

Montanaro European Smaller Companies plc

SIMPLIFIED PROSPECTUS

22 November 2010

This Simplified Prospectus contains key information in relation to Montanaro European Smaller Companies plc, which is an open-ended umbrella investment company with variable capital incorporated in Ireland on 14 July 2000 and authorised on 29 November 2000 by the Central Bank of Ireland (the “Central Bank”), under the European Communities (UCITS) Regulations, 2003 (S.I. Statutory Instrument No. 211 of 2003) as amended (the “Company”).

The Company has two sub-funds, namely, Montanaro European Smaller Companies Fund and Montanaro European Equity Income Fund (each a “Fund”). Shares are issued to investors as Shares of a Class in each Fund. There are four Classes of Shares available for subscription in the Montanaro European Smaller Companies Fund, namely, Euro Class, Sterling Class and US Dollar Class, which may pay dividends, as well as one Euro Accumulation Share Class. In the Montanaro European Equity Income Fund there are three dividend paying Classes of Shares available for subscription, namely, Euro Class, Sterling Class and US Dollar Class Shares. All Classes of Shares are listed on the Irish Stock Exchange.

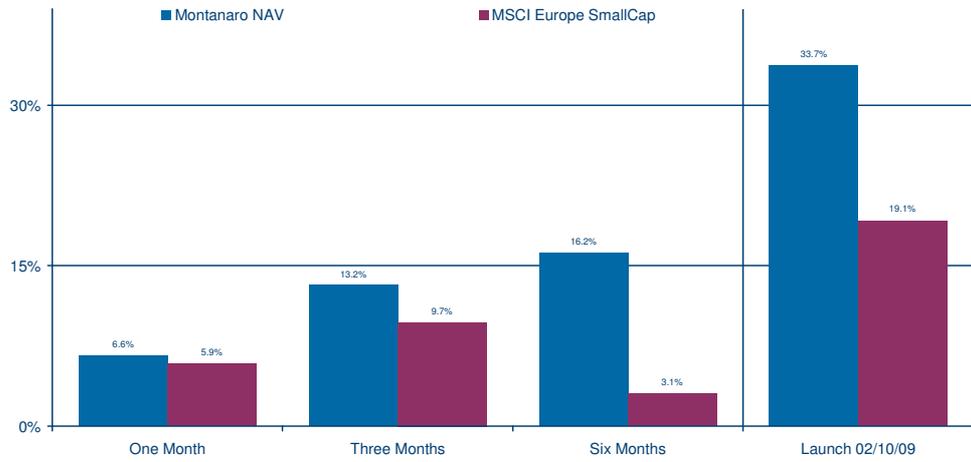
Potential investors are advised to read the full prospectus dated 1 October 2009 (the “Prospectus”) before making an investment decision. The rights and duties of the investor as well as the legal relationship with the Company are detailed in the Prospectus.

The base currency of Montanaro European Smaller Companies Fund is Euro and the base currency of Montanaro European Equity Income Fund is Sterling.

