

# European Assets Trust PLC

## Annual General Meeting - Frequently Asked Questions

### How did the Company perform during 2019?

Performance year ended 31 December 2019

Total return	Sterling
Net asset value	19.8%
Share price	25.7%
Benchmark Index	20.6%

2019 was a good year for European Smaller Companies and your Company. Depressed sentiment leading into the year helped provide the platform for a strong first quarter as markets yet again took their lead from Central Banks.

While this market cycle has been driven by low interest rates more than economic growth, it was a threat to the latter that dampened optimism heading into the second and third quarter. Macroeconomic indicators deteriorated as the US and China continued their trade negotiations. However, the final months of the year were strong as a stage one deal between the two countries was announced and economic data began to look more promising. The outcome of the UK general election also provided further political relief.

### How has the Company performed during 2020?

Performance year to date 2020 (30 April 2020)

	Sterling
Net asset value	-14.9%
Share price	-16.7%
Benchmark Index	-15.2%

The portfolio had lagged the benchmark ahead of the crisis, but performance has been better since then and we ended April with net asset value ahead of the benchmark. This performance has been driven by good stock picking with our holdings in Healthcare and Consumer Discretionary doing particularly well. Of note were two of our Healthcare stocks, Diasorin and Tecan, who will benefit from the impact of Coronavirus. These were two of our largest positions and operate in the diagnostics industry helping to provide and automate virus testing. We have taken profit in both holdings. Within Consumer Discretionary, Just Eat Takeaway was the stand out performer as it is expected to benefit from more at home eating. Our worst performers lay in Financials and Consumer Staples. It is not surprising perhaps that our Financial holdings suffered, however, that our Consumer Staples stocks underperformed is particularly disappointing. Our worst performer was Marr, Italy's leading food distributor. This is normally a dependable, defensive business that does well during difficult economic conditions, however the unusual nature of this crisis, with the closure of the restaurant sector in Italy, has seen a dramatic drop their sales. We would however expect the company to come out the crisis in a better position relative to competition so are maintaining our holding.

[View the full AGM presentation by clicking here.](#)

## **What impact has the coronavirus pandemic had on the portfolio?**

While the portfolio has fallen in value, it has fared relatively well since the outset of the pandemic. At the beginning of the year we reduced risk in the portfolio, reducing our financials exposure to underweight relative to the benchmark, and reducing some cyclical risk. This meant that we entered the crisis with cash. The severity of market falls in March allowed us to deploy some of the cash, taking advantage of unusually attractive prices for some high-quality companies. We have therefore used this volatility to add 7 new stocks to the portfolio. In aggregate these investments have performed well since purchase. Were volatility to return to the markets we would continue with this strategy, using portfolio gearing if valuations reached sufficiently attractive levels.

[For further details you can watch Sam Cosh's recent video update here.](#)

## **Did the Company deploy gearing during 2019?**

In March 2019, the Company entered into a €45 million multi-currency revolving loan facility with Royal Bank of Scotland ("RBSI") expiring during March 2020.

The Company did utilise this gearing facility during the year although at 31 December 2019 Company had a net cash position.

After the year end, the Company has refinanced its borrowings facility with RBSI on favourable terms.

## **What is the Company's approach to gearing in the current market conditions?**

We currently sit on a small cash position but will gear the portfolio if we can find new investment opportunities at attractive prices. While we were active in deploying cash to buy new positions during the depth of the crisis the speed of the market recovery in April has meant that we still retain balance sheet firepower. We aim to move into a geared position once the global pandemic is behind us, but only if we can buy good stocks at valuations that are appealing.

## **What steps has the Company taken to consider ESG factors when investing?**

Environmental, Social and Governance ("ESG") issues are the three central factors in measuring sustainability and can present both opportunities and threats to the long-term investment performance the Company aims to deliver to shareholders. The Board is therefore committed to taking a responsible approach to ESG matters in ensuring that the Company has appointed a manager that applies the highest standards of ESG practice in managing the Company's investments on behalf of shareholders. Further details are provided on pages 24 and 25 of the 2019 Annual Report.

The Manager's Corporate Governance Guidelines set out expectations on the boards of investee companies in terms of good corporate governance. The Board expects to be informed by the Manager of any sensitive voting issues involving the Company's investments. In the absence of explicit instructions from the Board, the Manager is empowered to exercise discretion in the use of the Company's voting rights and reports annually to the Board on its voting record. The Manager will vote on all investee company resolutions.

