7,405,061	1.84
2,250,000	Marshalls Plc	6,928,296	1.72
70,000	Games Workshop Group Plc	6,757,540	1.68
1,500,000	IntegraFin Holdings Plc	5,109,154	1.27
1,750,000	Advanced Medical Solutions Group Plc	5,108,590	1.27
160,000	Dechra Pharmaceuticals Plc	4,721,205	1.17
125,000	Clarkson Plc	4,557,719	1.13
350,000	RS GROUP Plc	3,532,620	0.88
800,000	Shaftesbury Plc (REIT)	3,318,189	0.83

MONTANARO SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS

MONTANARO EUROPEAN SMALLER COMPANIES FUND (continued)

As at 31 December 2022

Shares	Description	Fair value €	% of net assets
United Kingdom (31 December 2021: 25.92%) (continued)			
250,000	Big Yellow Group Plc (REIT)	3,231,965	0.80
		119,988,243	29.85
United States (31 December 2021: 0.93%)			
650,000	MaxCyte Inc	3,205,197	0.80
		3,205,197	0.80
Total equities		395,876,138	98.48
Total financial assets at fair value through profit or loss		395,876,138	98.48
Cash and cash equivalents		6,844,192	1.70
Other net liabilities		(717,695)	(0.18)
Total net assets attributable to holders of redeemable participating Shares		402,002,635	100.00

	% of Total Assets
Analysis of Total Assets	
Financial assets at fair value through profit or loss	96.44
Cash and cash equivalents	1.70
Other assets	1.86
Total assets	100.00

MONTANARO SMALLER COMPANIES PLC

**SCHEDULE OF INVESTMENTS
MONTANARO EUROPEAN MIDCAP FUND**

As at 31 December 2022

Shares	Description	Fair value €	% of net assets
Transferable securities admitted to a stock exchange listing or dealt in on another regulated market			
Belgium (31 December 2021: 6.56%)			
155,000	Warehouses De Pauw CVA (REIT)	4,147,800	4.08
35,000	Melexis NV	2,852,500	2.80
		7,000,300	6.88
Denmark (31 December 2021: 2.52%)			
50,000	Chr Hansen Holding A/S	3,359,805	3.30
		3,359,805	3.30
France (31 December 2021: 16.56%)			
110,000	Edenred	5,621,000	5.52
125,000	Worldline SA/France '144A'	4,575,000	4.49
80,000	Amundi SA '144A'	4,252,000	4.18
18,500	Teleperformance	4,147,700	4.07
9,000	Sartorius Stedim Biotech	2,735,100	2.69
100,000	Bureau Veritas SA	2,470,000	2.43
		23,800,800	23.38
Germany (31 December 2021: 3.42%)			
22,000	MTU Aero Engines AG	4,448,400	4.37
		4,448,400	4.37
Iceland - Nil (31 December 2021: 3.46%)			
Italy (31 December 2021: 12.91%)			
105,000	Moncler SpA	5,209,050	5.12
110,000	Recordati Industria Chimica e Farmaceutica SpA	4,277,900	4.20
39,000	Reply SpA	4,219,800	4.14
360,000	Terna - Rete Elettrica Nazionale	2,500,560	2.46
		16,207,310	15.92
Netherlands (31 December 2021: 8.16%)			
32,000	IMCD NV	4,292,800	4.21
12,500	ASM International NV	2,961,875	2.91
		7,254,675	7.12
Sweden - Nil (31 December 2021: 2.61%)			
Switzerland (31 December 2021: 11.23%)			
9,400	Tecan Group AG	3,941,179	3.87
50,000	Galenica AG '144A'	3,835,752	3.77
25,000	Bachem Holding AG	2,030,544	1.99
		9,807,475	9.63
United Kingdom (31 December 2021: 33.89%)			
930,000	Rentokil Initial Plc	5,324,881	5.23
155,000	Diploma Plc	4,849,695	4.77
90,000	Ashtead Group Plc	4,787,930	4.70
461,103	RS GROUP Plc	4,654,004	4.57
350,000	St James's Place Plc	4,319,619	4.24

MONTANARO SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS
MONTANARO EUROPEAN MIDCAP FUND (continued)

As at 31 December 2022

Shares	Description	Fair value €	% of net assets
United Kingdom (31 December 2021: 33.89%) (continued)			
85,000	Dechra Pharmaceuticals Plc	2,508,140	2.47
		<u>26,444,269</u>	<u>25.98</u>
Total equities		98,323,034	96.58
Total financial assets at fair value through profit or loss		98,323,034	96.58
Cash and cash equivalents		3,712,866	3.65
Other net liabilities		<u>(234,423)</u>	<u>(0.23)</u>
Total net assets attributable to holders of redeemable participating Shares		101,801,477	100.00
			% of Total
Analysis of Total Assets			Assets
Financial assets at fair value through profit or loss			96.19
Cash and cash equivalents			3.63
Other assets			0.18
Total assets			<u>100.00</u>

MONTANARO SMALLER COMPANIES PLC**MONTANARO EUROPEAN SMALLER COMPANIES FUND****PORTFOLIO CHANGES – PURCHASES (unaudited)***For the financial year ended 31 December 2022*

Purchases	Nominal	Cost €
Chr Hansen Holding A/S	135,000	9,404,129
Bachem Holding AG	110,000	7,289,576
Technoprobe SpA	800,000	5,486,562
Clarkson Plc	125,000	5,093,182
MTU Aero Engines AG	25,000	4,882,204
Plejd AB	150,000	4,772,071
Kainos Group Plc	300,000	4,241,565
Spirax-Sarco Engineering Plc	30,000	3,964,416
RS GROUP Plc	350,000	3,907,559
CTS Eventim AG & Co KGaA	50,000	3,180,388
QT Group Oyj	20,000	2,134,587
Orpea SA	50,000	1,858,027
Games Workshop Group Plc	20,000	1,781,373
Melexis NV	20,000	1,509,632
Merlin Properties Socimi SA (REIT)	150,000	1,504,321
Marshalls Plc	400,000	1,471,947
Halma Plc	60,000	1,398,256
Cranswick Plc	30,000	1,352,306
Marel HF '144A'	400,000	1,341,438
SimCorp A/S	15,000	1,202,766
Esker SA	9,000	1,124,627
Reply SpA	10,000	1,065,437
XP Power Ltd	35,000	905,630
Advanced Medical Solutions Group Plc	250,000	843,331
Diploma Plc	25,000	830,594

In accordance with Central Bank UCITS Regulations, this statement presents the aggregate purchases and aggregate sales of an investment exceeding 1% of total value of purchases or sales, respectively, for the financial year, or at a minimum the top 20 purchases and sales. Due to trading volumes, the above details all purchases transactions during the financial year.

