European Opportunities Trust

Positioned for positive news and growth

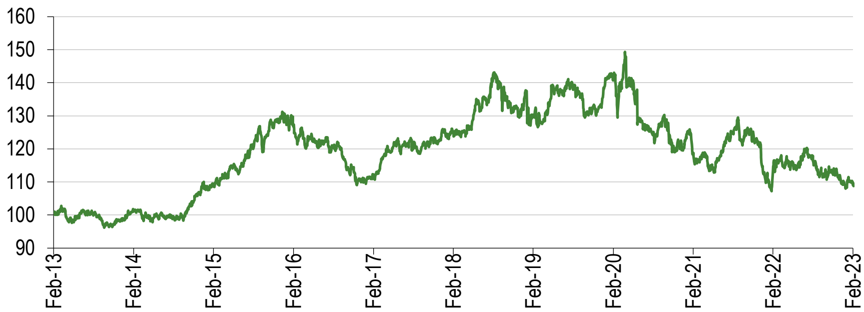
Investment trusts
European equities

7 March 2023

European Opportunities Trust's (EOT's) manager, Alexander Darwall, invests in globally focused companies with unique technologies, comparative advantages and multiple growth channels, with the aim of constructing a resilient portfolio capable of generating capital growth in all economic climates. This strategy has delivered positive returns and outperformance over the long term; in the 10 years to end February 2023, the portfolio has made an average annualised return of 9.1% in NAV terms, compared to a benchmark return of 8.1% on the same basis. Nearer-term performance has been disappointing, and the share price discount has widened, despite the fact that most of EOT's portfolio holdings are performing well. Manager Alexander Darwall expects positive news from several of his 'special' companies over the coming year, which should boost performance, and he is confident his strategy and patience will continue to pay off for shareholders over the longer term.

Price		**766p**
Market cap		**£774m**
AUM		**£940m**
NAV*		884.9p
Discount to NAV		13.4%
*Including income. At 2 March 2023.		
Yield		0.3%
Ordinary shares in issue		101.0m
Code/ISIN		EOT/GB0000197722
Primary exchange		LSE
AIC sector		Europe
52-week	778.0p	629.0p
NAV* high/low	902.4p	742.7p
*Including income.		
Net cash (at 28 February 2023)		2.0%

Long-term NAV outperformance versus the benchmark, MSCI Europe



Source: Refinitiv, Edison Investment Research. Note: Total returns in sterling.

Fund objective

The objective of European Opportunities Trust (EOT) is to invest in securities of European and UK companies, in sectors or geographical areas that are considered by the investment manager to offer good prospects for capital growth, taking into account economic trends and business development.

Bull points

- An experienced, patient, high-conviction manager focused on 'special', high-quality growth companies capable of succeeding despite short-term economic vicissitudes.
- Recent additions to the investment team have enhanced its ability to identify attractive investment opportunities.
- A historically wide discount offers investors a potentially attractive entry point.

Bear points

- The trust will lag the benchmark at times, especially when cyclical and value stocks are in favour with investors.
- It may take time for the manager to rebuild investor confidence after underperformance in 2020 and 2021.
- EOT's low-dividend policy may deter investors in need of income.

The analyst's view

- Investors may be attracted by the manager's stock selection skills, which are manifest in the trust's record of long-term capital growth and outperformance.
- EOT's particularly strong outperformance at times when the market is emerging from crises (see discussion on page 2) may be reassuring for investors unnerved by the past year's unusual, challenging events and volatility.
- The manager's focus on innovative, world-leading, growth-oriented companies may appeal to those keen to invest in 'tomorrow's winners', developing game changing drugs, agricultural products and consumer services, and benefiting from rising demand for sustainable fuels and semiconductors.
- EOT's historically wide 13% share price discount (vs 4% long-term average) has scope to narrow if performance improves and/or as investors come to appreciate the relative value EOT's shares offer at their current historically wide levels. In the meantime, investors may see an ideal opportunity to gain exposure to high-quality, growth-oriented stocks at a discount.
- EOT's focus on capital growth means that it does not receive, or pay, significant dividends. This low-dividend policy may detract from the trust's appeal for those requiring regular and attractive income.

