

Manager Commentary
Sam Cosh



The turbulent start to 2018 for equity markets continued in March, as the potential for a global trade war rose significantly. Tariffs on steel and aluminium were announced by the US, followed by further restrictions on Chinese imports. This resulted in retaliation from those impacted, and increased uncertainty for a number of companies who source, manufacture or distribute globally.

In macroeconomic terms, Europe's leading indicators have pulled back from their peaks but remain firmly in

positive territory, and the unemployment rate continues to decline. The fund underperformed the market due to stock-specific issues.

Swiss flooring company Forbo detracted from performance, falling -15.6%. Its results included a conservative outlook for 2018, which disappointed the market, and there is a time lag in adapting prices to compensate for rising raw material prices.

German business equipment supplier Takkt gave back all of the gains it has made so far this year, falling -14.6% as its guidance also suggested a slowdown in growth and potential margin pressure. Swedish recreational vehicle appliance manufacturer Dometic fell -13.3% on limited news flow, having performed strongly into the end of 2017.

In terms of positive contributors, recycling machine manufacturer Tomra rose 15.7% as the UK confirmed it

would be introducing a bottle deposit scheme. It should be noted that while Tomra has attended a meeting with the UK government, it is too early to comment on the commercial opportunity. Should it materialise, this would represent a very large new market for the company. Spanish swimming pool equipment manufacturer Fluidra rose 15.1% as the final approval of its merger with US player Zodiac was granted and it released further details of the combined entity.

We initiated two new positions during the month in Sligro and Tecan Group. Sligro is a leading food services business in the Netherlands that has recently disposed of its retail business, leaving the group as a market leader with potential to expand into neighbouring geographies. Tecan is a laboratory automation manufacturer with market-leading positions and strong partnership relations in a fast-growing industry.

Key facts as at 31.03.2018

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: £439.3 million

Share price: 1245.00p

NAV: 1232.42p

NAV €: 14.06

Discount/premium(-/+): 1.02%

Dividend payment dates: Jan, Apr, Jul, Oct

Yield††: 6.20%

Net gearing/Net cash[§]: 0.00%/1.02%

Management fee rate^{§§}: 0.80%

Ongoing charges^{§§§}: 1.06%

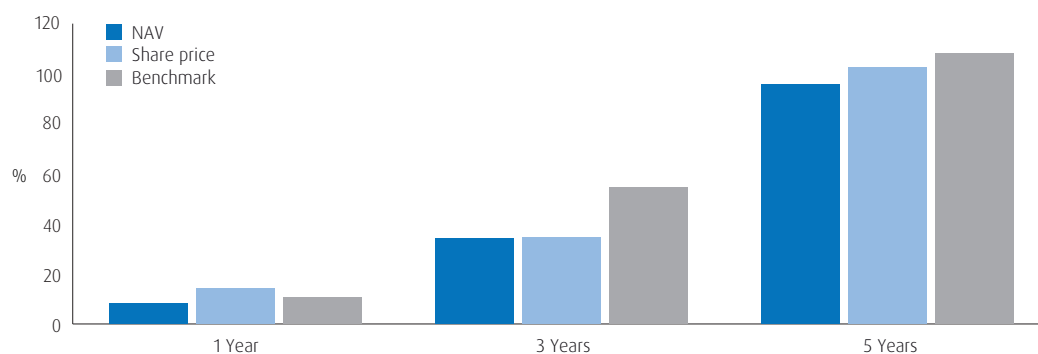
Year end: 31 December

Sector: European Smaller Companies

Currency: Euros

Website: www.europeanassets.eu

Fund performance as at 31.03.2018



Cumulative performance (%) as at 31.03.2018

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	-4.14	-3.69	8.12	34.28	95.53
Share price	-3.86	-3.58	14.06	34.42	102.66
Benchmark	-3.38	-3.36	10.60	54.68	107.94

Discrete performance (%) as at 31.03.2018

	2018/2017	2017/2016	2016/2015	2015/2014	2014/2013
NAV	8.12	17.81	5.42	13.95	27.79
Share price	14.06	12.99	4.30	14.88	31.24
Benchmark	10.60	29.83	7.72	0.62	33.60

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.

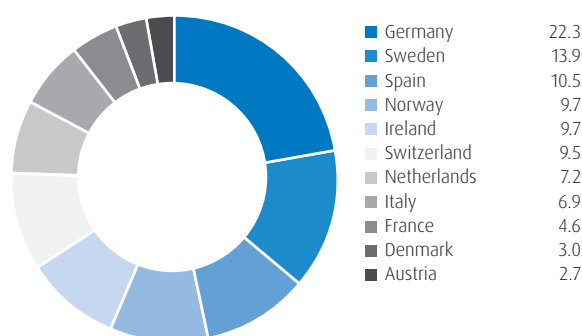
Source: Lipper and F&C. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling. The discrete performance table refers to 12 month periods, ending at the date shown.

Trust codes	
Stock exchange code	Sedol
EAT	322566

Top 10 holdings (%)				
	Portfolio Weight	Benchmark Weight	Difference	Sector
Gerresheimer	3.8	0.2	3.6	Health Care
CTS Eventim	3.7	0.3	3.4	Industrials
SpareBank	3.6	0.2	3.4	Financials
Cerved Information Solutions	3.6	0.1	3.5	Industrials
Vidrala	3.6	0.2	3.4	Industrials
Storebrand	3.4	0.2	3.2	Financials
NORMA Group	3.4	0.1	3.3	Consumer Goods
Forbo Holding	3.3	0.1	3.2	Industrials
Ringjobing Landbobank	3.0	0.1	2.9	Financials
Viscofan	3.0	0.2	2.8	Consumer Goods

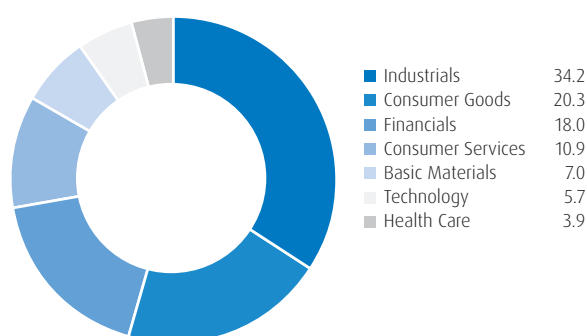
All figures are subject to rounding.

Geographical breakdown (%)



All figures are subject to rounding.

Sector breakdown (%)



Net dividend distributions per share

	2013	2014	2015	2016	2017	2018
January €	0.183	0.233	0.253	0.304	0.2628	0.2200
January £	0.153	0.192	0.193	0.234	0.2279	0.1912
May €	0.183	0.233	0.253	0.304	0.2628	
May £	0.155	0.189	0.182	0.234	0.2248	
August €	0.183	0.233	0.253	0.304	0.2628	
August £	0.156	0.186	0.180	0.263	0.2387	
Total €	0.550	0.699	0.758	0.912	0.7884	0.2200
Total £	0.464	0.567	0.555	0.731	0.6914	0.1912

The 2018 dividend will be paid in four equal instalments of Euro 0.22 per share on 31 January, 30 April, 31 July and 31 October. Previously, the Company paid its dividends in three equal instalments. 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 31.03.2018 in sterling (£) unless otherwise stated. All information is sourced from F&C, 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 0.65% per annum is charged on funds under management in excess of €500 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. 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. (04/18)