MONTANARO SMALLER COMPANIES PLC**MONTANARO EUROPEAN SMALLER COMPANIES FUND****PORTFOLIO CHANGES – SALES (unaudited)***For the financial year ended 31 December 2022*

Sales	Nominal	Proceeds €
Ideagen Plc	2,622,000	10,757,236
Recordati Industria Chimica e Farmaceutica SpA	200,000	9,310,657
Bakkafrost P/F	145,000	8,613,057
Nolato AB	1,000,000	7,558,580
Big Yellow Group Plc (REIT)	380,000	5,556,069
Vitrolife AB	280,000	5,137,453
INVISIO AB	300,000	5,099,076
QT Group Oyj	100,000	3,930,729
SimCorp A/S	65,000	3,720,161
Sartorius Stedim Biotech	10,000	3,697,002
Orpea SA	125,000	3,115,202
Shaftesbury Plc (REIT)	350,000	2,108,670
Dechra Pharmaceuticals Plc	50,000	1,852,415
Merlin Properties Socimi SA (REIT)	150,000	1,582,240
CTS Eventim AG & Co KGaA	30,000	1,563,819
Elmera Group ASA '144A'	675,750	1,474,825
Belimo Holding AG	3,000	1,299,592
Fortnox AB	250,000	1,246,912
James Fisher & Sons Plc	290,000	1,009,893
Thule Group AB '144A'	25,000	785,674

In accordance with Central Bank UCITS Regulations, this statement presents the aggregate purchases and aggregate sales of an investment exceeding 1% of total value of purchases or sales, respectively, for the financial year, or at a minimum the top 20 purchases and sales.

MONTANARO SMALLER COMPANIES PLC**MONTANARO EUROPEAN MIDCAP FUND****PORTFOLIO CHANGES – PURCHASES (unaudited)***For the financial year ended 31 December 2022*

Purchases	Nominal	Cost €
Amundi SA '144A'	105,000	6,181,087
RS GROUP Plc	461,103	5,680,282
MTU Aero Engines AG	22,000	4,136,473
Thule Group AB '144A'	125,000	3,961,166
Galenica AG '144A'	50,000	3,416,619
Chr Hansen Holding A/S	50,000	2,766,525
Bachem Holding AG	40,000	2,549,180
Bureau Veritas SA	100,000	2,548,820
Terna - Rete Elettrica Nazionale	360,000	2,445,964
Sartorius Stedim Biotech	4,000	1,255,962
Tecan Group AG	4,000	1,176,750
Temenos AG	15,000	1,135,267
Rentokil Initial Plc	180,000	1,073,139
Reply SpA	9,000	1,039,935
SimCorp A/S	10,000	933,581
Moncler SpA	15,000	676,234
Worldline SA/France '144A'	15,000	651,876
ASM International NV	2,000	578,490

In accordance with Central Bank UCITS Regulations, this statement presents the aggregate purchases and aggregate sales of an investment exceeding 1% of total value of purchases or sales, respectively, for the financial year, or at a minimum the top 20 purchases and sales. Due to trading volumes, the above details all purchases transactions during the financial year.

MONTANARO SMALLER COMPANIES PLC**MONTANARO EUROPEAN MIDCAP FUND****PORTFOLIO CHANGES – SALES (unaudited)***For the financial year ended 31 December 2022*

Sales	Nominal	Proceeds
		€
Auto Trader Group PLC '144A'	950,000	7,225,699
Rightmove Plc	800,000	5,156,892
Marel HF	1,000,000	5,007,432
Symrise AG - Class A	45,000	4,415,688
Temenos AG	70,000	4,402,209
Straumann Holding AG	3,000	3,858,032
SimCorp A/S	55,000	3,449,744
Tecan Group AG	7,600	2,834,455
Sinch AB '144A'	400,000	2,727,970
Thule Group AB '144A'	125,000	2,688,283
Edenred	55,000	2,622,024
Sartorius Stedim Biotech	6,000	2,265,335
Moncler SpA	40,000	2,170,358
Rentokil Initial Plc	350,000	2,168,449
Dechra Pharmaceuticals Plc	45,000	2,123,347
Teleperformance	6,500	2,058,594
Recordati Industria Chimica e Farmaceutica SpA	40,000	1,939,332
Ashtead Group Plc	35,000	1,914,676
St James's Place Plc	100,000	1,698,852
Diploma Plc	55,000	1,623,492
ASM International NV	5,500	1,405,013
Bachem Holding AG	15,000	1,316,948
Amundi SA '144A'	25,000	1,305,273
IMCD NV	8,000	1,178,253
Worldline SA/France '144A'	25,000	1,169,101
Melexis NV	10,000	738,853

In accordance with Central Bank UCITS Regulations, this statement presents the aggregate purchases and aggregate sales of an investment exceeding 1% of total value of purchases or sales, respectively, for the financial year, or at a minimum the top 20 purchases and sales.

MONTANARO SMALLER COMPANIES PLC

TOTAL EXPENSE RATIOS (ANNUALISED) (unaudited)

For the financial year ended 31 December 2022

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

	Total expense ratio %
Montanaro European Smaller Companies Fund	
Euro Accumulation Class	1.59
- <i>Ongoing charge</i>	1.59
- <i>Performance Fee</i>	0.00
Euro Class	1.59
- <i>Ongoing charge</i>	1.59
- <i>Performance Fee</i>	0.00
Euro Institutional Accumulation Class	0.59
- <i>Ongoing charge</i>	0.59
- <i>Performance Fee</i>	0.00
Euro Institutional Distribution Class	0.84
- <i>Ongoing charge</i>	0.84
- <i>Performance Fee</i>	0.00
Sterling Class	1.59
- <i>Ongoing charge</i>	1.59
- <i>Performance Fee</i>	0.00
Sterling Institutional Distribution Class	0.84
- <i>Ongoing charge</i>	0.84
- <i>Performance Fee</i>	0.00
Swedish Krona Accumulation Class	1.59
- <i>Ongoing charge</i>	1.59
- <i>Performance Fee</i>	0.00
US Dollar Class	1.59
- <i>Ongoing charge</i>	1.59
- <i>Performance Fee</i>	0.00
Montanaro European MidCap Fund	
Euro Distribution Class	1.58
- <i>Ongoing charge</i>	1.58
- <i>Performance Fee</i>	0.00
Euro Institutional Accumulation Class	0.83
- <i>Ongoing charge</i>	0.83
- <i>Performance Fee</i>	0.00

MONTANARO SMALLER COMPANIES PLC

PORTFOLIO TURNOVER RATES (unaudited)

For the financial year ended 31 December 2022

The portfolio turnover rate shows the turnover* incurred by each Fund, whose redeemable participating Shares are registered for sale in Switzerland during the financial year, expressed as a percentage of the average NAV of that Fund for the corresponding financial year.

