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If you have sold, transferred or otherwise disposed of all your Shares in Montanaro European Smaller Companies Trust plc (the “Company”), please pass this document and the accompanying Form of Proxy to the stockbroker, bank or other agent through whom you made the sale, transfer or disposal for transmission to the purchaser or transferee, except that such documents should not be sent to any jurisdiction under any circumstances where to do so might constitute a violation of local securities laws and regulations. If you have sold, transferred or otherwise disposed of only part of your holding of Shares in the Company, you should retain this document and the accompanying Form of Proxy and consult the stockbroker, bank or other agent through whom you made the sale, transfer or disposal.

The distribution of this document, together with the accompanying Form of Proxy, into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession such documents come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

MONTANARO EUROPEAN SMALLER COMPANIES TRUST PLC

*(Incorporated and registered in Scotland with registered number SC074677)
(Registered as an investment company under section 833 of the Companies Act 2006)*

Notice of a General Meeting to renew the Board’s authority to issue further shares on a non pre-emptive basis, to buy back shares and to hold general meetings on short notice

Notice of the general meeting of the Company to be held on 22 February 2022 at 9.30 a.m. (the “**General Meeting**”) at the offices of Montanaro Asset Management Limited, 53 Threadneedle Street, London EC2R 8AR, is set out at the end of this document. Shareholders are requested to return the form of proxy accompanying this document for use at the General Meeting (the “**Form of Proxy**”).

To be valid, the Form of Proxy must be completed, signed and returned in accordance with the instructions printed on it, so as to be received by the Company’s registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or lodged at www.sharevote.co.uk as soon as possible, but in any event not later than 9.30 a.m. on 18 February 2022.

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EXPECTED TIMETABLE

	<i>2022</i>
Latest time and date for receipt of forms of proxy	9.30 a.m. on 18 February
General Meeting	9.30 a.m. on 22 February

LETTER FROM THE CHAIRMAN

MONTANARO EUROPEAN SMALLER COMPANIES TRUST PLC

*(Incorporated and registered in Scotland with registered number SC074677)
(Registered as an investment company under section 833 of the Companies Act 2006)*

Directors

R Curling (*Chairman*)
G Neilly
C Roxburgh

Registered Office

16 Charlotte Square
Edinburgh
EH2 4DF

28 January 2022

Dear Shareholder

Notice of General Meeting

Introduction

The Directors wish to seek your approval to renew the Company's shareholder authorities to issue further ordinary shares of 5 pence each (the "**Shares**") on a non-pre-emptive basis prior to the Company's next annual general meeting.

In recent years the Company has invested a great deal of time to make its Shares readily available to all investors. The Company has continued to grow its presence across the UK's retail investment platforms and the Board has been delighted by the steady increase, year after year, in the Company's retail following. As at 30 September 2021 approximately 50 per cent. of the shareholder register was represented by retail platforms. This is an increase from 23 per cent. at 31 December 2019. As a consequence of the increased interest and the progression of the Company's share register the liquidity in the Shares has increased substantially, with the total volume of shares traded in 2021 being approximately three times greater than in 2019. The increased demand for shares in the Company in the last four months of 2021 saw the Shares regularly trade at a small premium to net asset value ("**NAV**"). The start of 2022 has seen the steady demand for the Shares continue, with 2,450,000 Shares issued in the year to date.

Whilst it was envisaged that the Company's existing issuance authorities granted at the annual general meeting held on 9 September 2021 (the "**2021 AGM**") would provide sufficient issuance authority for the Company up until the annual general meeting expect to be held in September 2022 (the "**2022 AGM**"), the continuing high demand for the Shares has resulted in the Company's existing authorities rapidly being utilised. If recent demand for the Shares continues, the Board expects that the issuance authorities conferred at the 2021 AGM will be used up prior to the 2022 AGM. The Board is, therefore, seeking the renewal of its shareholder authorities to issue Shares, on a non pre-emptive basis, to allow it to continue to meet market demand for the Shares.

The Directors also wish to seek approval for a renewal of the Company's authority to buy back Shares. The authority sought at the 2021 AGM was, as required by law, limited to a maximum number of shares which could not be more than 14.99 per cent. of the Company's then issued share capital. As a result of the share split also approved at the 2021 AGM this maximum number represents a much smaller proportion of the Company's current share capital. Although no buy backs of Shares have taken place since the 2021 AGM, the Directors believe that the ability to buy back Shares is a necessary element of the Company's active discount management policy. The Board is, therefore, seeking the renewal of the Company's buyback authority for up to a number of Shares that represents 14.99 per cent. of the current issued share capital.

