

October 2020

## Manager Commentary Sam Cosh



The third quarter ended positively for the Trust. This was, however, due to sterling weakness following the latest impasse in the Brexit negotiations. In euro terms, the European Smaller Companies index failed to make any progress, though our return marginally outperformed this. Remarkably, given the huge dislocation 2020 has seen, our markets are in positive territory year to date and we are pleased to be outperforming this in net asset value (NAV) terms. Looking towards the year-end, the final quarter promises to be eventful, with potential news on a COVID-19 vaccine, further Brexit negotiations and the outcome of the US election, which has taken an unexpected turn with the President and First Lady contracting the virus.

A strong contributor over the month was IMCD, the specialist chemical distribution company. One of our largest positions and a longstanding holding, the company announced a high-quality acquisition, adding an Indian pharmaceutical distributor. This improves both its global network and profitability. Chemical companies

are increasingly looking to outsource but also consolidate their distribution to fewer companies that can offer the best customer and geographic reach. Being the largest speciality distributor, IMCD is a beneficiary of this trend, and this attractive deal further cements its strong position. We expect it to continue to make similar acquisitions in the future.

Our worst performer was the low budget airline, Wizz Air, which suffered from the worrying increase in COVID-19 cases in some European countries and the increasing restrictions. We had reduced our holding moving into the month, but it remains a high-conviction position for us. The company is already taking advantage of this crisis, striking attractive deals with airports and increasing its route network as its competition retrenches. The company will be in a strong position when we eventually leave this crisis.

### Key facts as at 30.09.2020

**Trust aims:** To achieve growth of capital through investment in quoted small and medium-sized companies in Europe, excluding the United Kingdom. A high distribution policy has been adopted and dividends are paid from a mix of income and capital reserves.

**Trust highlights:** Diversified portfolio of small to mid-cap growth businesses across Continental Europe. This area of the market is less well researched, allowing value to be added from stock selection.

**Benchmark:** EMIX Smaller European Companies (ex UK) Index†

**Fund type:** Investment Trust

**Launch date:** 1972

**Total assets:** £421.6 million

**Share price:** 104.00p

**NAV:** 117.10p

**NAV:** €1.29

**Discount/premium(-/+):** -11.19%

**Dividend payment dates:** Jan, Apr, Jul, Oct

**Yield††:** 6.12%

**Net gearing/Net cash\*:** 0.00%/0.20%

**Management fee rate\*\*:** 0.75%

**Ongoing charges\*\*\*:** 1.1%

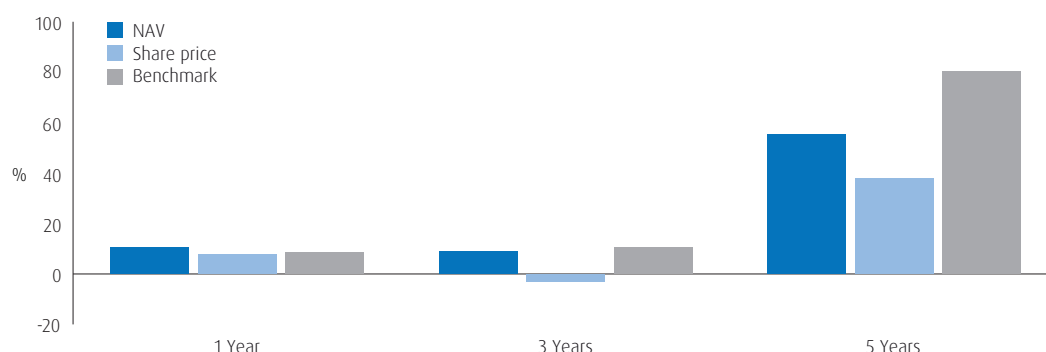
**Year end:** 31 December

**Sector:** European Smaller Companies

**Currency:** Euros

**Website:** www.europeanassets.co.uk

### Fund performance as at 30.09.2020



### Cumulative performance (%) as at 30.09.2020

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	1.96	5.83	10.66	8.96	55.50
Share price	0.97	-0.21	7.60	-2.91	37.90
Benchmark	1.50	3.19	8.35	10.38	80.19

### Discrete performance (%) as at 30.09.2020

	2020/2019	2019/2018	2018/2017	2017/2016	2016/2015
NAV	10.66	-3.71	2.26	22.24	16.75
Share price	7.60	-4.01	-6.00	29.82	9.41
Benchmark	8.35	-1.48	3.40	25.33	30.25

### Key risks

Stock market movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. If markets fall, gearing can magnify the negative impact on performance. Where investments are made in smaller companies, their potential volatility may increase the risk to the value of, and the income from the investment.