	Portfolio Turnover %
Montanaro European Smaller Companies Fund	(11.36%)
Montanaro European MidCap Fund	61.44%

* 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

REMUNERATION DISCLOSURE (unaudited)

The Manager has designed and implemented a remuneration policy (the “Policy”) in line with the provisions of S.I. 257 of 2013 European Union (Alternative Investment Fund Managers) Regulations 2013 (“AIFM Regulations”), S.I. 230 of 2019 (Central Bank (Supervision and Enforcement) Act 2013 Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2019 (“UCITS Regulations”) and of the ESMA Guidelines on sound remuneration policies under the UCITS Directive and AIFMD (the “ESMA Guidelines”). The Policy is designed to ensure that the remuneration of key decision makers is aligned with the management of short and long-term risks, including the oversight and where appropriate the management of sustainability risks in line with the Sustainable Finance Disclosures Regulations.

The Manager’s remuneration policy applies to its identified staff whose professional activities might have a material impact on the Company’s risk profile and so covers senior management, risk takers, control functions and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers and whose professional activities have a material impact on the risk profile of the Company. The Manager’s policy is to pay identified staff a fixed component with the potential for identified staff to receive a variable component. It is intended that the fixed component will represent a sufficiently high proportion of the total remuneration of the individual to allow the Manager to operate a fully flexible policy, with the possibility of not paying any variable component. When the Manager pays a variable component as performance related pay certain criteria, as set out in the Manager’s remuneration policy, must be adhered to. The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the relevant staff rank and professional activity as well as best market practice. The Manager’s remuneration policy is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the funds it manages.

These disclosures are made in respect of the remuneration policies of the Manager. The disclosures are made in accordance with the ESMA Guidelines.

Total remuneration (in EUR) paid to the identified staff of the Manager fully or partly involved in the activities of the Company that have a material impact on the Company’s risk profile during the financial year to 31 December 2022:

Fixed remuneration		EUR
Senior Management	€	1,387,113
Other identified staff	€	–
Variable remuneration		
Senior Management	€	180,517
Other identified staff	€	–
Total remuneration paid	€	1,567,630

Number of identified staff – 15

Details of Directors' fees are included in Note 3 of the financial statements.

As the Manager delegates investment management functions in respect of the Company, it will, in accordance with the requirements of the ESMA Guidelines, ensure that: a) the entities to which investment management activities have been delegated are subject to regulatory requirements on a remuneration that are equally as effective as those applicable under the ESMA Guidelines; or b) appropriate contractual arrangements are put in place to ensure that the delegates apply in a proportionate manner the remuneration rules as detailed in the UCITS Directive such that there is no circumvention of the remuneration rules set out in the ESMA Guidelines. Details of the remuneration policy of the Manager will be made available free of charge upon request.

The Investment Manager (being the entity to which portfolio management activities are delegated by the Manager) is subject to regulatory requirements on remuneration that are equally as effective as those applicable under the ESMA Guidelines or is subject to appropriate contractual arrangements in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA Guidelines. No remuneration has been paid to staff of the Investment Manager by the Manager or the Company. Instead, the Company pays the investment manager fees to the Investment Manager as disclosed in Note 3 of the financial statements. The Investment Manager pays remuneration to its staff in accordance with the policies, procedures and processes applicable to it.

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: **Montanaro European Smaller Companies Fund**

Legal entity identifier: **635400TW8AKLKNTQLF58**

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

Yes

It made **sustainable investments with an environmental objective:** ___%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It made **sustainable investments with a social objective:** ___%

No

It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 11.7% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promoted E/S characteristics, but **did not make any sustainable investments**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Fund seeks to promote environmental characteristics including:

- the prevention of climate change
- the reduction of greenhouse gas emissions
- the prevention of resource depletion
- the reduction of waste and pollution

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

The Fund seeks to promote social characteristics including:

- improving working conditions
- improving health and safety
- improving employee relations
- achieving better diversity

● ***How did the sustainability indicators perform?***

The Investment Manager uses the following indicators to measure the environmental or social characteristics promoted by the Fund:

- (i) Carbon intensity of the Fund (Scope 1 + 2) both absolute and relative to its Benchmark;
- (ii) Percentage of investee companies which have credible Net Zero Carbon strategies;
- (iii) Percentage of women on boards of investee companies;
- (iv) Percentage of independent directors on boards of investee companies;
- (v) Percentage of companies which have an anti-bribery policy.

As at 31 December 2022, these indicators were as follows for the Fund as a whole:

- (i) Carbon intensity (Scope 1 + 2):
 - a. Fund: 18.9 tons of CO₂e / \$1m of Sales
 - b. Benchmark: 113.3 tons of CO₂e / \$1m of Sales
- (ii) Percentage of investee companies with credible Net Zero Carbon strategies: 32%
- (iii) Percentage of women on boards of investee companies: 36%
- (iv) Percentage of independent directors on boards of investee companies: 74%
- (v) Percentage of companies which have an anti-bribery policy: 85%

Note: The benchmark is the Fund's official benchmark, i.e. the MSCI Europe Small Cap (Capital Return) Index.

The data above is sourced from MSCI and / or Bloomberg and updated on a quarterly basis. Where the indicators differ from expectations, the indicator will be investigated.

● ***...and compared to previous periods?***

N/A. 2022 is the first reporting period.

● ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

N/A. The Fund does not have an objective of making sustainable investments.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

N/A. The Fund does not have an objective of making sustainable investments.

- — *How were the indicators for adverse impacts on sustainability factors taken into account?*

N/A. The Fund does not have an objective of making sustainable investments.

- — *Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

N/A. The Fund does not have an objective of making sustainable investments.

Impact Cubed made an assessment of the Fund and, based on their findings, it was determined that there were no violations of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.



How did this financial product consider principal adverse impacts on sustainability factors?