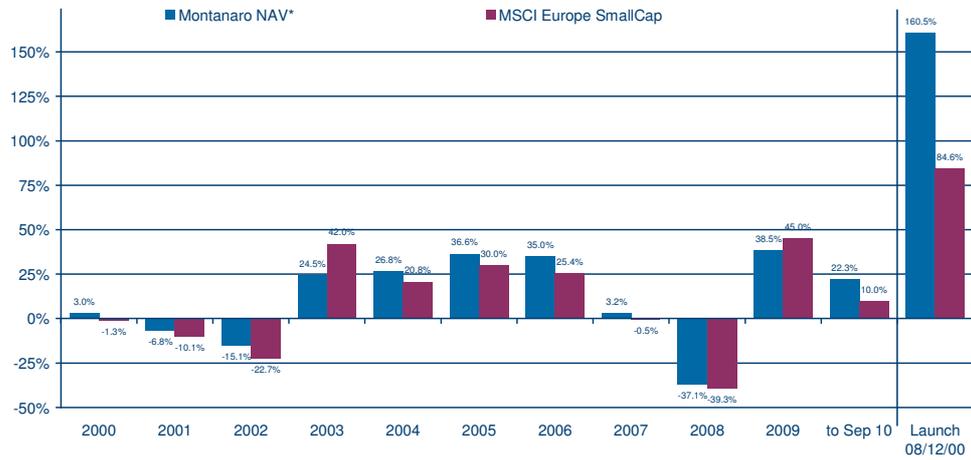
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| Investment Objective: | <p><i>Montanaro European Smaller Companies Fund</i></p> <p>The investment objective of the Fund is to achieve capital growth by investing principally in European (including U.K. and Emerging European) quoted small companies and to outperform its Benchmark the MSCI Europe SmallCap Index.</p> <p><i>Montanaro European Equity Income Fund</i></p> <p>The investment objective of the Fund is to provide investors with higher than market average dividend income and to outperform its Benchmark the MSCI Europe SmallCap (Total Return) Index.</p> |
| Investment Policy: | <p><i>Montanaro European Smaller Companies Fund</i></p> <p>The Fund shall invest at least two thirds of its total assets (after deduction of ancillary liquid assets) in equity securities of smaller companies having their registered office in Europe or companies having their registered office outside Europe but deriving predominant revenues or profits from the European region. Such Companies shall be quoted in the European Union, Iceland, Norway and Switzerland (but without restricting the Fund from investing in smaller companies quoted on other European stock exchanges or quoted on non European Stock exchanges). Smaller companies shall mean companies whose market capitalisation shall not exceed €3 billion.</p> <p>Up to one third of the total assets of the Fund may be invested in aggregate in equity securities of companies over €3 billion in size. The Fund will invest at least 75% of its net assets in securities eligible for Plan d’Epargne en Actions (“PEA” in France). A PEA is a savings plan which is invested in shares issued by EEA corporation tax paying entities.</p> <p><i>Montanaro European Equity Income Fund</i></p> <p>The Fund shall invest at least two thirds of its total assets (after deduction of ancillary liquid assets) in equity securities of smaller companies having their registered office in</p> |

| | <p>Europe or companies having their registered office outside Europe but deriving predominant revenues or profits from the European region. Such Companies shall be quoted in the European Union, Iceland, Norway and Switzerland (but without restricting the Fund from investing in smaller companies quoted on other European stock exchanges) or quoted on non European Stock exchanges. Smaller companies shall mean companies whose market capitalisation shall not exceed €3 billion.</p> <p>Up to one third of the total assets of the Fund may be invested in aggregate in equity securities of companies over €3 billion in size. The Fund will invest at least 75% of its net assets in securities eligible for Plan d'Epargne en Actions ("PEA" in France). A PEA is a savings plan which is invested in shares issued by EEA corporation tax paying entities.</p> <p>It is intended that the Fund will invest primarily in quoted smaller companies offering a dividend yield higher than the overall market or offering the potential for above average dividend growth in pursuit of its investment objectives.</p> | | | | | | | | | | | | | | | | | | | | | |