## **What dividend has been declared for 2020?**

In January the Company announced that the 2020 dividend of 7.02 pence per share would be paid in four equal instalments of 1.755 pence per share on 31 January, 30 April, 31 July and 30 October 2020.

7.02 pence per share represents an increase of 17.2% from the 2019 dividend of 5.99 pence per share.

The level of dividend paid each year is determined in accordance with the Company's distribution policy. The Company has stated that, barring unforeseen circumstances, it will pay an annual dividend equivalent to six per cent of its net asset value at the end of the preceding year.

Following approval by the UK High Court, dividends will be funded by a combination of current year profits and the Distributable Reserve.

### **Why is the dividend now declared in Sterling rather Euros?**

In January 2020, the Company announced that dividends would be declared in Sterling, a change from the previous practice of declaring in Euros. This change provides greater certainty of income for the overwhelming majority of the Company's shareholders who choose to receive their dividends in Sterling rather than Euros.

### **What is BMO Investment Business Limited ("the Manager") paid?**

Since the year the Company has renegotiated its fee payable to the Manager.

Previously, the Manager received a fee equal to 0.8 per cent per annum of the value of funds under management. Funds under management are calculated as the value of total assets less current liabilities (excluding borrowings) at the end of the preceding quarter. It excludes the value of any funds managed by the BMO group and 50 per cent of the value of funds managed by other managers. In cases where the value of funds under management exceeded €500 million, the applicable rate over such excess value was 0.65 per cent per annum.

Following the amendment, which was effective from 1 April 2020, the investment management fee has been reduced from 0.8 to 0.75 per cent per annum of the value of funds under management. For funds under management in excess of €400 million, the applicable rate over such excess value will be 0.6 per cent per annum. The basis of calculation for funds under management is unchanged.

In addition, the Manager receives an annual fee of £100,000 for the provision of administration services.

### **What impact, if any, will Brexit have on the Company?**

The Board continues to monitor the potential impact of Brexit and believes that while the ultimate impact of Brexit on financial and currency markets both in the United Kingdom and the European Union cannot be assessed, any volatility would be managed as part of our normal investment processes.

Prior to 16 March 2019, the Company was a Dutch company. On 16 March 2019, the Company migrated to the United Kingdom which has resulted in an English registered, London market premium listed, UK investment trust, which the Board believes provides a long-term stable structure for the Company.

### **Why can shareholders not attend the AGM this year?**

On 17 April 2020 the Board announced that following the introduction of UK Government Covid-19 guidance on public distancing and the prohibition of non-essential travel and public gatherings, it had made the difficult decision to amend the format of this year's AGM. This year's AGM will be purely functional.

Shareholders are not permitted to attend, and attendance is limited to the minimum number of Directors and officers sufficient to form a quorum.

Sam Cosh's presentation will instead be available on this website.

If you have any questions on this presentation, the Report and Accounts or the resolutions being put to this year's AGM, you can email your queries to [europaanassetsagm@bmogam.com](mailto:europaanassetsagm@bmogam.com). The Board and the Manager will endeavour to answer every shareholder question.

The Board are sorry that they are unable to meet the many familiar shareholders that usually attend the AGM in person. However, the Directors very much look forward to a resumption of the Company's normal AGM practices next year.

### **If I cannot attend the AGM how can my votes count?**

Use your Form of Proxy, appointing the Chairman as your proxy.

This will allow your votes to count despite you being unable to attend. Appointment of a proxy other than the Chairman will result in your vote not being counted, as the person appointed as your proxy will not be admitted to the AGM.

### **Is there a requirement for Directors to own shares?**

There is no requirement for Directors to hold shares. However, each Director seeking re-election or election at this year's AGM does. Details are provided on page 39 of the 2019 Report and Accounts.

### **Why are the Directors seeking the authority to buy back and issue share?**

The Directors seek these powers to minimise the volatility of the Company's share price to its net asset value. In considering whether buyback or issuance might be appropriate in any particular set of circumstances, the Board will take into account: the prevailing market conditions; the degree of net asset value accretion that would result from the buyback or issuance; the cash resources readily available to the Company; the immediate pipeline of investment opportunities open to the Company; and the working capital requirements of the Company.

The Directors actively monitor the share price discount or premium and receive frequent updates from the Company's broker with regard to the demand for the Company's shares.