

January 2012



**Sam Cosh**  
Fund Manager

## Trust aims

To achieve growth of capital through investment in quoted medium-sized companies in Europe, excluding the United Kingdom. A high distribution policy has been adopted and dividends have been paid mainly out of 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.
- Admission of new Euro member countries will boost economic dynamism.

## Benchmark

HSBC Europe (ex-UK) Smaller Companies Index

## Average annual return

Average annual return figure over 5 years -4.57%

## Key details

Fund Type	Investment Trust
Launch Date	1972
Total assets	£100.4 million
Share price	544.00p
NAV	614.72p
Discount/Premium(-/+)	-11.5%
Dividend Payment Dates	Jan, May, Aug
Net dividend yield	7.8%
Actual gearing*	109.7
Management fee rate**	0.80%
Total expenses	1.70%
Year end	31 December
Sector	European Smaller Companies
Currency	Euros
Website	www.europeanassets.eu

## Standardised performance

	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
Shareprice	-7.5%	15.7%	30.0%	-41.7%	-2.4%

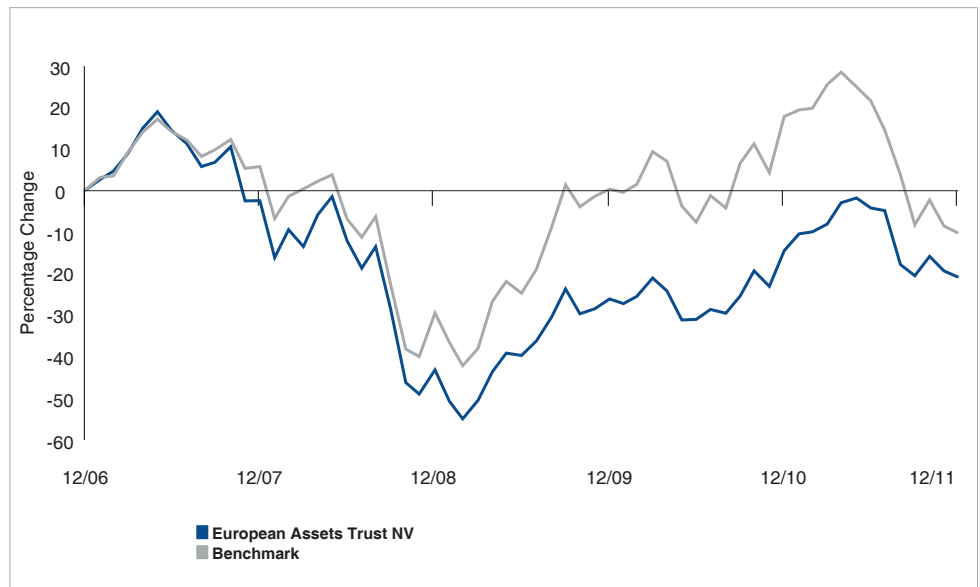
## Cumulative performance

	1 Month	Year to date	1 Year	3 Years	5 Years
Shareprice	-1.9%	-7.5%	-7.5%	39.2%	-20.8%
Benchmark	-1.9%	-23.8%	-23.8%	27.2%	-10.2%

Source: Lipper. Basis: share price, percentage growth, bid to bid, net income reinvested. Basis in accordance to the regulations of the FSA.

Past performance is not a guide to future performance. The standardised performance table refers to 12 month periods ending 31 December. The cumulative performance table refers to cumulative periods ending 31.12.2011

## Fund performance



## Top ten holdings

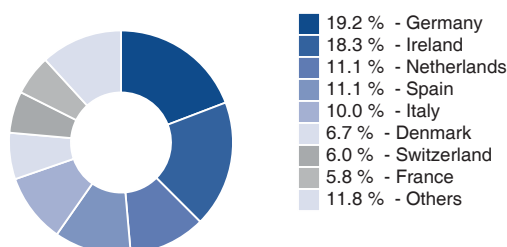
Holdings	Sector/Country	%
Glanbia	Ireland	4.1%
C&C Group	Ireland	4.0%
Exact Holdings	Netherlands	3.7%
Viscofan	Spain	3.1%
Rational	Germany	3.1%
Ansaldo STS	Italy	3.0%
Gerresheimer	Germany	3.0%
Nutreco	Netherlands	2.8%
Paddy Power	Ireland	2.8%
Azimut Holdings	Italy	2.7%
<b>Total</b>		<b>32.3%</b>