|--|---|----------------------|----------------|----------------------|------|------|------|------|-------|-------|------|--------|--------|------|-------|-------|-----------|-------|-------|-----------------|-------|--------|
| <p>Risk Profile:</p> | <p>The following risk factors apply to each Fund:</p> <p>The value of investments and, consequently the prices of Shares, can go down as well as up and an investor may not get back the amount invested.</p> <p>The investments of the Funds will be subject to market fluctuations and other risks inherent in investing in securities in Europe and there can be no assurance that any appreciation in value will occur.</p> <p>The Funds invest in companies denominated in various currencies and therefore may be exposed to exchange or currency risk.</p> <p>The small companies market in which each Fund invests may be less liquid than the market in larger capitalised stocks and can be more sensitive to economic and other factors. As a result, whilst the objective of the Funds is capital growth and providing investors with absolute returns and higher than market average dividend income respectively, the Funds may experience greater volatility both in the value of their investments and in their Net Asset Value per Share.</p> <p>A more detailed description of the risk factors that apply to each Fund is set out in the Prospectus.</p> | | | | | | | | | | | | | | | | | | | | | |
| <p>Performance Data: All data shown is for periods ending September 30 2010</p> | <p><i>Montanaro European Smaller Companies Fund/ Euro Class</i></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Montanaro NAV*</th> <th>MSCI Europe SmallCap</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>5.9%</td> <td>4.5%</td> </tr> <tr> <td>2007</td> <td>-5.3%</td> <td>-8.8%</td> </tr> <tr> <td>2008</td> <td>-51.8%</td> <td>-53.4%</td> </tr> <tr> <td>2009</td> <td>49.5%</td> <td>56.4%</td> </tr> <tr> <td>to Sep 10</td> <td>28.4%</td> <td>12.7%</td> </tr> <tr> <td>Launch 23/11/06</td> <td>-7.3%</td> <td>-21.7%</td> </tr> </tbody> </table> <p>*Dividends Reinvested</p> | Year | Montanaro NAV* | MSCI Europe SmallCap | 2006 | 5.9% | 4.5% | 2007 | -5.3% | -8.8% | 2008 | -51.8% | -53.4% | 2009 | 49.5% | 56.4% | to Sep 10 | 28.4% | 12.7% | Launch 23/11/06 | -7.3% | -21.7% |
| Year | Montanaro NAV* | MSCI Europe SmallCap | | | | | | | | | | | | | | | | | | | | |
| 2006 | 5.9% | 4.5% | | | | | | | | | | | | | | | | | | | | |
| 2007 | -5.3% | -8.8% | | | | | | | | | | | | | | | | | | | | |
| 2008 | -51.8% | -53.4% | | | | | | | | | | | | | | | | | | | | |
| 2009 | 49.5% | 56.4% | | | | | | | | | | | | | | | | | | | | |
| to Sep 10 | 28.4% | 12.7% | | | | | | | | | | | | | | | | | | | | |
| Launch 23/11/06 | -7.3% | -21.7% | | | | | | | | | | | | | | | | | | | | |