As part of its investment process (both pre-investment and on an ongoing basis), the Investment Manager considers 10 of the 14 PAIs at Portfolio level:

- Scope 1 GHG emissions;
- Scope 2 GHG emissions;
- Scope 3 GHG emissions;
- Total GHG emissions;
- Carbon footprint;
- GHG intensity of investee companies;
- Share of investments in companies active in the fossil fuel sector;
- Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average;
- Average ratio of female to male board members in investee companies, expressed as a percentage of all board members;
- Share of investments in investee companies involved in the manufacture or selling of controversial weapons.

These Portfolio-level PAIs are reported at the end of this document.

In addition to the Portfolio-level PAIs, the Investment Manager reviews the internal ESG Checklists of each of the Fund's holdings on an ongoing basis (i.e. quarterly at a minimum). These Checklists have three sections (Environmental, Social and Governance) scored separately which are incorporated into a total score out of 10. Any significant change in a company's score – whether per section or in aggregate – will result in further investigation and possible engagement with the company.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

During the year, the Investment Manager engaged with 11 companies held in the Fund in respect of the following:

- Climate: 3
- Environment: 1
- Social: 3
- Governance: 4

A progress report on our engagement with investee companies on their journey towards Net Zero is available here: <https://montanaro.co.uk/deep-dive/net-zero-carbon-2022/>



What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
IMCD NV	Industrials	4.0%	Netherlands
4IMPRINT GROUP PLC	Communication Services	3.6%	UK
MTU AERO ENGINES AG	Industrials	3.5%	Germany
SARTORIUS STEDIM BIOTECH	Health Care	3.0%	France
CTS EVENTIM AG & CO KGAA	Communication Services	3.0%	Germany
MONCLER SPA	Consumer Discretionary	2.7%	Italy
KAINOS GROUP PLC	Information Technology	2.6%	UK
BREMBO SPA	Consumer Discretionary	2.6%	Italy
TECAN GROUP AG-REG	Health Care	2.6%	Switzerland
DIPLOMA PLC	Industrials	2.5%	UK
VZ HOLDING AG	Financials	2.5%	Switzerland
MELEXIS NV	Information Technology	2.5%	Belgium
BELIMO HOLDING AG-REG	Industrials	2.4%	Switzerland
REPLY SPA	Information Technology	2.4%	Italy
SPIRAX-SARCO ENGINEERING	Industrials	2.4%	UK

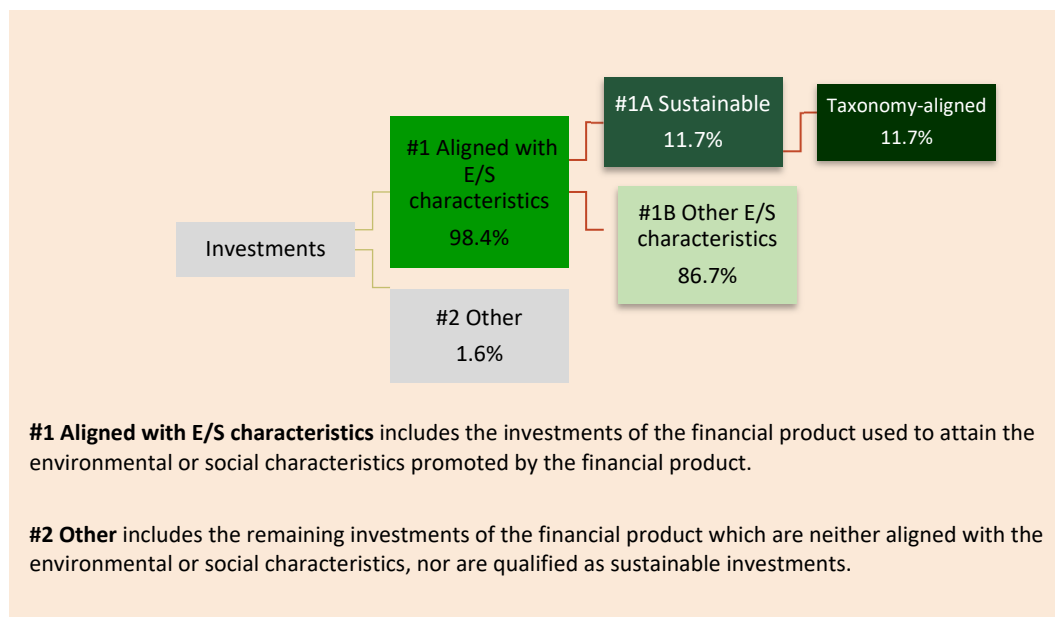
The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is:



What was the proportion of sustainability-related investments?

● *What was the asset allocation?*

Please see chart below, which outlines the asset allocation within the Fund as at 31 December 2022.



Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the “greenness” of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of

● **In which economic sectors were the investments made?**

Energy	0.0%
Materials	4.0%
Industrials	24.7%
Consumer Discretionary	11.1%
Consumer Staples	4.2%
Health Care	18.4%
Financials	6.9%
Information Technology	18.4%
Communication Services	6.6%
Utilities	0.0%
Real Estate	4.1%
CASH	1.6%

Asset allocation describes the share of investments in specific assets.



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

N/A. The Fund did not make sustainable investments aligned with the EU Taxonomy.

However, as at 31 December 2022, the Fund had the following alignment with the EU Taxonomy:

- 11.7% by Turnover
- 13.4% by CapEx

- 11.7% by OpEx

● **Did the financial product invest in fossil gas and / or nuclear energy related activities that comply with the EU Taxonomy¹?**

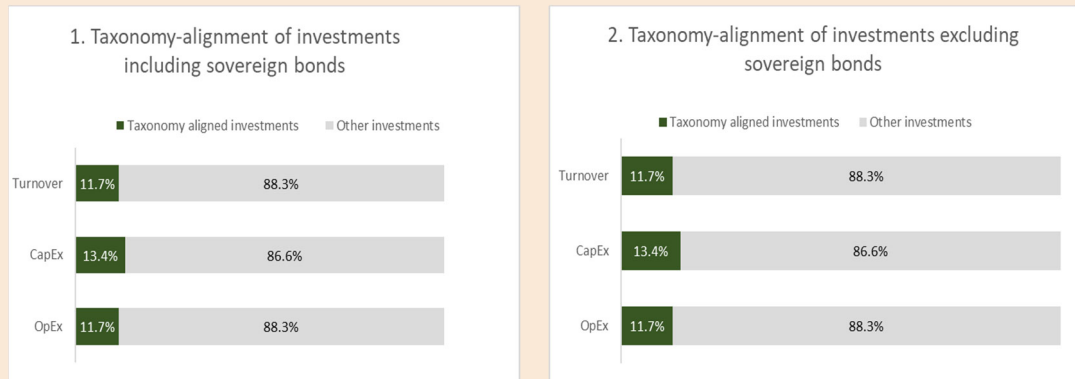
Yes:

 In fossil gas In nuclear energy

No

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.




