

## Manager Commentary Sam Cosh



May saw a substantial reversal in equity markets. While the first four months had seen a recovery of most of 2018's downturn, global markets pulled back sharply in May as the US increased tariffs on Chinese imports, prompting concerns about an economic slowdown. Within Europe, disappointing leading data indicators suggested a contraction in manufacturing, which is especially concerning for Germany. Although our portfolio fell, it fared substantially better than the market. The weakness in sterling helped to soften this market fall for UK investors.

Two of our health care stocks, Tecan and DiaSorin, were the largest contributors to outperformance, with the share prices of both companies making good progress in a falling market. Both sell products to research and diagnostic laboratories, an area that is seeing increasing investment as health care demands change to address more effective personalised treatment. These companies have strong balance sheets, high margins, and demand profiles that should be immune from economic fluctuations. In addition, the regulation and research and development costs associated with this industry mean it is unlikely that the market shares of these companies will be disrupted by competitive threats.

Other strong contributors were Spanish swimming pool equipment provider Fluidra (+17.0%) and Swedish integrated facility management company Coor (+7.4%). Fluidra's shares have been weak in 2019, as peers in the US have struggled due to weather conditions in North America. The company's results highlighted that its geographical diversity had offset some of these

declines, as growth in Europe and the rest of the world was positive. In addition, the company highlighted that it had already seen a strong rebound in April's sales in the US. Coor's first-quarter result showed strong organic growth and an important contract renewal with the Danish police.

Detractors from the fund included Storebrand (-11.0%), Viscofan (-10.7%) and Norma Group (-12.7%). Norwegian insurer Storebrand has been a long-term positive contributor to the fund, but suffered in May as first-quarter results were below expectations. The weak markets last year led to some pressure for the company's savings division and a disappointing margin. Artificial sausage skin manufacturer Viscofan's first-quarter results showed the company was experiencing weak margins due to high energy and personnel costs. Fluid control component supplier Norma, which has significant exposure to the automotive market, continued to suffer as a result of the uncertainties surrounding that sector.

### Key facts as at 31.05.19

**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<sup>†</sup>

**Fund type:** Investment Trust

**Launch date:** 1972

**Total assets:** £429.8 million

**Share price:** 103.00p

**NAV:** 113.80p

**NAV €:** 1.29

**Discount/premium(-/+):** -9.49%

**Dividend payment dates:** Jan, Mar, Jul, Oct

**Yield<sup>††</sup>:** 5.87%

**Net gearing/Net cash<sup>\*\*\*</sup>:** 0.00%/0.02%

**Management fee rate<sup>\*\*</sup>:** 0.80%

**Ongoing charges<sup>\*\*\*</sup>:** 1.1%

**Year end:** 31 December

**Sector:** European Smaller Companies

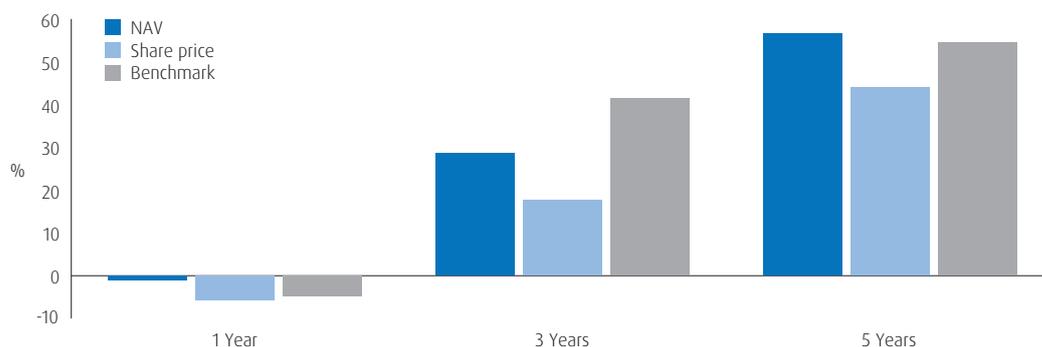
**Currency:** Euros

**Website:** www.europeanassets.eu

\*\*\*Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured.