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Edison profile page

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The fund manager: Alexander Darwall

The manager’s view: Staying true to a tried and tested strategy

EOT’s manager, Alexander Darwall, remains focused on identifying specific, ‘special’ stocks: companies with large and rapidly growing addressable markets, that keep innovating to take advantage of structural shifts such as changes in consumer habits or legislation. The businesses he targets are typically world leaders that just happen to be European listed. Stocks are also selected for their resilience to prevailing economic circumstances. So, in the present high inflation/high interest rate environment, Darwall is especially attracted to companies with strong pricing power, healthy cash flows and limited exposure to high energy costs and high rates. (Portfolio companies are markedly less geared than the benchmark. EOT’s net debt/EBITDA (ex-financials) stood at 1.1% at end December 2022, versus the benchmark ratio of 1.9%.) ‘There are always great opportunities’, he says. And in his view, the ‘special’ companies and structural winners he seeks possess the capacity to trump strategies focused on riding macroeconomic trends or market fashions, and those targeting specific geographical regions or stocks with growth or value characteristics.

EOT’s long-term track record supports this view. In these unusual and volatile times, investors may be especially interested to know that the trust performs particularly strongly in relative terms during periods when the market is emerging from crisis. For example, during the 19 months of the global financial crisis, between November 2007 and May 2009, EOT underperformed its MSCI Europe Index by around 200 basis points (-2.1% in pounds sterling terms), but during the subsequent 19 months to end December 2010, EOT’s total return exceeded the benchmark by almost 5,000 basis points (+49.2%). The picture was similar during the eurozone sovereign debt crisis, although in that instance EOT actually delivered positive returns (+0.9%) and outperformed the market by almost 700 basis points (+6.8%) during the depths of this crisis between March 2010 and September 2011, and then outperformed even more dramatically in the subsequent 19 months ended April 2013, delivering a total return of +13.5%, compared to the market decline of 1.7%. If history is any guide, this suggests that the trust should perform relatively well as and when the current geopolitical uncertainties dissipate and the outlook for inflation and interest rates becomes clearer.

So, despite the current unusually challenging investment climate, for Darwall, it is business as usual. He is prepared to be patient, and is not unnerved by short-term fluctuations in performance such as those the trust has experienced over recent months (see Performance section below for details). He is focused instead on the trust’s longer-term prospects, which he believes remain very favourable; Darwall expects positive developments for several portfolio holdings over the coming year, some of which are discussed in the following sections.

Asset allocation

Current portfolio positioning

The manager’s high-conviction, patient investment approach means that EOT’s portfolio turnover is always relatively low, and at the moment, it is even lower than usual, at around 18%, a level that indicates that Darwall and his team are especially comfortable with the portfolio as it stands, and confident of its performance prospects over the medium term.

In terms of specific holdings, we have written in the past about EOT’s largest holding, Novo Nordisk, a Danish pharmaceutical company that has recently launched a revolutionary and widely acclaimed anti-obesity drug, Wegovy, and is also a world leader in treatments for diabetes. Neste, a Finnish oil refiner, is another example of the type of innovative structural winner the manager favours. Neste used to import cheap Russian heavy crude into Finland and process it into light fuel, but in recent years it has shifted its focus to the production and distribution of sustainable aviation fuel (SAF) and it is expanding its operations around the world. The company has recently formed a joint venture with US energy company Marathon to distribute its products in the United States. And it is expanding its facility in Singapore. Neste's pivot towards SAF makes sense, according to the manager. SAF is much less expensive than the hydrogen alternative, and is mandated by the EU to be the major aviation fuel in use in the region by 2050. Furthermore, airlines appear willing to pay extra for sustainable fuel, as it improves their 'green' credentials. The ban on Russian crude oil is providing additional tailwinds for Neste's strategy, as has the US government's 2022 Inflation Reduction Act, which included huge subsidies for US-based green companies. Neste had a good quarter in Q4, and Darwall thinks the company's longer-term prospects are assured.

Exhibit 1: Top 10 holdings (at 28 February 2023)

Company	Country	Industry	Portfolio weighting (%) 28 February 2023 (%)	28 February 2022 (%)*	Change (%)
Novo Nordisk	Denmark	Pharmaceuticals	12.7	12.6	0.1
Experian	UK	Credit data provider	9.2	11.2	(2.0)
RELX	Netherlands	Publishing	8.6	10.5	(1.9)
Dassault Systemes	France	Software	7.7	9.9	(2.2)
Deutsche Boerse	Germany	Stock exchanges	6.3	6.2	0.1
Edenred	France	Credit services	5.5	N/A	N/A
BioMerieux	France	Pharmaceuticals	5.4	5.6	(0.2)
Genus	UK	Animal genetics	5.2	5.7	(0.5)
Bayer AG	Germany	Pharmaceuticals	5.0	N/A	N/A
S.O.I.T.E.C.	France	Information technology	3.6	N/A	N/A
Top 10 (% of holdings)			**69.2**	**75.3**	

Source: European Opportunities Trust, Edison Investment Research. Note: *N/A signifies that the company was not among EOT's top 10 holdings at end February 2022.