In addition the Board wish to seek the ability to call a general meeting on not less than 14 clear days' notice. It is anticipated that this could be used if the Company required to seek further shareholder authorities prior to the 2022 AGM. The proposals to renew the share issuance authorities and the buyback authority, and to seek the ability to call a general meeting on short notice are described in this letter as the "**Proposals**".

For the reasons set out below, the Board is unanimous in believing that the Proposals are in the best interests of the Company and its shareholders as a whole and that the Board should continue to have the ability to issue further Shares.

The purpose of this document is therefore to provide further details on the Proposals and convene a general meeting at which the appropriate shareholder authorities will be sought. The General Meeting will be held at 9.30 a.m. on 22 February 2022 at the offices of Montanaro Asset Management Limited, 53 Threadneedle Street, London EC2R 8AR.

Shareholders are asked to return the Form of Proxy. To be valid, the Form of Proxy must be completed, signed and returned in accordance with the instructions printed on it, so as to be received by the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or lodged at www.sharevote.co.uk as soon as possible, but in any event not later than 9.30 a.m. on 18 February 2022.

Reasons for requiring the early renewal of the share issuance authorities

At the 2021 AGM the Directors were granted authority to exercise the Company's power to allot Shares up to an aggregate nominal value of £872,413, which represented approximately 10 per cent. of the Company's issued share capital as at 17 June 2021. The Directors were also granted the authority to disapply the pre-emption rights on the issue of such Shares for cash. These authorities were granted for the period until the 2022 AGM unless previously renewed, revoked or varied.

The Directors are pleased to report that over the last four months of 2021 and at the beginning of 2022 the Shares regularly traded at a premium to their NAV indicating a strong demand for the Shares in the market which outstrips supply. In order to satisfy this demand the Company has been issuing Shares regularly and has issued 8,820,000 Shares since the 2021 AGM which is approximately 50.5 per cent. of the authorities granted at the 2021 AGM. As at 26 January 2022 (the "**Latest Practicable Date**" prior to the publication of this document) the Company has the capacity to issue only a further 8,628,260 Shares on a non pre-emptive basis. The Directors believe that this remaining capacity under the existing shareholder authorities may prove insufficient to allow them to satisfy demand for Shares during the period up to the 2022 AGM, if the demand continues at the rate which has been seen in the year to date. The Directors are therefore seeking further authorities to exercise the Company's power to issue Shares on a non pre-emptive basis to continue to satisfy any such demand. These authorities will be valid until the conclusion of the 2022 AGM.

Reasons for requiring the early renewal of the buyback authority

The Board and the Company's investment manager, Monatanaro Asset Management Limited (the "**Investment Manager**"), actively monitor any discount or premium of share price to NAV per share and seek to influence this through liaising closely with Cenkos, the Company's broker, share buybacks, share issuances and effective marketing. The Board has stated its commitment to an active discount management policy, such that it will consider a buyback of shares where the discount of the share price to the NAV per Share is greater than 10 per cent. for a sustained period of time and is significantly wider than the average for similar trusts. Any such transaction must be value enhancing for shareholders and the Board will take into consideration the effect of the buyback on the liquidity of the Shares. The Board encourages the Investment Manager to market the Company to new investors to increase demand for the Shares, which may help to reduce the discount.

The Company has not bought back any Shares since the 2021 AGM, but due to the share split which took place post that meeting the buyback authority taken no longer represents 14.99 per cent. of the issued share capital of the Company. At the 2021 AGM the authority was given to buy back 2,607,999 Shares, which now represents approximately 1.4 per cent. of the Company. While it is not the Company's intention to buy back Shares unless it is at a discount to NAV, it is important that the Company has the requisite authority to operate its discount management policy if necessary.

Reasons for seeking short notice for general meeting

The Board believes that if the Company continues to issue Shares at current rates, it may be possible that the Company needs to seek further authority prior to the 2022 AGM. The Company is therefore seeking the ability to call a general meeting on not less than 14 clear days' notice, rather than 21 clear days' which would otherwise be required under the Companies Act 2006. Such authority would last until the 2022 AGM at which it would either lapse or the Company would seek its renewal.

Benefits of the Proposals

In light of the sustained premium at which the Shares have traded, continuing demand and having regard to the benefits of enlarging the Company, the Directors believe that the ability of the Company to continue to issue new Shares is in the best interests of the Company and its shareholders. The Investment Manager continues to find investments into which fresh capital can be deployed effectively. The costs of seeking fresh authorities are minimal and are well covered by the premium on issuing new Shares. The Directors believe that issuing Shares at a premium:

- enhances the NAV per Share attributable to shareholders (because the net premium increases the NAV);
- reduces volatility by preventing the build-up of excessive demand for Shares;
- will make the Shares more accessible to a wider range of investors which may improve liquidity in the market for the Shares for all investors; and
- increases the base over which shareholder costs are spread thereby reducing ongoing per-share costs.

