

# European Opportunities Trust PLC

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## AIFMD Investor Information

### 1. Investment objective and policy

#### Investment Objective

The objective of the Company is to invest in securities of European companies and in sectors or geographical areas which are considered by the portfolio manager to offer good prospects for capital growth, taking into account economic trends and business development.

#### Investment Policy

The Company will, at all times, invest and manage its assets, with the objective of spreading risk and in accordance with the following policies:

#### Investment Restrictions

Notwithstanding the broad powers of investment available to the Company as a closed-ended fund, the Board has adopted the following investment restrictions:

- no single holding shall constitute more than 10% of the Company's total assets (calculated at the time of investment);
- the Company will not invest in unlisted securities;
- the Company will not invest in derivative instruments, whether for efficient portfolio management, gearing or investment purposes;
- the Company will not invest in other listed closed-ended investment funds.
- the Company shall not take legal or management control over any investments in its portfolio; and
- not more than 50% of the Company's investments may be in securities which are not qualifying securities or government securities for the purposes of the UK ISA Regulations.

#### Borrowing limits

The Directors consider that long-term capital growth can be enhanced by the use of gearing through bank borrowings. The Directors consider it a priority that the Company's level of gearing should be maintained at

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appropriate levels, with sufficient flexibility to enable the Company to adapt at short notice to changes in market conditions.

The Board oversees the level of gearing in the Company and reviews the position with the Investment Adviser on a regular basis. In normal circumstances the Board does not expect the level of gearing to exceed 20% of the Company's total assets (calculated at the time of borrowing).

#### Investment Approach

The Investment Adviser adopts a stock picking approach in the belief that a thorough analysis and understanding of a company is the best way to identify long-term superior growth prospects. This understanding begins with identifying those companies where the ownership structure and incumbent management are conducive to the realisation of the aim of achieving superior long-term earnings growth.

The Investment Adviser will seek to identify companies which enjoy certain key business characteristics including some or all of the following:

- a strong management record and team, and the confidence that the Investment Adviser has in that management's ability to explain and account for its actions;
- proprietary technology and other factors which indicate a sustainable competitive advantage;
- a reasonable expectation that demand for their products or services will enjoy long-term growth; and
- an understanding that structural changes are likely to benefit rather than negatively impact that company's prospects.

In analysing potential investments, the Investment Adviser will employ differing valuation techniques depending on their relevance to the business characteristics of a particular company. However, the underlying feature will be the sustainability and growth of free cashflow in the long-term.

#### Portfolio risk

Portfolio risk is mitigated by investment in a diversified spread of investments. The Investment Adviser is not constrained by benchmark weightings, sector, geographical location within Europe or market capitalisation or size of investee companies.

**Any material change in the investment policy of the Company described above may only be made with the approval of shareholders by an ordinary resolution.**

#### 2. AIFM

With effect from 15 November 2019 the Company has appointed Fundrock Management Company S.A. (the 'AIFM') as its Alternative Investment Fund Manager. Devon Equity Management Limited acts as Investment Manager under delegated authority from the AIFM and is also the company secretary.

The Company's former AIFM, Jupiter Unit Trust Managers Limited, is entitled to a management fee at a rate of 0.75% per annum of the Company's total assets (including drawn down bank debt) up until 31 May 2020. From 15 November 2019 until 31 May 2020 the AIFM and the Investment Manager will receive a management fees of 0.03% and 0.10% per annum, respectively, of the Company's net assets.

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Under the new management arrangements, with effect from 1 June 2020, Devon and FundRock will be paid aggregate management fees of 0.90% per annum of net assets (i.e. excluding drawn down borrowings under the Company's loan facilities) up to £1 billion and 0.80% per annum on any net assets over this amount. No performance fee will be payable to either Devon or FundRock..

#### 3. Depositary

The Company's depositary is J.P Morgan Europe Limited, which is responsible for the safe-keeping of the Company's financial assets, administering the funds and monitoring its cash flows.