### Past performance is not a guide to future performance.

Source: Lipper and BMO. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling. The discrete performance table refers to 12 month periods, ending at the date shown.

\*\*\*Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured.



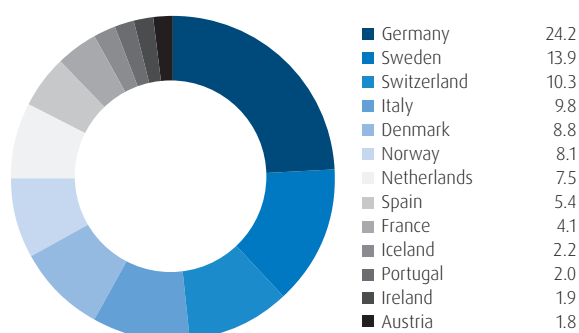
Lines may be recorded

Trust codes	
Stock exchange code	Sedol
EAT	BD0BSY3

Top 10 holdings (%)				
	Portfolio Weight	Benchmark Weight	Difference	Sector
Vidrala	3.8	0.2	3.6	Industrials
Gerresheimer	3.7	0.2	3.5	Health Care
SimCorp	3.2	0.3	2.9	Technology
Scout24	3.1	0.0	3.1	Technology
IMCD	3.1	0.4	2.7	Basic Materials
Ringkjoebing Landbobank	3.0	0.1	2.9	Financials
Just Eat Takeaway.com	2.7	0.0	2.7	Technology
Royal Unibrew	2.6	0.3	2.3	Consumer Staples
Forbo	2.5	0.2	2.3	Consumer Discretionary
Elekta	2.5	0.3	2.2	Health Care

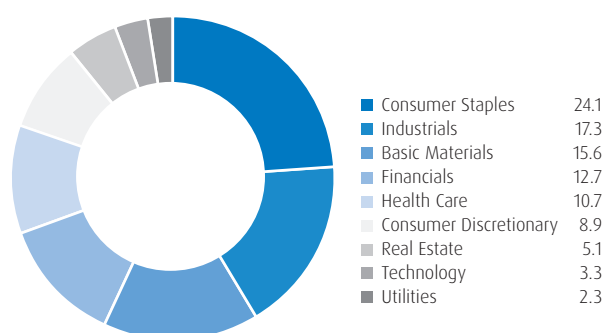
All figures are subject to rounding.

#### Geographical breakdown (%)



All figures are subject to rounding.

#### Sector breakdown (%)



#### Net dividend distributions per share

	2020
January £	0.0176
March £	0.0176
July £	0.0176
October £	0.0176
Total £	0.0702

The 2020 dividend will be paid in four instalments on 31 January, 30 April, 31 July and 30 October. The annual dividend is equivalent to 6% of the net asset value as at 31 December each year.

#### Glossary

<b>Bid price</b>	Investment trust shares are sold via the stock exchange at the bid price. This price is determined by supply and demand.
<b>Dividend</b>	Income paid to shareholders by the company they invest in.
<b>Net asset value</b>	A key measure of the value of a company or trust – the total value of assets less liabilities, divided by the number of shares.

All data as at 30.09.2020 in sterling (£) unless otherwise stated. All information is sourced from BMO, unless otherwise stated. All percentages are based on gross assets. † Formally known as Euromoney Smaller European Companies (ex UK) Index . † † The yield is calculated using the dividends declared for the company's current financial year and the closing share price and exchange rate as at the end of the relevant month. \* Net gearing is total assets less cash and cash equivalents divided by shareholders' funds and expressed as a percentage. Net cash is net exposure to cash and cash equivalents expressed as a percentage of shareholders funds after any offset against gearing. \*\* A reduced management fee of 0.60% per annum is charged on funds under management in excess of €400 million. \*\*\* Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured. The share price may either be below (at a discount) or above (at a premium) to the NAV. Discounts and premiums vary continuously. Performance information excludes any product charges which can be found in the Key Investor Document ("KID") for the relevant product. Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any funds that may be mentioned The factsheet is issued and approved by BMO, a trading name of BMO Asset Management Limited. Authorised and regulated in the UK by the Financial Conduct Authority. Registered office: Exchange House, Primrose Street, London EC2A 2NY. Registered in England & Wales No 517895. (10/20)