

Manager Commentary Sam Cosh



The stock price fell despite reporting results that were above market expectations. Concern over capacity expansion in the industry has however put pressure on the shares. Irish dairy and nutrition products manufacturer Glanbia also detracted from performance. It suffered from a combination of a weak dollar, given its large exposure to the US, and concerns over the increased competition in the sports nutrition business. We have since sold the position. The stock has been a handsome performer for us since our initial purchase having transformed from a capital intensive dairy processing business to a global nutritional business.

Among our positive contributors was Norwegian regional bank Sparebank. The stock continues its recovery from unwarranted concerns over oil related loan losses demonstrating its characteristics as a high quality regional bank. It still looks very good value for us given the steady profit generation and strong capital position. Irish home builder Cairn Homes also performed well in August. The company remains in a market leading position in a strongly recovering Irish housing market.

The European smaller companies market was down in August amid geopolitical concerns arising from the North Korean peninsula and the euro appreciating.

Despite a good start to the month, the portfolio underperformed its benchmark in August. Detracting from performance was Lenzing, an Austrian-based textile manufacturer.

Key facts as at 31.08.2017

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[†]

Fund type: Investment Trust

Launch date: 1972

Total assets: £437.9 million

Share price: 1312.00p

NAV: 1297.43p

NAV €: 14.06

Discount/premium(-/+): 1.12%

Dividend payment dates: Jan, May, Aug

Yield^{††}: 5.54%

Net gearing/Net cash*: 0.00%/1.56%

Management fee rate:** 0.80%

Ongoing charges:** 1.12%

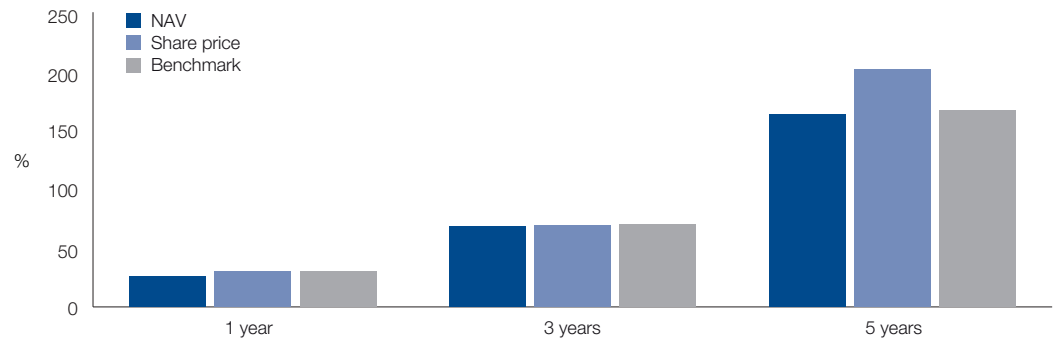
Year end: 31 December

Sector: European Smaller Companies

Currency: Euros

Website: www.europeanassets.eu

Fund performance as at 31.08.2017



Cumulative performance (%) as at 31.08.2017

	1 Month	YTD	1 Year	3 Years	5 Years
NAV	1.16	22.53	25.78	68.31	163.48
Share price	1.46	35.94	29.90	68.89	201.41
Benchmark	2.65	22.43	30.35	69.85	167.06

Discrete performance (%) as at 31.08.2017

	2017/2016	2016/2015	2015/2014	2014/2013	2013/2012
NAV	25.78	10.91	20.65	8.98	43.65
Share price	29.90	7.54	20.90	9.62	62.81
Benchmark	30.35	23.72	5.32	14.61	37.19

Past performance is not a guide to future performance.

Source: Lipper and F&C. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling.

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.

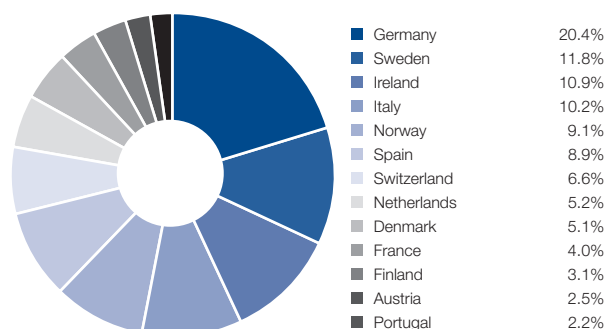
[†] The date the current investment strategy was adopted by the fund.



Top 10 holdings (%)

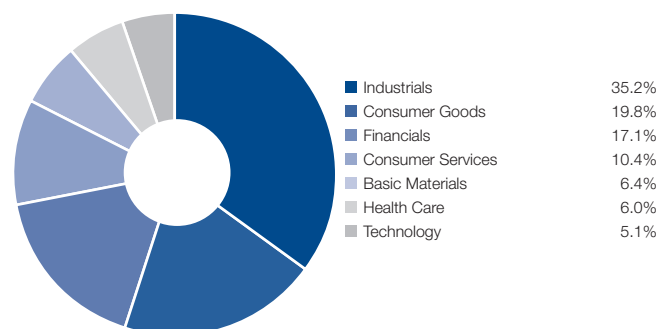
	Portfolio Weight	Benchmark Weight	Difference	Sector
Cerved Information Solutions	4.4	0.1	4.3	Industrials
Gerresheimer	3.6	0.2	3.4	Health Care
Irish Continental Group	3.6	0.1	3.5	Consumer Services
Sparebank	3.6	0.2	3.4	Financials
CTS Eventim	3.6	0.3	3.3	Industrials
Storebrand	3.5	0.2	3.3	Financials
Forbo Holding	3.5	0.2	3.3	Industrials
Origin Enterprises	3.4	0.1	3.3	Consumer Goods
Amer Sports	3.1	0.2	2.9	Consumer Goods
Inwido	2.9	0.0	2.9	Industrials

Geographical breakdown



All figures are subject to rounding.

Sector breakdown



Net dividend distributions per share

	2012	2013	2014	2015	2016	2017
January €	0.147	0.183	0.233	0.253	0.304	0.2628
January £	0.122	0.153	0.192	0.193	0.234	0.2279
May €	0.147	0.183	0.233	0.253	0.304	0.2628
May £	0.118	0.155	0.189	0.182	0.234	0.2248
August €	0.147	0.183	0.233	0.253	0.304	0.2628
August £	0.115	0.156	0.186	0.180	0.263	0.2387
Total €	0.441	0.550	0.699	0.758	0.912	0.7884
Total £	0.355	0.464	0.567	0.555	0.731	0.6914

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.

Glossary

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

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All data as at 31.08.2017 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 CM14269 (09/17)