

## Manager Commentary Sam Cosh



The European small cap equity market took a bit of a breather in June, posting its first loss in seven months. The market started with a positive tone as anxiety over the European political landscape had been alleviated following the election of centrist Emmanuel Macron as the next president of France. News that French President Macron had won a strong majority in parliamentary elections solidified sentiment as did evidence of further economic momentum and a sound corporate earnings season. Whilst investors will still be faced with the German federal election this fall

and possibly an early Italian election call, the strong fundamentals that have supported the market thus far remain in place. We believe that the challenges that prevented investors from embracing European equities, including political, economic and corporate, have disappeared for the most part, encouraging market participants to reconsider their allocation.

The fund followed the downward trend of the general market, slightly underperforming. From an attribution point of view, several holdings enjoyed good returns during the month, contributing positively. Amongst these were Finnish-based sports equipment manufacturer and distributor Amer Sports, which rose over 6% in June and Spanish-based glass bottle manufacturer Vidrala, which added 7%. Storebrand, a Norwegian insurer and wealth manager, was also a good performer, gaining 4.3% in June on the back of strong fundamentals. Contributing to the relative underperformance relative to the benchmark were Lectra, a French manufacturer and distributor of

computer systems for the fashion industry, which fell 13.7% in June. German-based glass and plastic manufacturer Gerresheimer and UK-based buildings supplies manufacturer and retailer Grafton Group, which declined 9.2% during the month. The latter's share price fell on profit taking following strong performance. Gerresheimer's 7.7% drop in its share price was primarily due to falling revenues. Lectra's share price fell 13.7% on profit taking following strong first quarter results.

In addition to adding to and trimming a limited number of holdings. We initiated three positions in June, including Coor Service Management Holding, a Swedish facility management group, Austrian-based Lenzing, a textile fibres materials group and Nordic Waterproofing Holding, a Swedish waterproofing solutions provider. These were partly funded by our decision to sell Interpump Group, an Italian pump and hydraulics manufacturer, following strong performance.

### Key facts

**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:** Euromoney Smaller European Companies (ex UK) Index<sup>1</sup>

**Fund type:** Investment Trust

**Launch date:** 1972

**Total assets:** £423.2 million

**Share price:** 1281.00p

**NAV:** 1267.49p

**NAV €:** 14.44

**Discount/premium(-/+):** 1.07%

**Dividend payment dates:** Jan, May, Aug

**Yield<sup>††</sup>:** 5.40%

**Net gearing/Net cash\*:** 0.00%/0.62%

**Management fee rate\*\*:** 0.80%

**Ongoing charges\*\*:** 1.10%

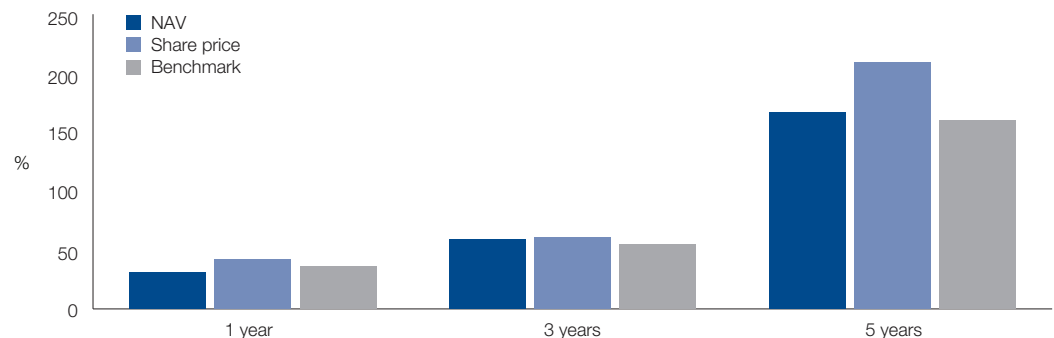
**Year end:** 31 December

**Sector:** European Smaller Companies

**Currency:** Euros

**Website:** www.europeanassets.eu

### Fund performance



### Cumulative performance (%) as at 30.06.2017

	1 Month	YTD	1 Year	3 Years	5 Years
NAV	-1.90	17.27	31.20	59.34	166.33
Share price	0.12	30.17	41.67	60.30	208.93
Benchmark	-0.92	16.15	35.77	54.46	159.69

### Discrete performance (%) as at 30.06.2017

	2017/2016	2016/2015	2015/2014	2014/2013	2013/2012
NAV	31.20	2.82	18.12	17.80	41.89
Share price	41.67	-4.29	18.22	21.66	58.42
Benchmark	35.77	14.18	-0.36	26.78	32.61

Source: Lipper and F&C. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling. Basis in accordance with the regulations of the Financial Conduct Authority. Past performance is not a guide to future performance. 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. Smaller companies carry a higher degree of risk and their value can be more sensitive to market movement; their shares may be less liquid and performance may be more volatile. Fund charges may be applied in whole or in part to capital, which may result in capital erosion. If markets fall, gearing can magnify the negative impact on performance.