New additions to the portfolio have been limited

EOT's managers have not made many new additions to the portfolio since our last note in August 2022. But recent developments in the energy sector were a key component of the investment case for one small acquisition – Elkem, a Norwegian producer of silicon. Silicon production is very energy intensive, but the company has dramatically reduced its exposure to rising energy costs by negotiating long-term contracts with Norwegian power suppliers at extremely competitive prices. The trust usually avoids investment in commodity companies, but the significant competitive advantage these low-priced energy deals bestow on Elkem is, for Darwall, a compelling and overriding argument in favour of investment. Furthermore, demand for silicon has been rising, as it is an integral component of a variety of in-demand products, including semi-conductors. Prices are rising accordingly. Elkem is expanding its production operations in China to better supply demand from this major market. In sum, the acquisition fits several of the manager's investment criteria: it has a major competitive advantage, strong global growth prospects and astute management capable of adapting to and benefiting from structural change. Exposure to Elkem is also a play on the burgeoning demand for semi-conductors.

Another a recent, although at this stage small, acquisition is Genmab, a Danish biotech company that is a world leader, along with Roche, in the development of complex antibodies to fight cancer and other diseases. These treatments are a cheaper alternative to gene therapies and are receiving increasing attention from academia and medical researchers. Genmab's products include a clotting factor to treat haemophilia, which is more effective and more widely applicable than existing treatments. The manager believes Genmab's products address a global market that is not sensitive to economic conditions and he sees scope for highly profitable growth. Novo Nordisk is a client of Genmab and its management is also excited about the potential offered by Genmab's products.

Purchases funded by trimming large, well-performing holdings

EOT's new purchases have been funded by small reductions to some of EOT's largest holdings and best performers, such as Novo Nordisk, Experian, a UK credit data provider, Norway's Mowi, the world's leading salmon producer, and Infineon, a German provider of semiconductor solutions. These sales have also been used to reduce borrowings, due to the manager's concerns about an impending European economic slowdown and the potentially detrimental impact this may have on equity markets. The rising cost of borrowing has been an additional factor in the decision to reduce gearing. As a result, at the end of February 2023, the portfolio had a cash position of 2.0%, compared to gearing of 7.9% at end July 2022.

Exhibit 2: Portfolio sector exposure at 31 January 2023 (% unless stated)

Sector	Portfolio weight 31 Jan 2023	Portfolio weight 31 Jan 2022	Change (pp)	MSCI Europe 31 Jan 2023	Active weight vs benchmark (pp)
Healthcare	36.9	31.7	5.3	16.0	20.9
Information Technology	24.4	25.2	(0.8)	7.3	17.1
Industrials	20.7	21.2	(0.4)	14.6	6.1
Financials	11.1	10.5	0.7	15.3	(4.2)
Energy	5.1	3.5	1.6	6.1	(1.0)
Materials	1.2	1.1	0.1	7.1	(5.9)
Consumer Staples	0.6	3.7	(3.1)	13.9	(13.3)
Consumer Discretionary	0.0	0.9	(0.9)	10.4	(10.4)
Consumer Services	0.0	2.4	(2.4)	3.8	(3.8)
Utilities	0.0	0.0	0.0	4.3	(4.3)
Real Estate	0.0	0.0	0.0	1.1	(1.1)
Total	**100.0**	**100.0**		**100.0**	

Source: European Opportunities Trust, Edison Investment Research

The portfolio remains well-diversified by activity and geography

At the sector level, already sizable underweights to consumer sectors have been increased over the past year (Exhibit 2). Underweights to energy and financials have been reduced, in light of the sharp increase in energy prices and interest rates, which are usually positive for financial names. However, the manager maintains his general dislike for both banks and commodity companies, as they do not meet his criteria as being unique companies with superior, visible long-term growth. He also avoids utilities, as they are subject to heavy regulatory intervention. The portfolio's largest overweight, to healthcare, has increased over the year, while its overweights to IT and industrials, while slightly lower, remain substantial.