Montanaro European Smaller Companies Fund/ Euro Accumulation Class

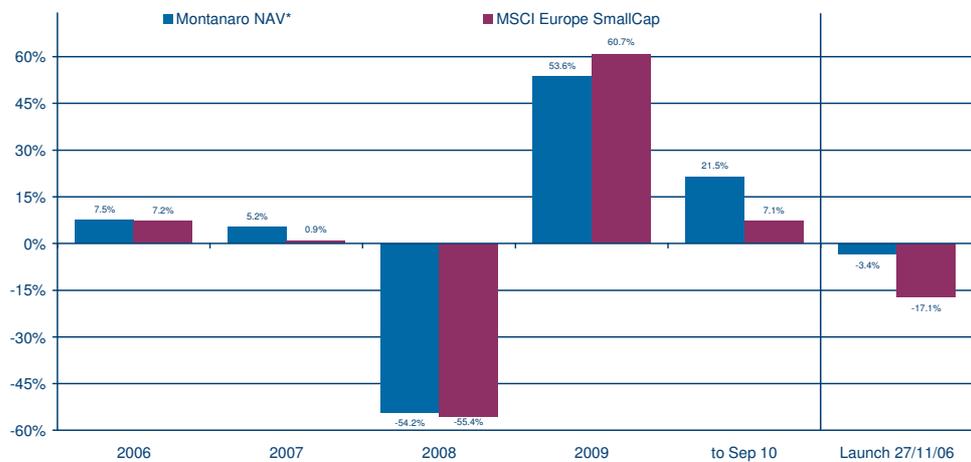


Montanaro European Smaller Companies Fund/ Sterling Class



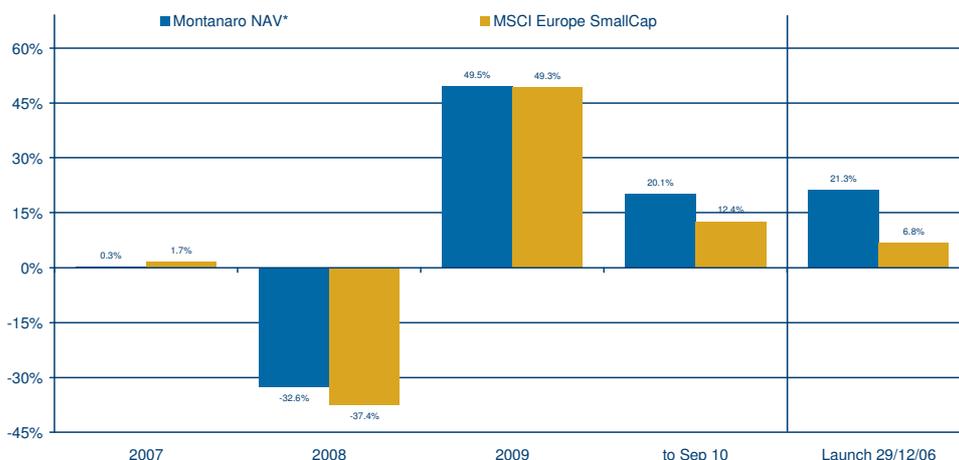
*Dividends Reinvested

Montanaro European Smaller Companies Fund/ US Dollar Class



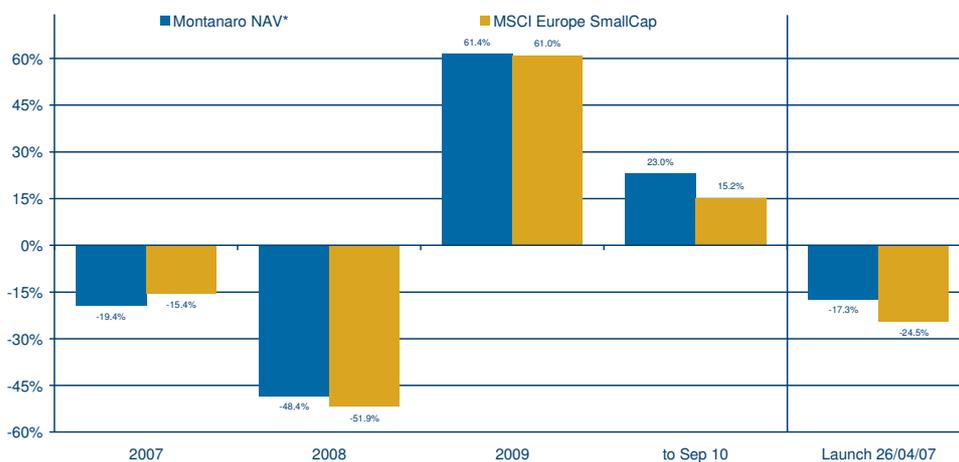
*Dividends Reinvested

Montanaro European Equity Income Fund/ Sterling Class



*Dividends Reinvested

Montanaro European Equity Income Fund/ Euro Class



*Dividends Reinvested

Montanaro European Equity Income Fund/ US Dollar Class

No performance data is yet available for the US Dollar Class of the Montanaro European Equity Income Fund as the US Dollar Class has yet to be launched.

Profile of a Typical Investor:

Montanaro European Smaller Companies Fund

The Fund is suitable for investors seeking capital growth over a 5 to 10 year period and prepared to accept a moderate level of volatility.

Montanaro European Equity Income Fund

The Fund is suitable for investors seeking both capital growth and income over a 5 to 10 year period and prepared to accept a moderate level of volatility.

Distribution Policy:

The Administrator shall pay distributions in cash by telegraphic transfer in respect of dividends.