The discrete performance table refers to 12 month periods, ending at the date shown.

<sup>1</sup> The date the current investment strategy was adopted by the fund.



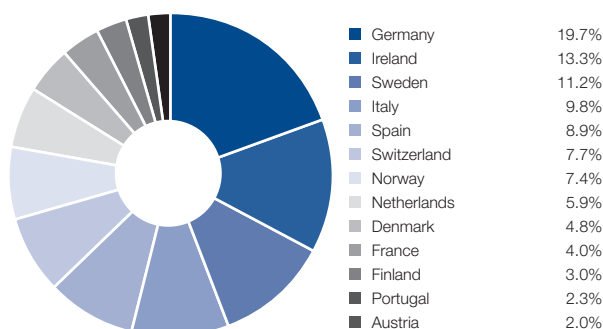
### Trust codes

Stock exchange code	Sedol
EAT	322566

### Top 10 holdings (%)

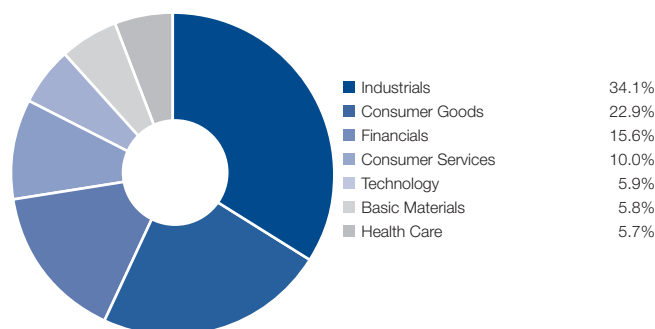
	Portfolio Weight	Benchmark Weight	Difference	Sector
<b>Cerved Information Solutions Spa</b>	4.3	0.1	4.2	Industrials
<b>Gerresheimer</b>	3.8	0.2	3.6	Health Care
<b>Forbo Holding</b>	3.8	0.2	3.6	Industrials
<b>CTS Eventim</b>	3.7	0.3	3.4	Industrials
<b>Origin Enterprises</b>	3.5	0.1	3.4	Consumer Goods
<b>ASM International</b>	3.3	0.3	3.0	Technology
<b>Inwido</b>	3.3	0.1	3.2	Industrials
<b>Irish Continental Group</b>	3.2	0.1	3.1	Consumer Services
<b>Glanbia</b>	3.1	--	3.1	Consumer Goods
<b>Storebrand</b>	3.0	0.2	2.8	Financials

### Geographical breakdown



All figures are subject to rounding.

### Sector breakdown



### Net dividend distributions per share

	2012	2013	2014	2015	2016	2017
<b>January €</b>	0.147	0.183	0.233	0.253	0.304	0.2628
<b>January £</b>	0.122	0.153	0.192	0.193	0.234	0.2279
<b>May €</b>	0.147	0.183	0.233	0.253	0.304	0.2628
<b>May £</b>	0.118	0.155	0.189	0.182	0.234	0.2248
<b>August €</b>	0.147	0.183	0.233	0.253	0.304	0.2628
<b>August £</b>	0.115	0.156	0.186	0.180	0.263	-
<b>Total €</b>	0.441	0.550	0.699	0.758	0.912	0.7884
<b>Total £</b>	0.355	0.464	0.567	0.555	0.731	-

Dividends are declared in euros (€) and paid in sterling (£) to UK registered shareholders. The sterling equivalent figures are rounded and determined close to the payment date. The annual dividend is equivalent to 6% of the net asset value as at 31 December each year.

### Suitability for Retail Distribution

The Financial Conduct Authority has issued rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes, which came into effect on 1 January 2014. The Company notes the changes to the Financial Conduct Authority's rules and is pleased to confirm that European Assets Trust can be recommended by Financial Advisers to ordinary retail investors. The shares are excluded from the Financial Conduct Authority's restrictions, which apply to non-mainstream products as the Company's portfolio is wholly or predominantly made up of shares, debentures or government and public securities, which are not themselves issued by other investment funds.

All data as at 30.06.2017 in sterling (£) unless otherwise stated. All information is sourced from F&C, unless otherwise stated. All percentages are based on gross assets. † Formerly known as HSBC Europe (ex UK) Smaller Companies 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. \*\* 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 Features document for the relevant product. The fact sheet is issued and approved by F&C 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 CM11103 (07/17)