As a reflection of the global focus of EOT's portfolio companies, at the end of December 2022, only 34% of sales by portfolio holdings were made in Europe (down from 53% in 2009), while sales to the United States totalled 36%; holdings including Novo Nordisk, Experian, Neste, RELX, a Dutch publishing company and Dassault Systèmes, a French software company, all have significant US businesses. A further 25% of sales by portfolio companies are made in emerging markets. In addition to providing multiple and varied growth channels, the diversified revenue bases of these European-listed companies protect them from the risk that Europe will continue its longstanding record of below-average economic growth.

Performance: Patience expected to pay off, as usual

Exhibit 3: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI Europe (%)	MSCI Europe ex-UK (%)	CBOE UK All Cos (%)
28/02/19	(2.8)	3.0	(1.4)	(2.8)	1.6
29/02/20	9.9	12.4	4.1	7.0	(2.1)
28/02/21	(9.6)	(6.7)	10.5	13.9	2.8
28/02/22	4.7	6.4	11.9	9.2	16.7
28/02/23	5.6	6.5	10.3	10.2	8.2

Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

Performance strong long-term and improving recently

In the 10 years to end February 2023, the trust made an annualised return of 9.1% in NAV terms, compared to a benchmark return of 8.1%. On a share price basis, the annualised return over this period was 7.5%. And since inception, annualised returns have been even stronger: +10.7% per annum on an NAV basis and +9.8% in share price terms, significantly outpacing the benchmark return of 5.7%. However returns over three and five years has been dragged down by poor performance in 2020 and 2021, which was due in part to the trust's exposure to the Wirecard fraud revealed in June 2020 (discussed in our September 2021 initiation note and March 2022 update).

Performance began to show signs of improving in mid-2022, as discussed in our last update, thanks to the positive performance of a number of EOT's holdings. Since then, absolute returns have been positive but relative performance has lagged as the share prices of some holdings that did well in H122 came under pressure, despite the fact that these businesses continue to do well and have the potential for sustained growth over the long term. EOT's relative performance over the six months to end February 2023 was also adversely affected by the portfolio's underweight positions in financial and energy stocks, which have benefited from increasing interest rates and oil and gas prices. In the six months to end February 2023, EOT returned +6.2% in NAV terms and by +9.1% in share price terms (reflecting a narrowing discount), compared to a benchmark return of +13.2%.

Manager overlooks short-term volatility to focus on long-term positives

At the stock level, one of the main detractors from returns over the six months to end December 2022 was German pharmaceutical and life sciences company Bayer. Bayer contributed positively to returns in the first half of 2022, but the share price has since been under significant renewed downward pressure due to fresh concerns about outstanding lawsuits. However, EOT's manager believes all potential bad news for Bayer is in the current price and, in his view, the company has made sufficient provision for the various legal claims it faces. Taking a longer-term view, as always, Darwall sees Bayer as 'a world leader' whose extensive investment in R&D will ultimately be rewarded. He cites as one example the company's work developing short stature corn, which is less vulnerable to strong winds, easier to harvest and higher yielding than other varieties. The manager is also positive about the prospects of the pharmaceutical side of Bayer's business and he is 'confident of home runs in the next two years'.

This confidence appears to be paying off. The manager took advantage of Bayer's very low share price to add to EOT's position shortly before its announcement, in January 2023, that revenue is expected to rise dramatically thanks to the roll-out of several new drugs. These include a blood thinner, Asundexian, prostate cancer drug Nubeqa and Kerendia, a treatment for kidney disease. Investors also appear to welcome mounting speculation that Bayer will be split into two businesses to separate its crop sciences business from the pharmaceutical arm.

Two other names that boosted returns in the first half of 2022, but disappointed in H222 were Mowi and French company GTT, which supplies engineering and design technologies for LNG carriers. Mowi's share price was undermined in recent months by concerns about an impending resources tax on Norwegian fisheries, prompting EOT's manager to trim this position, as discussed above. He is awaiting final details of the tax before deciding whether to close the position. GTT's share price has declined in recent months on news that it is ceasing sales to Russia. However, EOT has maintained its exposure to this company on the view that demand for LNG carriers, and hence GTT's products, is likely to remain strong for many years. The EU has designated LNG a 'transition fuel' intended to wean countries off more carbon-intensive energy sources such as coal, a ruling that will drive an increase in demand for LNG, and its carriers, over time. Demand for LNG tankers is being further supported by the closure of gas pipelines between Russia and Europe, which has forced the market to resort to alternative means of transport, and to new, more far-flung suppliers such as the United States, Algeria, Nigeria and Qatar, which lack pipeline links to Europe.

