

Montanaro European Smaller Companies Trust plc

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Value-enhancing Initiatives for Shareholders

The Board of Montanaro European Smaller Companies Trust plc (the 'Company' or 'MESCT') is pleased to announce three strategic initiatives designed to strengthen the investment proposition and deliver value for all shareholders.

- **Regular tender offers targeted at improving liquidity**
- **Active share buy back policy aimed at reducing the volatility of the discount**
- **Reduced management fees**

Regular tender offers to improve liquidity: Conscious of shareholders' desire to improve the liquidity of the Company's shares, the Board is proposing a scheme to do this whilst remaining cognisant of the liquidity constraints of the underlying portfolio. The Board is proposing to offer shareholders an opportunity twice a year, around the time of the Interim and Final Results publication, to tender their shares to the Company at a 5% discount to NAV (reflecting the wider spreads amongst smaller companies and the cost associated with the exercise). Each tender offer will be limited in total to a maximum of 5% of the Company's shares in issue in order to protect existing shareholders and facilitate liquidity management in the underlying portfolio. It is hoped that these regular tender opportunities will improve liquidity for all shareholders and not engender the need for investors to take such opportunities that occur with one-off tenders. Subject to the necessary authority being granted, the first tender offer is expected to take place in Autumn 2025 following the Interim Results.

Active share buy back policy: The Board is revising its buy back policy in light of changing expectations amongst shareholders and will in future pursue a more active share buy back policy. The primary purpose of this is to reduce the discount volatility (and therefore share price volatility) seen in recent years, during which the Company's shares have traded both at a premium and a discount to net asset value. In normal market circumstances, the Board will target a single digit discount which, combined with the periodic tenders, should provide reduced discount volatility. The Board is also conscious of the accretion to NAV of share buy backs at a discount and believes this policy will be of benefit to all shareholders. The Board will seek shareholder approval as necessary to extend its authority to buy back the Company's shares in order to do this.

Reduced management fees: The Board has conducted a thorough review of all costs and expects the ongoing charges figure (OCF) to remain below 1% in the future. The Board has negotiated a further reduction in the management fee (the second in four years). However, it continues to recognise the significant resource intensity of Montanaro's extremely thorough and detailed research-based investment process. The Manager has agreed to a reduction in management fees from 0.90% p.a. to 0.825% p.a. of the market capitalisation of the Company up to £500 million; from 0.75% to 0.70% p.a. between £500 - £750 million; and (unchanged) 0.65% p.a. above £750 million. These reductions in fees will take effect from 1 April 2025.

Richard Curling, Chairman of Montanaro European Smaller Companies Trust, said:

"The Board is proposing an innovative package of measures designed to enhance our investment proposition. The Board believes that by reducing costs, reducing discount volatility and improving liquidity we are creating value for all our shareholders."

"The Montanaro European Smaller Companies Trust is in a strong position to benefit from the renewed investor interest in Europe, focusing on high quality growth opportunities. Montanaro has a team of 18 highly experienced professionals dedicated to smaller company research, with a proven track record of unearthing"

hidden gems.

"The Association of Investment Companies (AIC) recently listed "The 50 investment trusts that would have made you an ISA millionaire" (24 February 2025), ranking MESCT in 15th place. This is a reflection of the proven and consistent long-term performance and track record of The Montanaro European Smaller Companies Trust."

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