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|----------------------------------|--|----------------|--|-------------------|--|-------------------|------|---------------------------|-------------|-----------------|---|
| | <p>Montanaro European Smaller Companies Fund</p> <p><i>Distribution Classes (i.e. Euro Class, Sterling Class and US Dollar Class Shares)</i></p> <p>Dividends will be paid each calendar year out of net income.</p> <p><i>Accumulation Classes (i.e. Euro Accumulation Class Shares)</i></p> <p>It is not the current intention to pay dividends. Income and other profits will be accumulated and reinvested on behalf of the Shareholders.</p> <p>Montanaro European Equity Income Fund</p> <p>Dividends will be paid each calendar quarter out of net income.</p> | | | | | | | | | | |
| <p>Fees and Expenses:</p> | <p>As of the date of this Simplified Prospectus, there are four Classes of Shares available for subscription in the Montanaro European Smaller Companies Fund, namely, Euro Class, Sterling Class and US Dollar Class, which may pay dividends, as well as one Euro Accumulation Share Class and there are three Classes of Shares in the Montanaro European Equity Income Fund available for subscription, namely, Euro Class, Sterling Class and US Dollar Class Shares respectively.</p> <p>The objective criteria on which their differences are based are available in the Prospectus.</p> <p>Shareholders Expenses</p> <table data-bbox="384 1055 1396 1149"> <tr> <td>Initial Charge</td> <td>4% (at discretion of the Investment Manager)</td> </tr> <tr> <td>Redemption Charge</td> <td>3% (at discretion of the Investment Manager)</td> </tr> <tr> <td>Conversion Charge</td> <td>None</td> </tr> </table> <p>It is not expected that initial or redemption charges will be levied by the Investment Manager.</p> <p>(i) Annual Operating Expenses of each Fund</p> <p>The aggregate of the Administrator's and Custodian's fee shall not exceed 0.70% per annum of each Fund. Each Fund will bear its proportion of the fees and expenses of the Administrator and the Custodian.</p> <table data-bbox="384 1451 1396 1485"> <tr> <td>Investment Management Fee</td> <td>1.5% of NAV</td> </tr> </table> <p>Out of pocket and reasonable expenses of the Investment Manager, Custodian and the Administrator are paid out of the assets of the Fund.</p> <p>Historical information in relation to the Total Expense Ratio of the Company may be obtained from:</p> <p>Montanaro European Smaller Companies plc c/o State Street Fund Services (Ireland) Limited 78 Sir John Rogerson's Quay Dublin 2 Ireland Tel: +353 1 242 5407 Fax: +353 1 523 3791</p> <p>(ii) In relation to Montanaro Smaller European Companies Fund</p> <table data-bbox="384 1973 1396 2029"> <tr> <td>Performance Fee</td> <td>20% on outperformance of the Benchmark (+3%) of NAV subject to a high on high watermark</td> </tr> </table> | Initial Charge | 4% (at discretion of the Investment Manager) | Redemption Charge | 3% (at discretion of the Investment Manager) | Conversion Charge | None | Investment Management Fee | 1.5% of NAV | Performance Fee | 20% on outperformance of the Benchmark (+3%) of NAV subject to a high on high watermark |
| Initial Charge | 4% (at discretion of the Investment Manager) | | | | | | | | | | |
| Redemption Charge | 3% (at discretion of the Investment Manager) | | | | | | | | | | |
| Conversion Charge | None | | | | | | | | | | |
| Investment Management Fee | 1.5% of NAV | | | | | | | | | | |
| Performance Fee | 20% on outperformance of the Benchmark (+3%) of NAV subject to a high on high watermark | | | | | | | | | | |

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| | <p>Total Expense Ratio 1.76% (as at 31 Dec 09) Portfolio Turnover Rate 6.90% (as at 31 Dec 09)</p> <p>(iii) In relation to Montanaro European Equity Income Fund</p> <p>Total Expense Ratio 0.31% (as at 31 Dec 09) Portfolio Turnover Rate 187.92% (as at 31 Dec 09)</p> |
| Taxation: | <p>The Company is resident in Ireland for tax purposes and is not subject to Irish taxation charges on income or capital gains. No Irish stamp duty is payable on the issue, redemption or transfer of Shares in the Company.</p> <p>Shareholders and potential investors should consult with their professional advisers in relation to the tax treatment of their holdings in the Company.</p> |
| Publication of Share Price: | <p>The Net Asset Value per Share with reference to which Shares are purchased and redeemed as calculated for each Dealing Day will be published in the Financial Times and on Bloomberg and is available from the office of the Administrator.</p> |
| How to Buy/Sell Units/Shares: | <p>Dealing in all Funds takes place daily.</p> <p>Instructions to buy, sell and convert Shares must be received by the Administrator by 12.00 noon (Irish time) on the relevant Dealing Day. Any applications not received by 12.00 noon (Irish time) on the relevant Dealing Day will be processed on the next Dealing Day.</p> |
| Contact Details for dealing enquiries: | <p>Instructions can be sent directly to:</p> <p>Montanaro European Smaller Companies plc c/o State Street Fund Services (Ireland) Limited 78 Sir John Rogerson's Quay Dublin 2 Ireland Tel: +353 1 242 5407 Fax: +353 1 523 3791 (Hours of business 9am to 5pm (Irish Time) Monday – Friday)</p> |
| Additional Important Information: | <p>Company: Montanaro European Smaller Companies Plc Custodian: State Street Custodial Services (Ireland) Limited Administrator: State Street Fund Services (Ireland) Limited Investment Manager: Montanaro Asset Management Limited Promoter: The Investment Manager Auditor: Ernst & Young</p> <p>Additional information and copies of the Prospectus, the latest annual and half yearly reports may be obtained (free of charge) from:</p> <p>Montanaro European Smaller Companies plc c/o State Street Fund Services (Ireland) Limited 78 Sir John Rogerson's Quay Dublin 2 Ireland Tel: +353 1 242 5407 Fax: +353 1 523 3791 Or Montanaro Asset Management Limited 53 Threadneedle Street London EC2R 8AR United Kingdom Tel: +44 20 7448 8600 Fax: +44 20 7448 8601</p> |