#### 4. Service providers

The Company has appointed service providers to assist the Board, the AIFM and the Investment Manager in meeting regulatory requirements and the needs of investors:

- The Company's statutory auditor is PricewaterhouseCoopers LLP, which audits the financial statements in the Company's Annual Financial Report and reports to shareholders thereon.
- The Company's registrar is Link Asset Services, which is responsible for maintaining and updating the register of members.

#### 5. Risk factors

The principal risk factors relating to the Company can be divided into the following areas:

**Investment Strategy and Share Price Movements** – The Company is exposed to the effect of variations in the price of its investments. A fall in the value of its portfolio will have an adverse effect on shareholders' funds. It is not the aim of the Board to eliminate entirely the risk of capital loss; rather it is its aim to seek capital growth. The Board reviews the Company's investment strategy and the risk of adverse share price movements at its quarterly board meetings taking into account the economic climate, market conditions and other factors that may have an effect on the sectors in which the Company invests.

**Investment Trust Status** – The Company operates in a complex regulatory environment and faces a number of regulatory risks. A breach of section 1158 of the Corporation Tax Act 2010 could result in the Company being subject to capital gains tax on portfolio movements. Breaches of other regulations such as the UKLA Listing rules, could lead to a number of detrimental outcomes and reputational damage. Breaches of controls by service providers such as the AIFM or Investment Manager could also lead to reputational damage or loss. The Board monitors regulatory risks at its quarterly board meetings.

**Operational** – control failures, whether by the AIFM, the Investment Manager or any other of the Company's service providers, may result in operational or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations. Details of how the Board monitors the services provided by the AIFM and the investment Manager are included within the Internal Control section of the Corporate Governance review within the Annual Report and Accounts.

**Financial** – the financial risks faced by the Company include market price risk, interest rate risk, liquidity risk and credit and counterparty risk.

**Foreign Currency Risk** - The Company has exposure to foreign currency through its overseas investments. The Board considers carefully factors which may affect the foreign currency in which the Company has an exposure at its quarterly board meetings and takes into account the economic and political climate of various regions and the prospects for sterling.

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**Interest Rates** – The Company has exposure to cash which generates interest through interest bearing accounts. The Board is mindful of interest rates when setting limits on the Company's exposure to cash.

**Liquidity Risk** - This risk can be viewed as the liquidity of the securities in which the Company invests and the liquidity of the Company's shares. The Company may invest in securities that have a very limited market which will affect the ability of the Company's Investment Manager to dispose of securities when he no longer feels they offer the potential for future returns. Likewise the Company's shares may experience liquidity problems when shareholders are unable to realise their investment in the Company because there is a lack of demand for the Company's shares. At its quarterly meetings the Board considers the current liquidity in the Company's investments when setting restrictions on the Company's exposure. The Board also reviews, on a quarterly basis, the Company's buyback programme and in doing so is mindful of the liquidity in the Company's shares.

**Credit and Counterparty Risk** - the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss. The failure of custody arrangements for the assets of the Company could impact on the value of the portfolio of the Company.

**Discount to Net Asset Value** - A discount in the price at which the Company's shares trade to Net Asset Value would mean that shareholders would be unable to realise the true underlying value of their investment. The Directors have powers granted to them at the last Annual General Meeting to purchase Geared Ordinary shares and Zero Dividend Preference shares as a method of controlling the discount to Net Asset Value and enhancing shareholder value.

**Service Providers** - administrative errors or control failures by or between service providers could be damaging to the interests of investors and the Company. The Board receives regular reports from the Investment Manager on its oversight of service providers which, for the administration of the Jupiter plans, includes audit site visits; monthly technical compliance monitoring; monthly service delivery meetings; quarterly financial crime prevention forums; and the detailed review and investigation of breaches and complaints. Arrangements are also in place to mitigate other service provider risks, including those relating to safe custody and the AIFM's outsourced operational platform and its counterparties.

**Investment management resources** – the quality of the management team is a crucial factor in delivering good performance and loss by the Investment Manager of key staff could adversely affect investment returns. The Investment Manager has training and development programmes in place for its employees and develops its recruitment and remuneration packages in order to retain key staff.