Another significant detractor from returns over the past six months was Grifols, a Spanish company that is a world leader in the manufacture of blood plasma derivatives. This company was hit by a slowdown in the collection of plasma, firstly as a result of COVID-19 lockdowns, and subsequently due to the Biden administration's generous income support package, which reduced financial incentives for donors. Grifols is also facing competition from new products, but EOT's manager does not expect these to pose a serious threat to the company. Blood collections are now returning to normal, the company is reducing debt and Darwall is hopeful that a mooted reorganisation of the company will improve its performance, so Grifols retains its position in the portfolio.

Some holdings are doing well

Top of the list of positive contributors over the six months to end December 2022 was, once again, Novo Nordisk, EOT's largest holding, which has been a consistent, major contributor to performance over the past 10 years. The company's recent results have been excellent, it has raised its guidance and Darwall expects it to report progress on important clinical trials this year. In his view, 'there is still much to play for'.

The manager's patience with two other top 10 holdings, Experian and UK animal genetics company Genus, seems to be paying off. Both these positions enhanced returns over the period. Experian is a diversified, high-volume business that makes smart use of technology to provide services directly to consumers. It has successfully integrated itself into the US banking system, providing customers with access to cheap loans, and in Brazil it provides farmers with new sources of credit and easier ways to manage their debt. Recent results show business is flourishing in both these markets and guidance has been lifted.

Like Experian, Genus's success also hinges at least partially on developments in the US market. It is developing gene-edited pigs with immunity to swine flu, a disease that has devastated the pig farming industry in China and remains an ongoing threat to the entire sector globally. The market is thus willing to pay what Darwall calls a 'perpetual royalty' to be free of this risk. The key to Genus's future revenue raising capacity is approval from the US Food and Drug Administration (FDA). The company expects to file its submission to the FDA at the end of this year and is hopeful of approval in the first half of 2024. This prospect, combined with the re-opening of the Chinese market, where the appetite for disease-free pork is huge, suggests demand for Genus's products is likely to rise strongly in the foreseeable future, and the company is already ramping up its supply in anticipation.

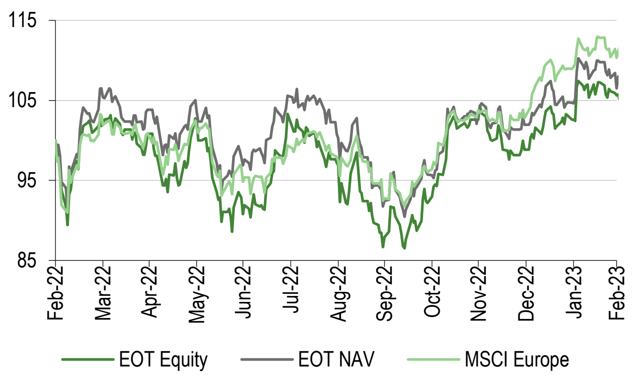
Infineon also boosted EOT's returns in the six months to end December 2022. Its 2022 results were excellent and it has raised its medium-term guidance substantially, in part because it is set to be a major beneficiary of the transition to electric vehicles, which have a much higher content of power semiconductors than conventional vehicles.

Underweights to financials, energy & consumer detracted

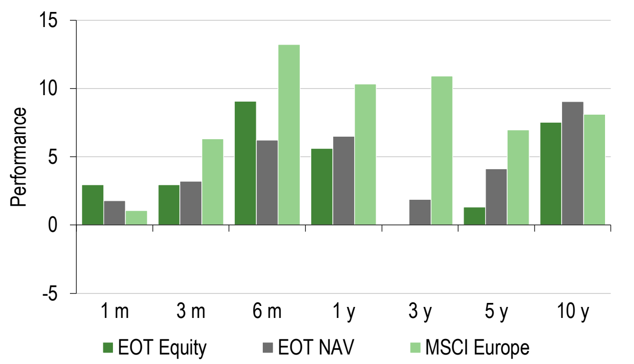
At the sector level, in addition to the underweights to financials and energy mentioned above, EOT's underweights to cyclical sectors including consumer discretionary and materials also detracted from returns, as these sectors were boosted by the ongoing rotation away from growth stocks into more cyclical and value names. The adverse impact of these positions was partially offset by the favourable impact of the trust's underweights to communication services and real estate, and its overweights to IT and healthcare.