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| | <p>www.montanaro.co.uk</p> |
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COUNTRY SUPPLEMENT FOR SWITZERLAND

This Supplement forms part of and should be read in the context of and in conjunction with the Prospectus for the Company dated 1 October 2009 (the "Prospectus").

The Directors of the Company whose names appear under the heading "Management and Administration" in the Prospectus accept responsibility for the information contained in this Supplement and the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement and in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

All capitalised terms herein contained shall have the same meaning in this document as in the Prospectus, unless otherwise indicated.

ADDITIONAL INFORMATION FOR INVESTORS IN SWITZERLAND

The Company is an open-ended, umbrella type investment company with variable capital. The Company has two operating Funds namely, Montanaro European Smaller Companies Fund and Montanaro European Equity Income Fund. Although a separate portfolio will be maintained for each Fund and each Fund will bear its own liabilities, the Company as a whole is liable to third parties for the liabilities of all the Funds.

Representative in Switzerland:

First Independent Fund Services Ltd., Klausstrasse 33, CH-8008, Zurich.

Paying Agent in Switzerland:

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

The public offer and distribution of Shares of the Company and each of its Funds in or from Switzerland has been authorised by the Swiss Financial Market Supervisory Authority FINMA.

The Prospectus and Simplified Prospectus, as translated into the French language and duly signed by the Company, the Custodian and the Swiss Representative, govern the legal relationship between the Company and Shareholders in Switzerland.

Documentation and Information

Copies of the Prospectus, the Simplified Prospectus, Articles, any subsequent documentation amending same, and the most recent annual report, as well as any more recent semi-annual reports are available free of charge at the registered office of the Swiss Representative.

The Net Asset Value per Share of each Class of each Fund, together with the indication "commissions excluded" is published daily on www.fundinfo.com. Information on these prices is also available from the registered office of the Company and the Administrator.

Notifications to Shareholders in Switzerland are published in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) and on www.fundinfo.com.

Place of Performance and Jurisdiction

The courts at registered office of the Swiss Representative shall have jurisdiction with respect to any disputes arising in relation to Shares distributed in Switzerland. Any notifications in connection with such claims should be addressed to the Swiss Representative. Furthermore, places of performance and payment are established at the registered office of the Swiss Representative. The above provisions regarding the places of performance, jurisdiction any payment shall remain in force even in the event of distribution of Shares in Switzerland being discontinued or prohibited.

Additional Information for Swiss Investors

(a) The Fund may pay reimbursements in Switzerland to the following qualified investors who, from a commercial perspective, are holding Shares on behalf of third party beneficial owners:

- life insurance companies
- pension funds and other retirement provisions institutions
- investment foundations
- Swiss fund management companies
- foreign fund management companies and providers
- investment companies

The Fund may then pay distributions remunerations to the following distributors and distribution partners:

- approved distributors according to art. 13 para 2 (g) and 19 CISA ;
- distributors exempt from the authorisation requirement for distributors pursuant to art. 19 para. 4 CISA in connection with art. 8 CISO;
- sales partners who place the Shares exclusively with institutional investors with professional treasury facilities;
- sales partners who place the Shares on the basis of a written asset management mandate.