**For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures*

As at 31 December 2022, the Fund’s 11.7% alignment (by Turnover) with the EU Taxonomy by economic activity was as follows (data sourced from Impact Cubed):

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

Climate Change Mitigation - TOTAL	11.1%
Construction and real estate activities	
Construction of new buildings	0.6%
Acquisition of buildings	3.0%
Manufacturing	
Manufacture of low carbon technologies	7.5%
Manufacture of other inorganic basic chemicals	0.0%
Manufacture of plastics in primary form	0.0%
Manufacture of other organic basic chemicals	0.0%
Manufacture of iron and steel	0.0%
Manufacture of fertilizers and nitrogen compounds	0.0%
Manufacture of cement	0.0%
Manufacture of aluminium	0.0%
Climate Change Adaptation - TOTAL	0.6%
Finance and Insurance	
Non-life insurance	0.6%
TOTAL ALIGNMENT	11.7%

● **What was the share of investments made in transitional and enabling activities?**

Although the Fund has no specific target exposure, 8.1% of the Fund’s investments were in transitional and enabling activities at 31 December 2022:

1. Total Taxonomy Aligned Investments	11.7%
<u>1.1 Total transitional activities</u>	0.0%
1.1.1 Of which contributes to climate mitigation transitional activities	0.0%
1.1.2 Of which contributes to climate adaptation transitional activities	0.0%
<u>1.2 Total enabling activities</u>	8.1%
1.1.1 Of which contributes to climate mitigation enabling activities	7.5%
1.1.2 Of which contributes to climate adaptation enabling activities	0.6%

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

N/A. This is the first reporting period.



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

N/A. The Fund does not have sustainable investments.



What was the share of socially sustainable investments?

N/A. The Fund does not have sustainable investments.



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

Only Cash was included under “Other”.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

During the year, the Investment Manager engaged with 11 companies held in the Fund in respect of the following:

- Climate: 3
- Environment: 1
- Social: 3
- Governance: 4

As responsible shareholders we believe that it is our duty to engage with our investee companies where necessary. Active engagement can help to foster positive long-term change and improved societal and environmental outcomes. We will engage with companies where we become aware of any weakness or incident relating to our ESG policies or international norms. We also conduct thematic “Deep Dive” engagement projects on specific subjects to better understand how our companies are exposed to a particular issue or area of risk. An ongoing area of focus is climate change and achieving net zero emissions.



How did this financial product perform compared to the reference benchmark?

N/A. No sustainable reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

- ***How does the reference benchmark differ from a broad market index?***

N/A

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

N/A

- ***How did this financial product perform compared with the reference benchmark?***

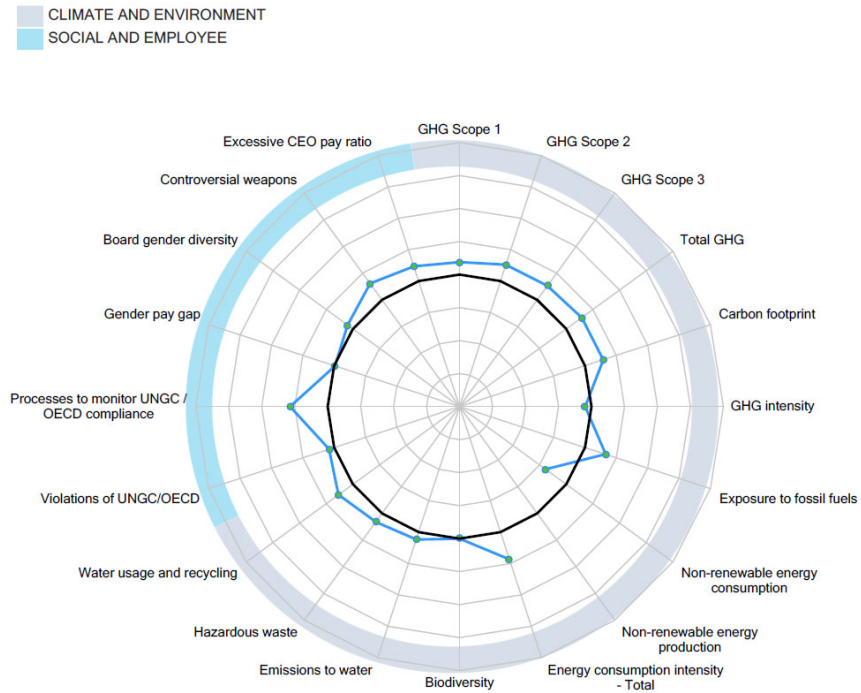
N/A

- ***How did this financial product perform compared with the broad market index?***

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

The reference benchmark for the Fund is the MSCI Europe Small Cap (Capital Return) index.

In the chart below (dated 31 December 2022), Impact Cubed compare the Fund (blue line) to the benchmark (black line) across 20 Principal Adverse Impact indicators. When the blue line sits above the black line it indicates that the Fund fares better than the benchmark on the particular indicator (and vice versa).



The table below highlights the PAI indicators of the Fund relative to its benchmark, the MSCI Europe Small Cap (Capital Return) index, as at 31 December 2022:

PAI MEASURES

	Based on company reported	Fund	% fund disclosed	Benchmark	% benchmark disclosed
GHG Scope 1	scope 1 GHG emissions	2,160	70%	36,770	69%
GHG Scope 2	scope 2 GHG emissions	2,790	64%	16,520	59%
GHG Scope 3	from 1 January 2023, Scope 3 GHG emissions	181,630	0%	525,470	12%
Total GHG	total GHG emissions	186,580	0%	578,760	10%
Carbon footprint	carbon footprint	450.66	0%	1,397.93	10%
GHG intensity	ghg intensity of investee companies	1,515.68	0%	1,315.21	10%
Exposure to fossil fuels	share of investments in companies active in the fossil fuel sector	0.00%	100%	4.77%	100%
Non-renewable energy consumption	share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	65.76%	18%	61.85%	10%
Non-renewable energy production	share of non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	N/A	N/A	46.89%	100%
Energy consumption intensity - Total	energy consumption in GWh per million EUR of revenue of investee companies - Total	0.11	32%	0.47	25%
Energy consumption intensity - NACE Sector A	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector A (Agriculture, forestry and fishing)	N/A	N/A	0.16	0%
Energy consumption intensity - NACE Sector B	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector B (Mining and quarrying)	N/A	N/A	1.39	8%
Energy consumption intensity - NACE Sector C	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector C (Manufacturing)	0.17	37%	0.43	30%
Energy consumption intensity - NACE Sector D	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector D (Electricity, gas, steam and air conditioning supply)	N/A	N/A	3.93	22%
Energy consumption intensity - NACE Sector E	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector E (Water supply; sewerage; waste management and remediation activities)	N/A	N/A	0.47	0%
Energy consumption intensity - NACE Sector F	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector F (Construction)	0.09	100%	0.09	27%
Energy consumption intensity - NACE Sector G	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector G (Wholesale and retail trade; repair of motor vehicles and motorcycles)	0.02	100%	1.20	25%
Energy consumption intensity - NACE Sector H	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector H (Transporting and storage)	2.06	0%	1.52	12%
Energy consumption intensity - NACE Sector L	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector L (Real estate activities)	0.16	32%	0.33	46%