**Gearing / Leverage Risk** – The Company's gearing can impact the Company's performance by accelerating the decline in value of the Company's net assets at a time when the Company's portfolio is declining. Conversely gearing can have the effect of accelerating the increase in the value of the Company's net assets at a time when the Company's portfolio is rising. The Company's level of gearing is under constant review by the Board who take into account the economic environment and market conditions when setting the level.

Using the prescribed methodologies for the calculation of leverage under AIFMD, for both the commitment and gross methodologies the Company does not expect to be leveraged beyond a ratio of 2:1.

## 6. Risk Profile of the Typical Investor

This Company may be suitable for investors with a broad attitude to risk looking for a long-term investment opportunity in line with its Investment Objective and Policy. An investment in the Fund will not be suitable for investors seeking solely an index linked return on their investment.

Investment in the Company should be regarded as long term in nature and may not be suitable as a short-term investment. Typical investors in the Company are expected to be asset and wealth managers regulated or authorised by the relevant local regulator, retail private clients who will invest through suitable authorised intermediaries and

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private individuals who are experienced in making equity investments and who have the resources to withstand the risks associated with them.

**7. Detailed disclosure requirements under the FCA Rules (FUND 3.2.2 R)**

1. Investment strategy	The Company's Investment policy and strategy are set out in paragraph 1 above. Associated risks are set out in paragraph 4. Material changes to investment policy may only be made with the prior approval of shareholders as required by the Listing Rules
2. Changes to investment strategy	Minor changes may be made by the Board from time to time. In each case changes will be disclosed to the market in accordance with applicable regulation
3. Legal consequences of investment	Purchase in the market of shares in the Company by an investor does not give rise to any contractual relationship between the investor and the Company
4. Service providers	A list of the Company's principal service providers and their respective duties is set out in paragraphs 3 and 4 above
5. Professional liability	The AIFM shall provide additional own funds for covering any liability risks arising from professional negligence at least equal to 0.01% of the value of the portfolio of AIFs managed
6. Delegation	A. The AIFM delegates the Company's portfolio management to the Investment Manager as set out in paragraph 2 above  B. The Depositary delegates the safe-keeping of financial instruments to JPMorgan Chase Bank N.A., London Branch  C. The AIFM has delegated fund accounting and pricing/valuation functions to J.P. Morgan Europe Limited  D. The AIF and the Investment Manager maintain and operate organisational and administrative arrangements designed to prevent potential conflicts of interest from constituting or giving rise to a material risk of damage to the interests of its clients
7. Valuation	The majority of the Company's investments are quoted on one or more exchanges and are valued using prices sourced from third party vendors of market data
8. Liquidity risk	The Company's liquidity risk is measured and monitored daily
9. Fees and expenses	The AIFM and the Investment manager are entitled to a management fee as set out in paragraph 2 above. In addition, the Company will incur annual fees and expenses including fees payable to the Company's Directors, the depositary, the registrar and the auditors and other operating expenses. Such expenses are all paid by the Company and thus indirectly borne by its shareholders
10. Fair treatment	The Listing Rules set out Principles and Rules, to which the Company is subject, for the fair treatment of investors, notably Listing Principles 3 and 5
11. Preferential treatment	Not applicable

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12. Issue and sale of shares	The Company's shares are not generally available for subscription by investors, but are available for purchase on the main market of the London Stock Exchange. From time to time the Company is permitted to issue shares subject to applicable limits and regulation including the Listing Rules and the Prospectus Rules
13. NAV	The Company's estimated net asset value per share is announced daily to the London Stock Exchange. Its shares are quoted and news and prices are available through a wide range of market data sources
14. Annual report	The Company's most recent Annual Reports are available on the Investment Manager's website at <a href="http://www.devonem.com">www.devonem.com</a>
15. Performance	Factsheets, including data relating to the Company's performance, are available on the Investment Manager's website at <a href="http://www.devonem.com">www.devonem.com</a>
16. Prime broker	Not applicable
Periodic reporting	Periodic reporting of information relating to liquidity and leverage will be made in the Annual Report & Accounts

**Investment Codes**

Sedol: 0019772  
 ISIN GB0000197722  
 Ticker JEO LN  
 LEI 549300XN7RXQWHN18849