If such renewed authorities are granted by shareholders, the Directors will only use the authorities to disapply pre-emption rights and issue new Shares:

- at a premium to NAV;
- to meet demand from investors; and
- when the Directors believe it is in the best interests of the Company and its shareholders as a whole.

If the renewed authority is granted in respect of the Company's ability to buy back this will allow the Company to continue to operate its discount management policy as required which it believes would be in the best interests of the Company and its shareholders. The Company does not intend to buy back Shares unless it is at a discount to NAV.

If the shareholders approve the ability to call general meetings at short notice, this will allow the Company to use this in case any further shareholder authorities are required prior to the 2022 AGM.

The General Meeting

You will find set out at the end of this document a notice convening the General Meeting at which shareholders will be asked to consider and, if thought fit, approve the Proposals. The General Meeting is to be held at 9.30 a.m. on 22 February 2022 at the offices of Montanaro Asset Management Limited, 53 Threadneedle Street, London EC2R 8AR.

At the General Meeting, shareholders will be asked to consider and, if thought fit, approve resolution 1, resolution 2, resolution 3 and resolution 4, as they are set out in the notice (together the "**Resolutions**") which are required to: (i) permit the further issue of new Shares on a non pre-emptive basis; (ii) allow the Company to make further buy backs as required; and (iii) seek authority to hold a general meeting on 14 clear days' notice.

Resolution 1, which is being proposed as an ordinary resolution, will, if passed, authorise the Directors to allot new Shares up to an aggregate nominal amount of £942,513 (being 18,850,260 Shares), which represents approximately 10 per cent. of the issued share capital of the Company at the Latest Practicable Date.

Resolution 2, which is being proposed as a special resolution and which is conditional on the passing of Resolution 1, will, if passed, enable the Directors to disapply pre-emption rights in respect of the allotment of new Shares with an aggregate nominal value of £942,513 (being 18,850,260 Shares), which represents approximately 10 per cent. of the issued share capital of the Company as at the Latest Practicable Date.

Resolution 3, which is being proposed as a special resolution, seeks further authority for the Company to buy back Shares up to a maximum aggregate number of 28,256,539 (or if less, 14.99 per cent. of the number of Shares in issue (excluding treasury shares) immediately prior to the passing of this resolution.

Resolution 4, which is being proposed as a special resolution, seeks authority for the Company to hold a general meeting on not less than 14 clear days' notice. Such authority will lapse at the 2022 AGM.

All shareholders are entitled to attend and vote at the General Meeting. The votes shall be held on a poll. In accordance with the Company's Articles of Association, all shareholders entitled to vote and present in person or by proxy at the General Meeting upon a poll shall have one vote in respect of every Share held.

Action to be taken

Shareholders will find enclosed a Form of Proxy for use in connection with the General Meeting. Whether or not shareholders propose to attend the General Meeting, they are requested to complete, sign and return the Form of Proxy as soon as possible, in accordance with the instructions printed on it.

To be valid, the enclosed form of proxy must be lodged with the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA or lodged at www.sharevote.co.uk as soon as possible and, in any event, so as to arrive by not later than 9.30 a.m. on 18 February 2022.

The completion and return of the Form of Proxy will not prevent a shareholder from attending and voting in person at the General Meeting. If a shareholder does not hold their Shares directly, they are requested to arrange for their nominee to vote on their behalf.

Recommendation

The Directors consider the passing of the Resolutions to be in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend that shareholders vote in favour of the resolutions.

The Directors intend to vote in favour of the Resolutions in respect of their own beneficial holdings of Shares (amounting to 219,035 Shares, representing approximately 0.12 per cent. of the issued share capital of the Company as at the Latest Practicable Date).

R Curling
Chairman

NOTICE OF GENERAL MEETING

MONTANARO EUROPEAN SMALLER COMPANIES TRUST PLC

*(Incorporated and registered in Scotland with registered number SC074677)
(Registered as an investment company under section 833 of the Companies Act 2006)*

NOTICE IS HEREBY GIVEN that a general meeting of Montanaro European Smaller Companies Trust plc (the “**Company**”) will be held at 9.30 a.m. on 22 February 2022 at the offices of Montanaro Asset Management Limited, 53 Threadneedle Street, London EC2R 8AR to consider and, if thought fit, pass the following resolutions:

ORDINARY RESOLUTION

1. THAT, in addition to all existing authority, the directors be generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the “**Act**”), to exercise all powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to a maximum aggregate nominal value of £942,513 (being 18,850,260 ordinary shares of 5 pence each) which equates to approximately 10 per cent. of the total ordinary share capital of the Company in issue as at 26 January 2022 (the latest practicable date prior to the date of the notice convening the meeting at which this resolution is proposed) provided that such authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2022, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTIONS

2. THAT, subject to the passing of resolution 1 above, in addition to all existing authority, the directors of the Company be and are hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the “**Act**”) to allot equity securities (within the meaning of section 560 of the Act) pursuant to any authority for the time being in force under section 551 of the Act and to sell shares held by the Company in treasury, wholly for cash, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power:
 - (i) shall be limited to the allotment of equity securities and the sale of treasury shares for cash up to an aggregate nominal amount of £942,513 (being 18,850,260 ordinary shares of 5 pence each) which equates to approximately 10 per cent. of the total ordinary share capital of the Company in issue as at 26 January 2022 (the latest practicable date prior to the date of the notice convening the meeting at which this resolution is proposed); and
 - (ii) expires on the conclusion of the annual general meeting of the Company to be held in 2022, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.
3. THAT, in addition to any existing authority, the directors of the Company be and are hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the “**Act**”) to make one or more market purchases (as defined in section 693(4) of the Act) of ordinary shares of 5 pence each in the capital of the Company (“**Ordinary Shares**”) on such terms and in such manner as they may determine provided that:
 - (i) the maximum aggregate number of Ordinary Shares which may be purchased is 28,256,539 (or if less, 14.99 per cent. of the number of Ordinary Shares in issue (excluding treasury shares) immediately prior to the passing of this resolution);

- (ii) the minimum price which may be paid for an Ordinary Share is 5 pence (exclusive of associated expenses);
 - (iii) the maximum price which may be paid for an Ordinary Share (exclusive of associated expenses) is the higher of: (a) 105 per cent of the average of the market value of an Ordinary Share for the five business days immediately preceding the day on which the Ordinary Share is purchased; and (b) the value of an Ordinary Share calculated on the basis of the higher price quoted for (i) the last independent trade of; and (ii) the highest current independent bid for any number of Ordinary Shares on the trading venue where the purchase is carried out; and
 - (iv) unless previously renewed, varied or revoked, this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2022 save that the Company may before such expiry enter into a contract to purchase Ordinary Shares which will or may be completed wholly or partly after such expiry and a purchase of Ordinary Shares may be made pursuant to any such contract.
4. THAT, a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the Board

Link Company Matters Limited
Company Secretary

28 January 2022

Registered office
16 Charlotte Square
Edinburgh
EH2 4DF

Notes:

1. A member is entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote on their behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share.
2. A form of proxy for use by shareholders is enclosed with this document. To be valid, the form of proxy should be lodged, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority at the address stated thereon, so as to be received by post at the Registrars of the Company at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or www.sharevote.co.uk no later than 48 hours (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to vote at the meeting a member must first have his or her name entered in the Company's register of members by not later than close of business 48 hours (excluding non-working days) prior to the commencement of the of the Meeting (or, in the event that the meeting is adjourned, 48 hours (excluding non-working days) before the time of the adjourned Meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to vote at the meeting referred to above.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST Sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA19) no later than 48 hours (or in the event the meeting is adjourned no later than 48 hours (excluding non-working days) before the time of the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
6. CREST members and, where applicable, their CREST Sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST Sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST Sponsors or voting system provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
7. The Company may treat as invalid a CREST Proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("**Nominated Persons**"). Nominated Persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in notes 2, 3 and 5 above does not apply to Nominated Persons. The rights described in these notes can only be exercised by members of the Company.
9. Shareholders who prefer to register the appointment of their proxy electronically via the internet can do so through Equiniti's website at www.sharevote.co.uk where full instructions on the procedure are given. The Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy will be required in order to use this electronic proxy appointment system. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and then log onto your portfolio using your usual ID and password. Once logged in

simply click “View” on the “My Investments” page, click on the link to vote then follow the on-screen instructions. The on-screen instructions give details on how to complete the appointment process. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 9.30 a.m. on 18 February 2022 (excluding any parts of the day that is not a business day).

10. As at close of business on 26 January 2022 (being the latest practicable date prior to publication of this document), the Company’s issued share capital comprised 188,502,600 ordinary shares of 5 pence each with no shares held in treasury. Each ordinary share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company as at close of business on 26 January 2022 was 188,502,600.
11. Any person holding 3 per cent. or more of the total voting rights in the Company who appoints a person other than the Chairman as his/her proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
12. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
13. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
14. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at <https://montanaro.co.uk/trust/montanaro-european-smaller-companies-trust/>.