	Based on company reported	Fund	% fund disclosed	Benchmark	% benchmark disclosed
Biodiversity	share of investments in investee companies with sites/operations located in or near to biodiversity -sensitive areas where activities of those investee companies negatively affect those areas	0.00%	0%	0.00%	0%
Emissions to water	tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	5.41	0%	497.05	0%
Hazardous waste	tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	0.72	23%	45.22	11%
Water usage and recycling	average amount of water consumed and reclaimed by the investee companies (in cubic meters) per million EUR of revenue of investee companies	270.42	0%	5,606.63	0%
Violations of UNGC/OECD	share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.00%	100%	0.17%	100%
Processes to monitor UNGC / OECD compliance	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	41.43%	100%	58.26%	100%
Gender pay gap	average unadjusted gender pay gap of investee companies	87.33%	0%	87.38%	0%
Board gender diversity	average ratio of female to male board members in investee companies	34.68%	86%	33.54%	92%
Controversial weapons	share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00%	100%	0.97%	100%
Excessive CEO pay ratio	average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)	32.01	0%	36.61	0%

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Montanaro European MidCap Fund

Legal entity identifier: 6354001PHJU2IW4SCG72

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

Yes

It made **sustainable investments with an environmental objective:** ___%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It made **sustainable investments with a social objective:** ___%

No

It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 7.8% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promoted E/S characteristics, but **did not make any sustainable investments**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Fund seeks to promote environmental characteristics including:

- the prevention of climate change
- the reduction of greenhouse gas emissions

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

- the prevention of resource depletion
- the reduction of waste and pollution

The Fund seeks to promote social characteristics including:

- improving working conditions
- improving health and safety
- improving employee relations
- achieving better diversity

● ***How did the sustainability indicators perform?***

The Investment Manager uses the following indicators to measure the environmental or social characteristics promoted by the Fund:

- (i) Carbon intensity of the Fund (Scope 1 + 2) both absolute and relative to its Benchmark;
- (ii) Percentage of investee companies which have credible Net Zero Carbon strategies;
- (iii) Percentage of women on boards of investee companies;
- (iv) Percentage of independent directors on boards of investee companies;
- (v) Percentage of companies which have an anti-bribery policy.

As at 31 December 2022, these indicators were as follows for the Fund as a whole:

- (i) Carbon intensity (Scope 1 + 2):
 - a. Fund: 28.5 tons of CO₂e / \$1m of Sales
 - b. Benchmark: 138.0 tons of CO₂e / \$1m of Sales
- (ii) Percentage of investee companies with credible Net Zero Carbon strategies: 52.7%
- (iii) Percentage of women on boards of investee companies: 39%
- (iv) Percentage of independent directors on boards of investee companies: 66%
- (v) Percentage of companies which have an anti-bribery policy: 88%

Note: The benchmark is the Fund's official benchmark, i.e. the STOXX Europe Mid 200 (Capital Return) Index.

The data above is sourced from MSCI and / or Bloomberg and updated on a quarterly basis. Where the indicators differ from expectations, the indicator will be investigated.

● ***...and compared to previous periods?***

N/A. 2022 is the first reporting period.

● ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

N/A. The Fund does not have an objective of making sustainable investments.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others



Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

N/A. The Fund does not have an objective of making sustainable investments.

- — *How were the indicators for adverse impacts on sustainability factors taken into account?*

N/A. The Fund does not have an objective of making sustainable investments.

- — *Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

N/A. The Fund does not have an objective of making sustainable investments.

Impact Cubed made an assessment of the Fund and, based on their findings, it was determined that there were no violations of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

How did this financial product consider principal adverse impacts on sustainability factors?

As part of its investment process (both pre-investment and on an ongoing basis), the Investment Manager considers 10 of the 14 PAIs at Portfolio level:

- Scope 1 GHG emissions;
- Scope 2 GHG emissions;
- Scope 3 GHG emissions;
- Total GHG emissions;
- Carbon footprint;
- GHG intensity of investee companies;
- Share of investments in companies active in the fossil fuel sector;
- Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average;
- Average ratio of female to male board members in investee companies, expressed as a percentage of all board members;
- Share of investments in investee companies involved in the manufacture or selling of controversial weapons.

These Portfolio-level PAIs are reported at the end of this document.

In addition to the Portfolio-level PAIs, the Investment Manager reviews the internal ESG Checklists of each of the Fund's holdings on an ongoing basis (i.e. quarterly at a minimum). These Checklists have three sections (Environmental, Social and Governance) scored separately which are incorporated into a total score out of 10. Any significant change in a company's score – whether per section or in aggregate – will result in further investigation

and possible engagement with the company.