### Fund performance as at 31.05.19



### Cumulative performance (%) as at 31.05.19

	1 Month	Year to date	1 Year	3 Years	5 Years
<b>NAV</b>	-0.43	14.15	-1.03	28.56	56.60
<b>Share price</b>	-2.18	13.82	-5.74	17.54	44.02
<b>Benchmark</b>	-1.81	10.02	-4.83	41.38	54.32

### Discrete performance (%) as at 31.05.19

	2019/2018	2018/2017	2017/2016	2016/2015	2015/2014
<b>NAV</b>	-1.03	0.07	29.80	2.16	19.24
<b>Share price</b>	-5.74	-3.45	29.16	0.84	21.51
<b>Benchmark</b>	-4.83	6.20	39.89	6.23	2.75

### 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.

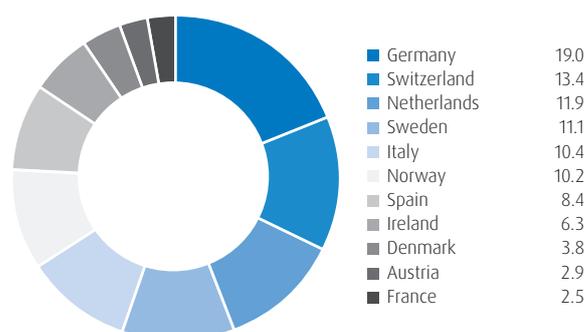


Trust codes	
<b>Stock exchange code</b>	Sedol
<b>EAT</b>	BD0BSY3

Top 10 holdings (%)				
	Portfolio Weight	Benchmark Weight	Difference	Sector
<b>IMCD Group</b>	4.9	0.3	4.6	Basic Materials
<b>Gerresheimer</b>	4.2	0.1	4.1	Health Care
<b>Forbo Holding</b>	4.1	0.2	3.9	Consumer Goods
<b>Vidrala</b>	3.8	0.2	3.6	Industrials
<b>CTS Eventim</b>	3.8	0.3	3.5	Consumer Services
<b>Ringkjøbing Landbobank</b>	3.8	0.1	3.7	Financials
<b>Tecan Group</b>	3.7	0.2	3.5	Health Care
<b>Coor Service Management Holding</b>	3.7	0.1	3.6	Industrials
<b>Cerved Information Solutions</b>	3.6	0.1	3.5	Industrials
<b>DiaSorin</b>	3.5	0.4	3.1	Health Care

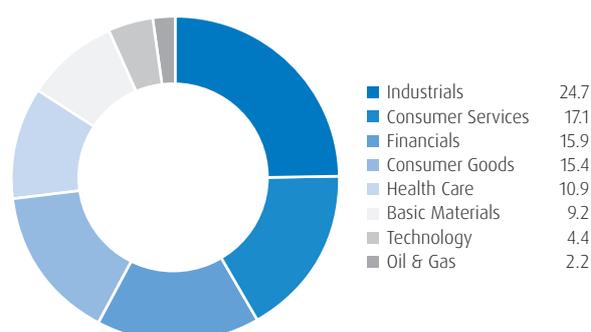
All figures are subject to rounding.

### Geographical breakdown (%)



All figures are subject to rounding.

### Sector breakdown (%)



### Net dividend distributions per share

	2019
<b>January €</b>	0.0171
<b>January £</b>	0.0149
<b>March €</b>	0.0171
<b>March £</b>	0.0146
<b>July €</b>	0.0171
<b>July £</b>	*
<b>October €</b>	0.0171
<b>October £</b>	*
<b>Total €</b>	0.0684
<b>Total £</b>	*

The 2019 dividend will be paid in four instalments on 31 January, 15 March, 31 July and 31 October. 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

<b>Bid price</b>	Investment trust shares are sold via the stock exchange at the bid price. This price is determined by supply and demand.
<b>Dividend</b>	Income paid to shareholders by the company they invest in.
<b>Net asset value</b>	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 31.05.19 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. Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any funds that may be mentioned. 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. (06/19)