

Manager Commentary
Sam Cosh



European stock markets retreated during September as leading indicators continued to roll over as export orders stagnated for the first time in over five years. Italian politics once again dominated headlines as although the ruling coalition reached an agreement over the budget, it included a deficit that was higher than anticipated and potentially puts them on a collision course with Brussels. The trust performed broadly in line with the market during the month.

Our Norwegian holdings were among the top contributors as the country's index was buoyed by the rising oil price. Recycling enabler Tomra continued its significant year-to-date outperformance; shares rose 11.9% over the course of the month as the company held a successful capital markets day, laying out its attractive financial targets. Regional bank Sparebank continued to deliver strong performance, with the shares rising 7.0% over September. The bank maintained its position as a market leader in Rogaland, and the spectre of rising interest rates is positive for the company, as is a return to prosperity and confidence in the region linked to crude prices. Relatively new holding TGS Nopec also performed well, with the shares rallying 6.6% as signs of increased seismic activity began to emerge.

The main detractor during the month was speciality material producer Lenzing, which fell 13.7% after announcing that increased costs (both materials and labour) and tariff uncertainties meant it was mothballing an expansion project in Alabama, US. We believe this is a sensible longer-term capital allocation decision, bearing in mind the current trade environment uncertainty. The company will be able to transfer the machinery earmarked for this project into an expansion elsewhere. Low cost carrier Wizz also detracted from performance as the shares fell 9.3% as peer Ryanair issued a profit warning based on rising fuel costs and impact of strikes. While Wizz hasn't experienced any staff stoppages, we believe the rising cost of oil will be detrimental to earnings in the short term.

Key facts as at 28.09.2018

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: £451.2 million

Share price: 115.00p

NAV: 124.46p

NAV €: 1.40

Discount/premium(-/+): -7.60%

Dividend payment dates: Jan, Apr, Jul, Oct

Yield††: 6.82%

Net gearing/Net cash[§]: 0.40%/0.00%

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

Ongoing charges^{*}:** 1.06%

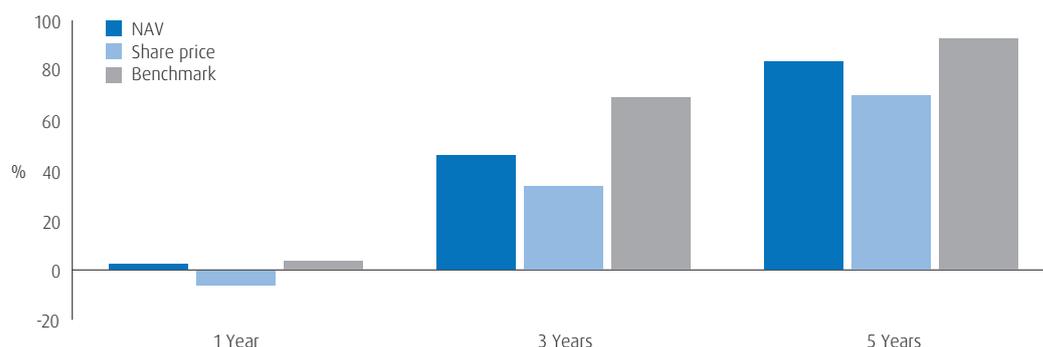
Year end: 31 December

Sector: European Smaller Companies

Currency: Euros

Website: www.europeanassets.eu

Fund performance as at 28.09.2018



Cumulative performance (%) as at 28.09.2018

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	-1.72	0.59	2.26	45.94	83.41
Share price	-3.56	-7.60	-5.99	33.44	69.83
Benchmark	-1.69	1.84	3.40	68.80	92.59

Discrete performance (%) as at 28.09.2018

	2018/2017	2017/2016	2016/2015	2015/2014	2014/2013
NAV	2.26	22.24	16.75	17.56	6.90
Share price	-5.99	29.79	9.36	19.18	6.78
Benchmark	3.40	25.33	30.25	6.92	6.71

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.

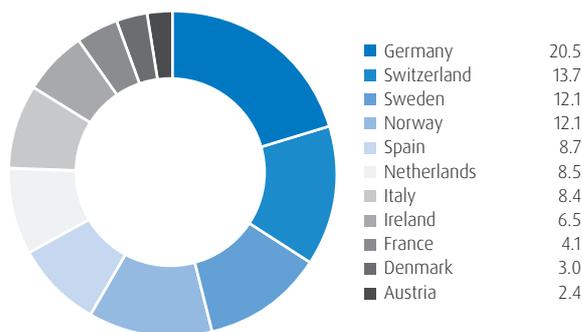
Source: Lipper and BMO. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling. The discrete performance table refers to 12 month periods, ending at the date shown.

Trust codes	
Stock exchange code	Sedol
EAT	322566

Top 10 holdings (%)				
	Portfolio Weight	Benchmark Weight	Difference	Sector
Gerresheimer	4.1	0.2	3.9	Health Care
Forbo Holding	4.0	0.2	3.8	Consumer Goods
CTS Eventim	3.8	0.2	3.6	Consumer Services
SpareBank 1 SR-Bank	3.8	0.2	3.6	Financials
IMCD Group	3.7	0.2	3.5	Basic Materials
Storebrand	3.6	0.2	3.4	Financials
Cerved Information Solutions	3.5	0.1	3.4	Industrials
Tecan Group	3.2	0.2	3.0	Health Care
Sligro Food Group	3.1	0.1	3.0	Consumer Services
Viscofan	3.1	0.2	2.9	Consumer Goods

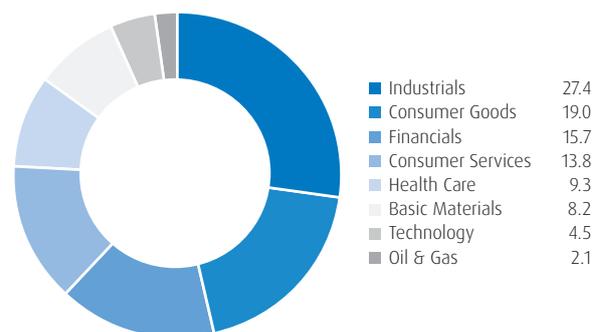
All figures are subject to rounding.

Geographical breakdown (%)



All figures are subject to rounding.

Sector breakdown (%)



Net dividend distributions per share

	2018
January €	0.0220
January £	0.0191
April €	0.0220
April £	0.0191
July €	0.0220
July £	0.0196
October €	
October £	
Total €	0.0660
Total £	0.0579

The 2018 dividend will be paid in four equal instalments of Euro 0.022* 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.

*Dividends shown in the table above have been adjusted to reflect ten for one stock split, effective from 3 May 2018

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 28.09.2018 in sterling (£) unless otherwise stated. All information is sourced from BMO, 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 factsheet is issued and approved by BMO, a trading name of BMO Asset 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. (10/18)