During the year, the Investment Manager engaged with 4 companies held in the Fund in respect of the following:

- Climate: 1
- Environment: 0
- Social: 1
- Governance: 2

A progress report on our engagement with investee companies on their journey towards Net Zero is available here: <https://montanaro.co.uk/deep-dive/net-zero-carbon-2022/>



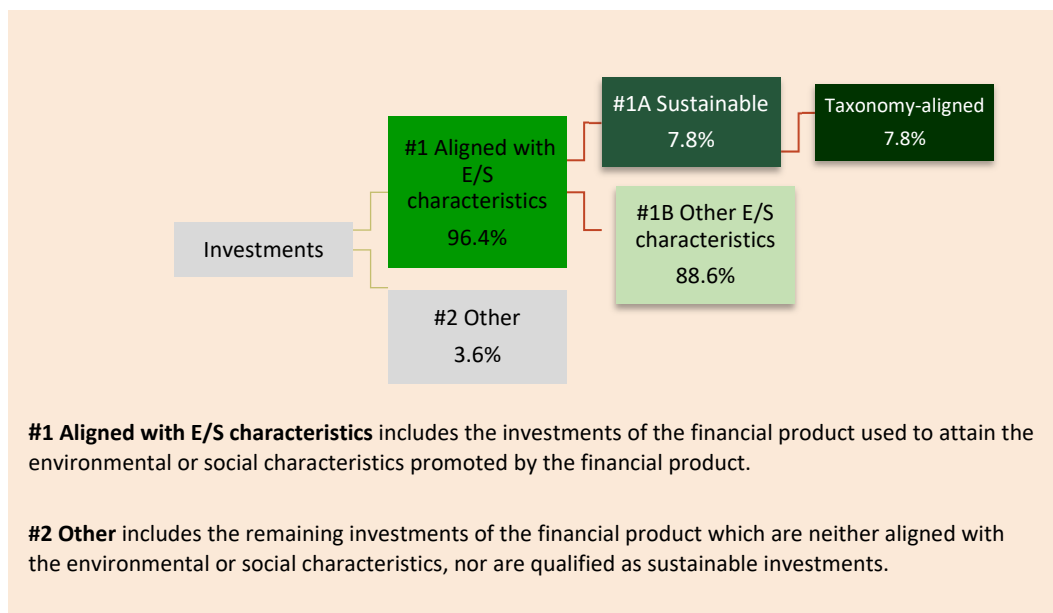
What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
EDENRED	Information Technology	5.5%	France
RENTOKIL INITIAL PLC	Industrials	5.2%	UK
MONCLER SPA	Consumer Discretionary	5.1%	Italy
DIPLOMA PLC	Industrials	4.8%	UK
ASHTHEAD GROUP PLC	Industrials	4.7%	UK
RS GROUP PLC	Industrials	4.6%	UK
WORLDLINE SA	Information Technology	4.5%	France
MTU AERO ENGINES AG	Industrials	4.4%	Germany
ST JAMES'S PLACE PLC	Financials	4.3%	UK
RECORDATI INDUSTRIA CHIMICI	Health Care	4.2%	Italy
IMCD NV	Industrials	4.2%	Netherlands
AMUNDI SA	Financials	4.2%	France
REPLY SPA	Information Technology	4.1%	Italy
WAREHOUSES DE PAUW SCA	Real Estate	4.1%	Belgium
TELEPERFORMANCE	Industrials	4.0%	France

What was the proportion of sustainability-related investments?

● What was the asset allocation?

Please see chart below, which outlines the asset allocation within the Fund as at 31 December 2022.



● **In which economic sectors were the investments made?**

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the “greenness” of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

Energy	0.0%
Materials	3.3%
Industrials	34.3%
Consumer Discretionary	5.1%
Consumer Staples	0.0%
Health Care	18.9%
Financials	8.4%
Information Technology	19.8%
Communication Services	0.0%
Utilities	2.4%
Real Estate	4.1%
CASH	3.6%



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

N/A. The Fund did not make sustainable investments aligned with the EU Taxonomy.

However, as at 31 December 2022, the Fund had the following alignment with the EU Taxonomy:

- 7.8% by Turnover
- 7.8% by CapEx

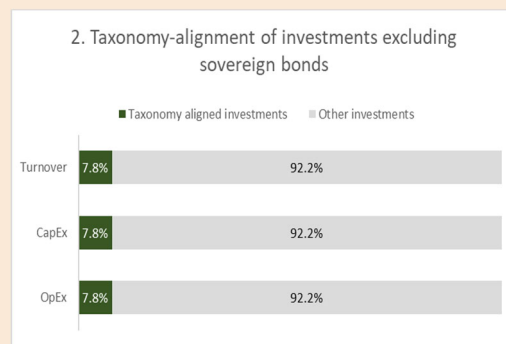
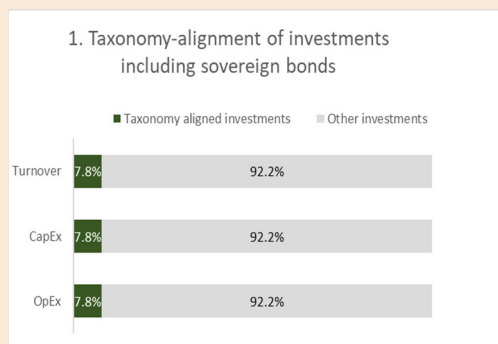
- 7.8% by OpEx

● **Did the financial product invest in fossil gas and / or nuclear energy related activities that comply with the EU Taxonomy¹?**

- Yes:
- In fossil gas
 - In nuclear energy
- No

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



**For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures*

As at 31 December 2022, the Fund’s 7.8% alignment (by Turnover) with the EU Taxonomy by economic activity was as follows (data sourced from Impact Cubed):

[include note only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

[include note for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.

Climate Change Mitigation - TOTAL	7.8%
Construction and real estate activities	
Acquisition of buildings	4.4%
Construction of new buildings	0.8%
Electricity, gas, steam and air conditioning supply	
Transmission and distribution of electricity	2.6%
Production of electricity from hydropower	0.0%
Production of electricity from gas combustion	0.0%
Production of electricity from wind power	0.0%
Production of electricity from bioenergy	0.0%
Production of electricity from solar PV	0.0%
Manufacture of biomass, biogas or biofuels	0.0%
Climate Change Adaptation - TOTAL	0.00%
TOTAL ALIGNMENT	7.8%

● **What was the share of investments made in transitional and enabling activities?**

Although the Fund has no specific target exposure, 2.6% of the Fund’s investments were in transitional and enabling activities at 31 December 2022:

1. Total Taxonomy Aligned Investments	7.8%
<u>1.1 Total transitional activities</u>	0.0%
1.1.1 Of which contributes to climate mitigation transitional activities	0.0%
1.1.2 Of which contributes to climate adaptation transitional activities	0.0%
<u>1.2 Total enabling activities</u>	2.6%
1.1.1 Of which contributes to climate mitigation enabling activities	2.6%
1.1.2 Of which contributes to climate adaptation enabling activities	0.0%

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

N/A. This is the first reporting period.



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

N/A. The Fund does not have sustainable investments.



What was the share of socially sustainable investments?

N/A. The Fund does not have sustainable investments.



