

Manager Commentary
Sam Cosh



April was a disappointing month for the portfolio; in what was a strong market for European smaller companies, the portfolio failed to participate in this rally at all. While we would normally point to stock-specific reasons, with the exception of our holding in IFG Group (which fell after announcing a management change), we do not believe that stock specifics fully explain the performance during the month.

A large reason for this underperformance was that the market rally was driven by sectors where we have no exposure, namely energy (+12.1%), telecommunications (+6.4%) and utilities (+5.6%). These sectors have not historically provided us with the types of stock ideas that we would like to invest in, and over the long term this has been the right thing to do. However, over a shorter period this can occasionally prove painful.

In terms of stock specifics, in addition to the aforementioned IFG Group, we had relatively poor returns from some of our holdings, which appeared to be sudden reversals following sustained periods of good performance. For example, ASM International, a Dutch semiconductor equipment company, fell -16.2% in sterling terms following results that were marginally disappointing – though we believe the reaction was

probably exacerbated by concerns of a slowdown in the semiconductor cycle. Fluidra, a Spanish swimming pool business, fell -12.2% following results that, we believe, did not deliver the earnings upgrades that the market was looking for. Other detractors includes Vidrala and Tomra, which both gave back some of the strong returns that they have generated so far this year.

Key facts as at 30.04.2018

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: £430.9 million

Share price: 1240.00p

NAV: 1202.89p

NAV €: 13.71

Discount/premium(-/+): 3.09%

Dividend payment dates: Jan, Apr, Jul, Oct

Yield††: 6.20%

Net gearing/Net cash[§]: 0.00%/1.20%

Management fee rate^{*}:** 0.80%

Ongoing charges^{*}:** 1.06%

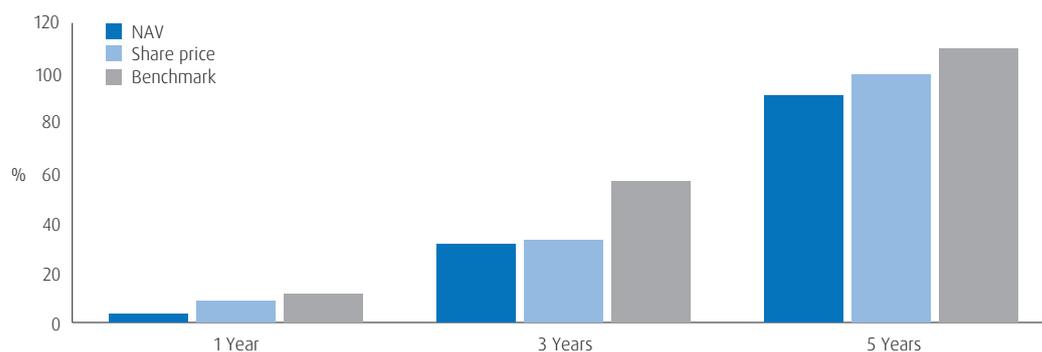
Year end: 31 December

Sector: European Smaller Companies

Currency: Euros

Website: www.europeanassets.eu

Fund performance as at 30.04.2018



Cumulative performance (%) as at 30.04.2018

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	-0.71	-4.38	3.24	31.21	90.72
Share price	-0.20	-5.51	8.77	32.94	99.47
Benchmark	3.21	-0.26	11.54	56.46	109.82

Discrete performance (%) as at 30.04.2018

	2018/2017	2017/2016	2016/2015	2015/2014	2014/2013
NAV	3.24	26.16	0.73	19.40	21.73
Share price	8.77	21.30	0.76	19.42	25.64
Benchmark	11.54	32.64	5.76	3.77	29.23

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.

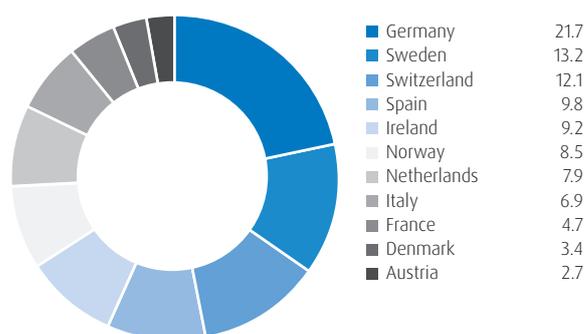
Source: Lipper and F&C. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling. The discrete performance table refers to 12 month periods, ending at the date shown.

Trust codes	
Stock exchange code	Sedol
EAT	322566

Top 10 holdings (%)				
	Portfolio Weight	Benchmark Weight	Difference	Sector
Gerresheimer	3.9	0.2	3.7	Health Care
CTS Eventim	3.9	0.3	3.6	Industrials
Cerved Information Solutions	3.7	0.1	3.6	Industrials
Forbo Holding	3.5	0.1	3.4	Industrials
Ringjobing Landbobank	3.4	0.1	3.3	Financials
Storebrand	3.3	0.2	3.1	Financials
SpareBank 1 SR-Bank	3.2	0.1	3.1	Financials
Aareal Bank	3.2	0.2	3.0	Financials
Vidrala	3.0	0.2	2.8	Industrials
IMCD Group	3.0	0.2	2.8	Basic Materials

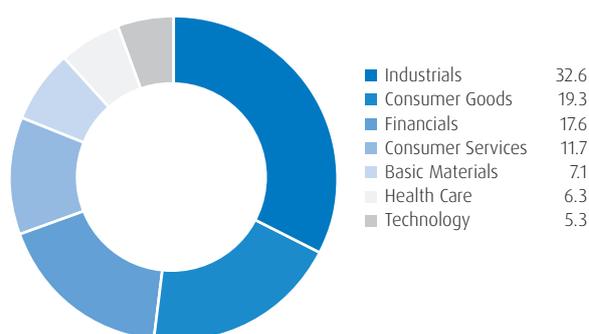
All figures are subject to rounding.

Geographical breakdown (%)



All figures are subject to rounding.

Sector breakdown (%)



Net dividend distributions per share

	2018
January €	0.2200
January £	0.1912
April €	0.2200
April £	0.2070
July €	
July £	
October €	
October £	
Total €	0.4400
Total £	0.3982

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 30.04.2018 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. (05/18)