

Manager Commentary
Sam Cosh



European smaller companies delivered another strong month in local currency terms (+3.8%) as leading economic indicators confirmed the embedded recovery in the region's economy and corporate profit momentum. This market performance was however entirely offset by the strength of the Pound following the Bank of England's guidance around the likely direction of interest rates, and in the Trust's reporting currency, the index fell -0.8% in Sterling terms.

Our net asset value (NAV) return, however, lagged this, delivering a Euro performance of +3.1%, but a Sterling return of -1.6%.

Turning to stock performance, little stood out, with the only company that saw material weakness being Lenzing, the Austrian chemical company, which fell -11.3% in Sterling terms. The company had delivered good half year results in the prior month, but during their post results roadshow the management team cautioned that they were seeing competitors announcing capacity expansion plans. Our initial view is that the market demand is strong enough to absorb this extra capacity, whilst Lenzing's transition towards a more speciality chemical business should insulate them from increased competition and positions them well for the future. This view was reinforced by a recent management meeting, but we will of course keep a close eye on developments.

Following a trip to an Iberian conference at the start of the month to meet a number of companies, we introduced a couple of new positions to the portfolio, Ebro Foods and Fluidra. Ebro Foods is a Spanish listed global foods business with strong positions in pasta and rice, particularly across Europe and the US. This is a family held business that has a strong track record of sensible capital allocation (investment in the business) which has delivered steady earnings growth. Their strategy is to use their strong position with local brands to innovate in faster growing areas, whilst spending sensibly on smaller local brands which it can plug into its distribution network. Fluidra is the global leader in swimming pool equipment and maintenance. They derive a high proportion of sales from maintenance products and we believe that restructuring of the company's distribution network should prove positive for its performance.

Key facts as at 30.09.2017

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: £436.1 million

Share price: 1288.00p

NAV: 1277.30p

NAV €: 14.50

Discount/premium(-/+): 0.84%

Dividend payment dates: Jan, May, Aug

Yield††: 5.39%

Net gearing/Net cash[§]: 0.00%/1.67%

Management fee rate^{}:** 0.80%

Ongoing charges^{}:** 1.12%

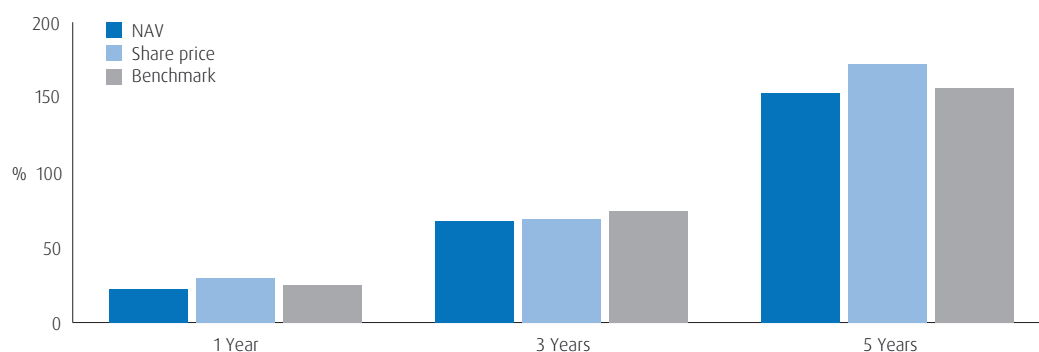
Year end: 31 December

Sector: European Smaller Companies

Currency: Euros

Website: www.europeanassets.eu

Fund performance as at 30.09.2017



Cumulative performance (%) as at 30.09.2017

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	-1.6	20.6	22.2	67.8	152.9
Share price	-1.7	33.6	29.8	69.2	171.9
Benchmark	-0.8	21.5	25.3	74.5	156.0

Discrete performance (%) as at 30.09.2017

	2017/2016	2016/2015	2015/2014	2014/2013	2013/2012
NAV	22.2	16.8	17.6	6.9	41.0
Share price	29.8	9.4	19.2	6.8	50.5
Benchmark	25.3	30.3	6.9	6.7	37.4

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.

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

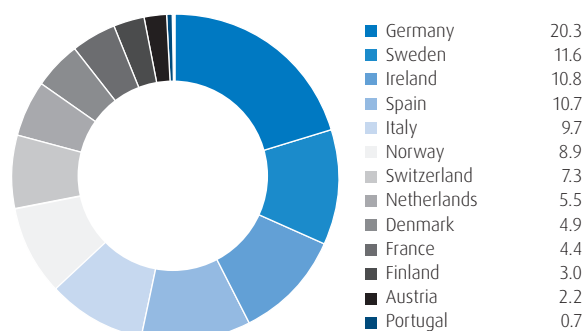


Lines may be recorded

Trust codes	
Stock exchange code	Sedol
EAT	322566

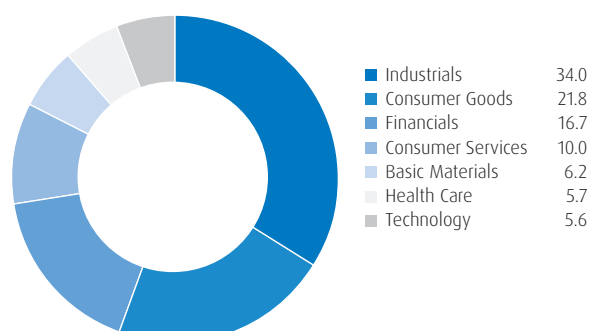
Top 10 holdings (%)				
	Portfolio Weight	Benchmark	Difference	Sector
Cerved Information Solutions	4.5	0.1	4.4	Industrials
Forbo Holding	3.6	0.2	3.4	Industrials
Storebrand	3.5	0.2	3.3	Financials
Irish Continental Group	3.5	0.1	3.4	Consumer Services
Sparebank	3.5	0.2	3.3	Financials
Origin Enterprises	3.4	0.1	3.3	Consumer Goods
Gerresheimer	3.4	0.2	3.2	Health Care
CTS Eventim	3.4	0.3	3.1	Industrials
Norma Group	3.0	0.1	2.9	Consumer Goods
Amer Sports	3.0	0.2	2.8	Consumer Goods

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.

All data as at 30.09.2017 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 (10/17)