Exhibit 4: Investment fund performance to 28 February 2023

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)*



Source: Refinitiv, Edison Investment Research. Note: *Three-, five- and 10-year performance figures annualised.

Exhibit 5: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to MSCI Europe	1.9	(3.2)	(3.7)	(4.3)	(26.8)	(23.8)	(5.4)
NAV relative to MSCI Europe	0.7	(2.9)	(6.2)	(3.5)	(22.5)	(12.6)	9.0
Price relative to MSCI Europe ex-UK	2.1	(3.6)	(4.7)	(4.2)	(27.1)	(25.2)	(12.5)
NAV relative to MSCI Europe ex-UK	1.0	(3.4)	(7.2)	(3.4)	(22.9)	(14.2)	0.8
Price relative to CBOE UK All Cos	1.2	(1.7)	(0.3)	(2.4)	(23.0)	(17.3)	11.9
NAV relative to CBOE UK All Cos	0.1	(1.4)	(2.9)	(1.6)	(18.5)	(5.2)	29.0

Source: Refinitiv, Edison Investment Research. Note: Data to end-February 2023. Geometric calculation.

Discount: Historically wide discount may represent good value

The run of unusual events during 2022 – Russia's invasion of Ukraine, rising energy and commodity prices, and their knock-on effects on inflation and interest rates – has resulted in a widening in the discounts of many investment trusts, including EOT and others investing in European equities. The board considers that it is not in shareholders' interests for shares to trade at a significant discount to NAV. Its policy is to maintain the discount in single figures in normal market conditions. However, the past year's extraordinary conditions have seen EOT's discount average 14%, beyond the board's preferred range, compared to an average discount of 4% over the past 10 years (Exhibit 6). In an effort to limit the discount, in the last financial year ended 31 May 2022, the board re-purchased 4.05m shares into treasury. Since then, the Board has continued to re-purchase shares. The frequency and quantum of these buybacks have increased recently, and the discount has begun to narrow towards 13%. In sum, the Board has repurchased a further 1.6m so far this financial year, leaving total shares in issue at 101.0m (as at 4 March 2023).

The board's consistent efforts to support the share price via buybacks may narrow the discount over time, as would a sustained improvement in performance. The marketing efforts of EOT's new broker, Singer Capital Markets, and a series of investor roadshows early in 2023 may also support the share price over time. Meantime, EOT's shares may offer particular value at their current historically wide discount.

Exhibit 6: Premium/discount over 10 years (NAV including income)

Source: Refinitiv, Edison Investment Research

Peer group comparison

EOT is one of seven members of the AIC Europe sector (Exhibit 7). More than half of these trusts share EOT's focus on growth rather than income, but EOT is unique in several ways. Its portfolio concentration is relatively high, due to the manager's high-conviction approach; the trust usually only holds around 30 stocks; and its top 10 holdings normally comprise around 70% of portfolio value, compared to around 40% among EOT's peers. Unlike most of its peers, EOT also has a sizable exposure to UK-listed companies, as the manager prefers to hold the best stock in its sector, even if it happens to be UK-listed. These distinguishing features mean that EOT's portfolio is markedly different to those of its peers, with few, if any, stocks in common.

Exhibit 7: Selected peer group at 22 February 2023*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum fair)	Ongoing charge	Perf fee	Net gearing	Dividend yield
European Opportunities Trust	775.6	14.5	-3.7	23.9	147.3	(13.8)	1.0	No	98	0.3
Baillie Gifford European Growth	348.6	-6.4	10.4	11.3	84.1	(12.8)	0.6	No	113	0.7
BlackRock Greater Europe	535.3	3.7	33.0	72.0	187.4	(4.5)	1.0	No	103	1.3
Fidelity European Trust	1,391.7	17.4	35.3	73.2	191.0	(6.9)	0.8	No	111	2.0
Henderson European Focus Trust	338.3	14.6	35.5	55.4	192.3	(12.8)	0.8	No	107	2.7
Henderson EuroTrust	288.1	11.0	21.7	48.4	181.4	(14.2)	0.8	No	100	2.8
JPMorgan European Growth & Income	411.7	15.1	32.9	39.9	155.9	(11.1)	1.3	No	104	4.2
Simple average	**584.2**	**10.0**	**23.6**	**46.3**	**162.8**	**(10.9)**	**0.9**		**105**	**2.0**
EOT rank in peer group	**2**	**4**	**7**	**5**	**6**	**6**	**= 2**		**7**	**7**