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

Only Cash was included under “Other”.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

During the year, the Investment Manager engaged with 4 companies held in the Fund in respect of the following:

- Climate: 1
- Environment: 0
- Social: 1
- Governance: 2



As responsible shareholders we believe that it is our duty to engage with our investee companies where necessary. Active engagement can help to foster positive long-term change and improved societal and environmental outcomes. We will engage with companies where we become aware of any weakness or incident relating to our ESG policies or international norms. We also conduct thematic “Deep Dive” engagement projects on specific subjects to better understand how our companies are exposed to a particular issue or area of risk. An ongoing area of focus is climate change and achieving net zero emissions.

How did this financial product perform compared to the reference benchmark?

N/A. No sustainable reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

- *How does the reference benchmark differ from a broad market index?*

N/A

- *How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?*

N/A

- *How did this financial product perform compared with the reference benchmark?*

N/A

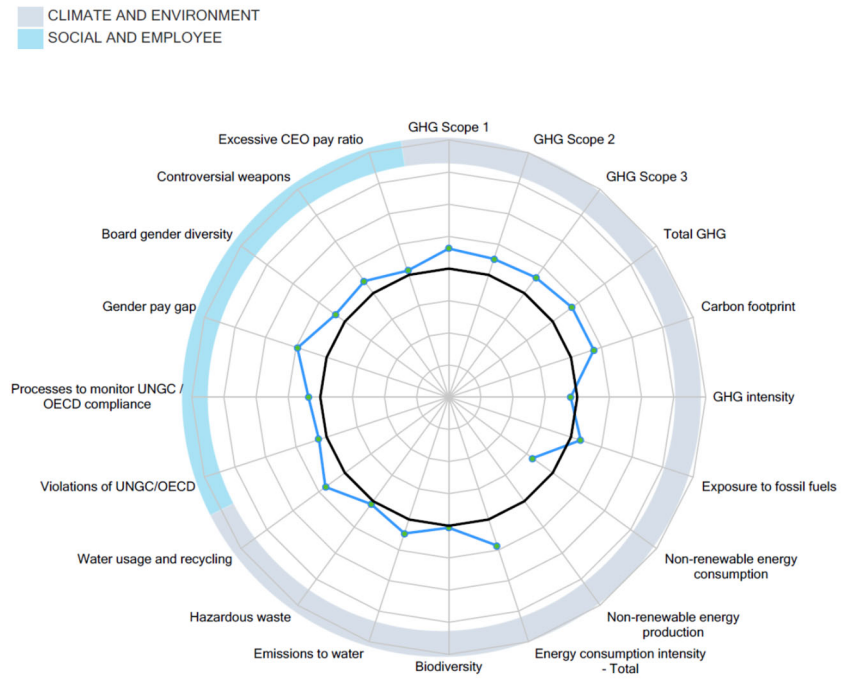
- *How did this financial product perform compared with the broad market index?*

The benchmark of the Fund is the STOXX Europe Mid 200 (Capital Return) Index.

In the chart below (dated 31 December 2022), Impact Cubed compare the Fund (blue line) to the benchmark (black line) across 20 Principal Adverse Impact indicators. When the blue line

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

sits above the black line it indicates that the Fund fares better than the benchmark on the particular indicator (and vice versa).



The table below highlights the PAI indicators of the Fund relative to its benchmark, the STOXX Europe Mid 200 (Capital Return) Index, as at 31 December 2022:

PAI MEASURES					
	Based on company reported	Fund	% fund disclosed	Benchmark	% benchmark disclosed
GHG Scope 1	scope 1 GHG emissions	290	86%	7,140	76%
GHG Scope 2	scope 2 GHG emissions	390	82%	4,360	69%
GHG Scope 3	from 1 January 2023, Scope 3 GHG emissions	38,440	0%	66,100	22%
Total GHG	total GHG emissions	39,120	0%	77,600	19%
Carbon footprint	carbon footprint	374.54	0%	743.03	19%
GHG intensity	ghg intensity of investee companies	997.35	0%	888.98	19%
Exposure to fossil fuels	share of investments in companies active in the fossil fuel sector	2.53%	100%	4.82%	100%
Non-renewable energy consumption	share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	68.46%	34%	63.86%	37%
Non-renewable energy production	share of non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	N/A	N/A	66.80%	100%
Energy consumption intensity - Total	energy consumption in GWh per million EUR of revenue of investee companies - Total	0.07	70%	0.35	64%
Energy consumption intensity - NACE Sector A	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector A (Agriculture, forestry and fishing)	N/A	N/A	0.18	100%
Energy consumption intensity - NACE Sector B	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector B (Mining and quarrying)	N/A	N/A	1.05	29%
Energy consumption intensity - NACE Sector C	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector C (Manufacturing)	0.10	82%	0.38	72%
Energy consumption intensity - NACE Sector D	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector D (Electricity, gas, steam and air conditioning supply)	0.09	100%	1.94	59%
Energy consumption intensity - NACE Sector E	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector E (Water supply; sewerage; waste management and remediation activities)	N/A	N/A	1.73	80%
Energy consumption intensity - NACE Sector F	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector F (Construction)	N/A	N/A	0.26	57%
Energy consumption intensity - NACE Sector G	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector G (Wholesale and retail trade; repair of motor vehicles and motorcycles)	0.02	72%	0.06	53%
Energy consumption intensity - NACE Sector H	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector H (Transporting and storage)	N/A	N/A	1.08	64%
Energy consumption intensity - NACE Sector L	energy consumption in GWh per million EUR of revenue of investee companies - NACE Sector L (Real estate activities)	0.60	100%	0.36	89%

	Based on company reported	Fund	% fund disclosed	Benchmark	% benchmark disclosed
Biodiversity	share of investments in investee companies with sites/operations located in or near to biodiversity -sensitive areas where activities of those investee companies negatively affect those areas	0.00%	0%	0.11%	0%
Emissions to water	tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	4.40	0%	349.03	0%
Hazardous waste	tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	0.12	32%	11.34	31%
Water usage and recycling	average amount of water consumed and reclaimed by the investee companies (in cubic meters) per million EUR of revenue of investee companies	298.45	0%	3,268.27	0%
Violations of UNGC/OECD	share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.00%	100%	0.46%	100%
Processes to monitor UNGC / OECD compliance	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	16.10%	100%	21.11%	100%
Gender pay gap	average unadjusted gender pay gap of investee companies	87.56%	0%	86.59%	0%
Board gender diversity	average ratio of female to male board members in investee companies	38.83%	95%	37.71%	99%
Controversial weapons	share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00%	100%	1.70%	100%
Excessive CEO pay ratio	average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)	52.85	0%	54.66	0%