# European Assets Trust NV

Continued

January 2012

## Trust geographical breakdown



## Manager's commentary

December marked the end of a disappointing year for the wider European equity indices. Indecision and a lack of cohesion continued to mark the political landscape as EU leaders sought greater fiscal unity. Towards the end of the month the ECB made a record liquidity injection through its Long Term Refinancing Operation, which contributed to slightly greater optimism as markets entered 2012. Our benchmark index the HSBC European Small Cap Ex UK, however, fell -1.9% in sterling terms, but rose +0.4% in euro terms in December. The difference in currency returns reflecting the further weakening of the euro, an inevitable, and arguably overdue consequence of the 'eurozone crisis'.

Uncertainty is not confined to Europe though as emerging markets, the most fashionable asset class of recent years, continued to have their own problems. Most recently, India experienced rising yields, concurrently rising inflation, a weak currency and a lack of political leadership. Meanwhile, concerns emerged over debt levels in Brazil and Russia saw political demonstrations on the streets of the capital. While emerging markets may have been one of the most popular places to invest, in 2011 these areas were not the most rewarding for investors. Indeed the European market (as measured by MSCI) outperformed both its Brazilian and Indian counterparts through the year. Perhaps the most striking index return of all though was that of Ireland (MSCI) which returned +18.2% over the year, the best performance from any index globally. These performances serve as powerful reminders that consensus is often something to be wary of as an investor.

Our NAV fell by -2.6% in sterling terms and by -0.2% in euro terms in December, modestly underperforming the benchmark returns. Negative contributors to performance were C&C Group in Ireland and Jazztel in Spain. Jazztel fell on the back of the perception of a toughening competitive environment in its domestic market. This is a company, which has successfully transformed itself into a well-managed, well-invested broadband provider with a track record of market share gains. The valuation of the stock is now discounting a more negative outlook than we believe will transpire and we remain comfortable with our holding. Positive contributors to the performance could be found among our holdings in food producers, ASM International, the technology company, and Paddy Power, which both managed to deliver strong returns in a tough month. As we have argued before, the vagaries of short-term share price movements are generally hard to rationalise, especially among smaller companies and this is why we put such an emphasis on the decision-making process that goes into making investments. We will continue to look for high quality business models with strong balance sheets and dominant market positions, which should thrive, relatively in the tough environment that we expect to continue. Given the size and range of our investment universe, we expect to be able to buy these assets at attractive prices.

The stock up for discussion this month is Andritz. Andritz is an Austrian industrial company with strong positions in structurally growing markets. The two most important divisions, and those where the majority of profits come from, are hydropower, which has excellent growth characteristics as the world wrestles with its power provision needs, and pulp and paper, where there is structural growth as the industry transfers its pulp production to low cost countries. In these industries, they are market leaders in global oligopolies with high barriers to entry. This has been the result of good capital allocation from management who have used their strong balance sheet judiciously. The balance sheet remains extremely strong, with substantial net cash, and we expect them to use this to increase their payout to shareholders while continuing to improve and build their market position through selective acquisitions. Additionally we expect the returns on capital to improve as the share of (recurring) service revenues continues to increase as a proportion of profits. We do not believe that this is fully appreciated by the market.

All data as at 31.12.11 unless otherwise stated.

The yield is calculated on an historic basis using the actual dividends paid during the company's last financial year and the closing share price as at the end of the relevant month.

All information is sourced from F&C, unless otherwise stated. All percentages are based on gross assets. \*(total assets - cash and fixed interest) / shareholders' funds. \*\*Total expenses and management fee information as at the end of December 2010 and expressed as a percentage of average shareholders funds. The share price may either be below (at a discount) or above (at a premium) 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. Stock market and currency 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. Where investments are made in emerging markets, unquoted securities or smaller companies, their potential volatility may increase the risk to the value of, and the income from the investment. If markets fall, gearing can magnify the negative impact on performance. The fact sheet is issued and approved by F&C Management Limited. Authorised and regulated in the UK by the Financial Services Authority (FSA). Registered office: Exchange House, Primrose Street, London EC2A 2NY. Registered in England & Wales No 517895.

## Trust codes

Sedol	
F&C EAT - GBP	0322566