Source: Morningstar, Edison Investment Research. Note: *Performance at 21 February 2023 based on ex-par NAV. **Ordinary shares only. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

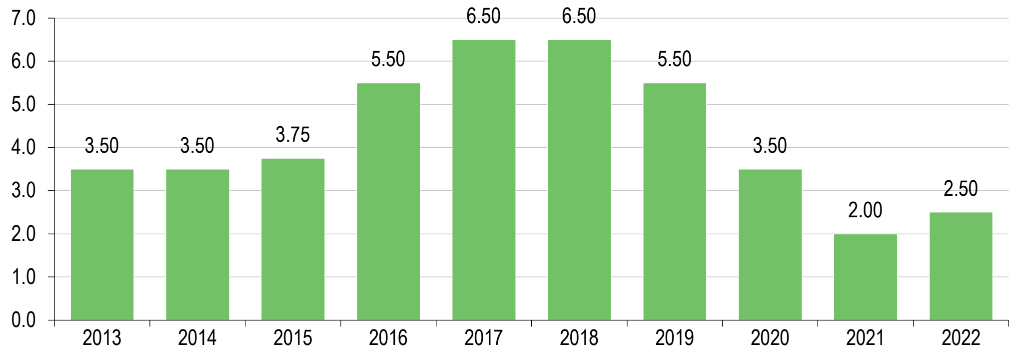
This means that there is limited insight to be gained from comparing EOT with its so-called peers. But for the sake of completeness, EOT is the second largest fund in its sector. Its NAV total return has exceeded the sector average over one year and is not too far off the average over 10 years. The trust has the second widest discount and its ongoing charge is slightly higher than average, although a recent reduction of the management fee may see the ongoing charge decline over time. Like all of its peers, EOT does not charge a performance fee. The manager's cautious approach to gearing means that its net gearing (presently 2% cash) is the lowest in the sector. Consistent with its policy of delivering capital growth, rather than income, the trust's dividend yield is the lowest among its peers.

Dividend

EOT's objective is to achieve capital growth, rather than income, and the trust invests in companies focused on structural growth. These investee companies tend to reinvest their earnings in further growth, rather than pay dividends to their shareholders, so the dividends EOT receives from its investments tend to be low. EOT's policy is to pay out income equal to 85% of this investment income, the minimum required by legislation to maintain its investment trust status. This means that the trust's dividend is quite low in absolute terms, and relative to its peers, as mentioned above, and does not usually make a significant contribution to total returns. As can be seen from Exhibit 8, the dividend may fluctuate in line with its investment income.

In the financial year to end-May 2022, the company paid a final dividend of 2.5p per share, up from 2.0p per share in the previous financial year. The dividend for the year to end-May 2022 represents a yield of 0.3%, based on the current share price. EOT makes one final dividend payment per year. It is expected to announce its final dividend for the current financial year ended May 2023 at the time of publication of its annual results, in September 2023. Subject to the agreement of shareholders at the annual general meeting, the dividend will be paid in November 2023.

Exhibit 8: Dividend, pence per share



Source: European Opportunities Trust

The board

Exhibit 9: JEO's board of directors

Board member	Date of appointment to board	Remuneration from 1 June 2022	Shareholdings at end-FY22
Matthew Dobbs (chairman)	1 September 2021	£41,000	36,000
Sharon Brown (audit committee chair)	1 August 2019	£35,000	3,824
The Rt Hon Lord Lamont of Lerwick	24 June 2015	£29,000	18,040
Virginia Holmes	7 November 2017	£29,000	13,000
Jeroen Huysinga	1 September 2021	£29,000	17,800

Source: European Opportunities Trust

For further information about EOT's fund profile, capital structure, investment process and fees and charges, please see our initiation report.

See Edison's recent thematic note European equities: Tapping into long-term secular growth trends for further discussion on investing in the European market.

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