

Manager Commentary Sam Cosh



The year ended poorly for equity investors as markets struggled to absorb the challenges of rising US central bank rates, a slowdown in eurozone business confidence, weaker Chinese growth and rising geopolitical concerns. While we were marginally behind the market over the month, this was ahead of our peer group, both open ended and closed ended. Nonetheless, it was a tough end to a challenging year for investors, with few asset classes delivering positive returns.

Our standout performer during the month was Takeaway.com, a Dutch-listed online food services business. The company rose 25.9% following the announcement that they had agreed to buy Delivery Hero, their German competitor. Takeaway.com have a proven business model in the Netherlands, where they are by some distance the market leader and are delivering excellent levels of growth and cash flow. There is, however, huge potential in other countries, which is arguably not yet captured in their current valuation. The acquisition of Delivery Hero has helped, in part, to address this. While offering substantial synergies, the deal almost gives them a monopoly position in Germany, a market which has significantly greater potential than their home market.

Other positive contributors came from holdings that made relatively small absolute progress in a market that fell substantially. Cerved Information Solutions, an Italian credit information provider, rose 6.6%, and Marr Spa, the Italian leader in food services, rose 6.0%. Both appeared to benefit from a marginal improvement in relations between Italy and the European Union.

In terms of negative contributors, it was the more cyclically sensitive areas that suffered. Examples include Cairn Homes, an Irish house builder, which fell 15.4% on no specific news, although the market appears to be valuing the stock on the assumption that they are particularly vulnerable to a hard Brexit. While we have some sympathy toward this, we believe that the structural support from years of a lack of building in the country, combined with an unrivalled landbank, mean that there is good value here, irrespective of the Brexit outcome.

Other stocks to suffer similar levels of underperformance were Norma Group, a German industrial, and Dometic, a Swedish provider of equipment to recreational vehicles. The movements in these 'cyclical' stocks have been severe and we now believe are discounting an overly negative economic scenario. In aggregate, having reduced the economic sensitivity of the portfolio during the first half, we do not currently believe that it makes sense to do so further. We will therefore hold these positions.

Key facts as at 31.12.2018

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: £372.9 million

Share price: 93.00p

NAV: 102.73p

NAV €: 1.14

Discount/premium(-/+): -9.47%

Dividend payment dates: Jan, Apr, Jul, Oct

Yield†‡: 8.49%

Net gearing/Net cash*: 0.70%/0.00%

Management fee rate:** 0.80%

Ongoing charges*:** 1.06%

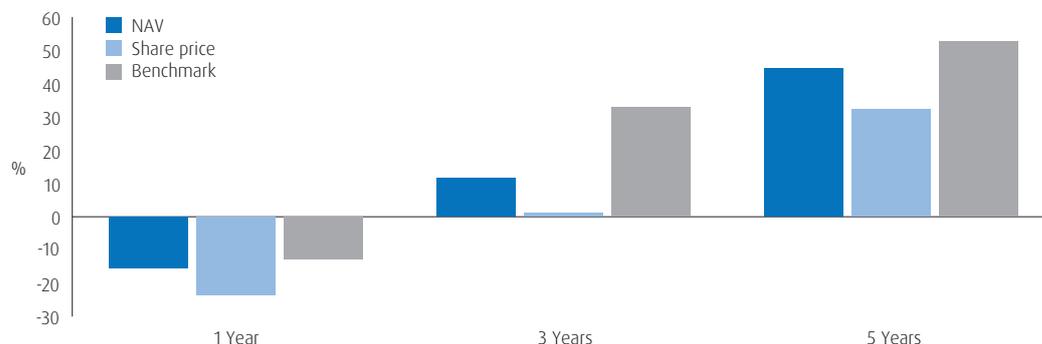
Year end: 31 December

Sector: European Smaller Companies

Currency: Euros

Website: www.europeanassets.eu

Fund performance as at 31.12.2018



Cumulative performance (%) as at 31.12.2018

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	-5.60	-15.43	-15.43	11.42	44.51
Share price	-7.20	-23.53	-23.53	1.14	32.32
Benchmark	-5.19	-12.67	-12.67	32.77	52.67

Discrete performance (%) as at 31.12.2018

	2018/2017	2017/2016	2016/2015	2015/2014	2014/2013
NAV	-15.43	22.63	7.43	20.54	7.59
Share price	-23.53	35.94	-2.71	20.20	8.84
Benchmark	-12.67	23.32	23.28	17.20	-1.89

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.

Lines may be recorded



Trust codes

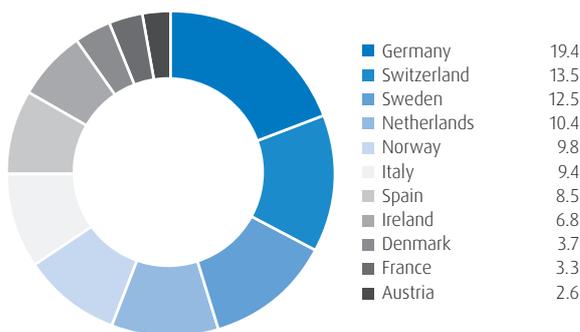
Stock exchange code	Sedol
EAT	BD0BSY3

Top 10 holdings (%)

	Portfolio Weight	Benchmark Weight	Difference	Sector
CTS Eventim	4.0	0.2	3.8	Consumer Services
Gerresheimer	4.0	0.1	3.9	Health Care
IMCD Group	3.8	0.2	3.6	Basic Materials
Ringjobing Landbobank	3.7	0.1	3.6	Financials
Forbo Holding	3.6	0.2	3.4	Consumer Goods
Coor Service Management Holding	3.6	0.1	3.5	Industrials
Vidrala	3.6	0.2	3.4	Industrials
Wizz Air Holdings	3.6	--	--	Consumer Services
SpareBank 1 SR-Bank	3.5	0.2	3.3	Financials
Cerved Information Solutions	3.5	0.1	3.4	Industrials

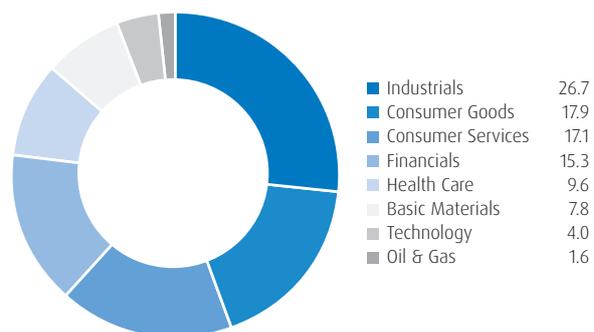
All figures are subject to rounding.

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 €	0.0220
October £	0.0193
Total €	0.0880
Total £	0.0772

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 31.12.2018 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. (01/19)