

DEVON  
Equity Management

## **Consumer Duty**

**Manufacturer's price and value  
assessment for**

**European Opportunities Trust PLC**

## European Opportunities Trust PLC – Consumer Duty

### Introduction

**Devon Equity Management Limited** ('Devon') is obliged under the Financial Conduct Authority's Consumer Duty regulations periodically to assess the value of the 'financial products' that it manages, specifically **European Opportunities Trust PLC** (the 'Company').

**Devon attests to and takes sole responsibility for the accuracy of the information in this document.**

### Overview of the Company

The Company is classified as an 'alternative investment fund' ('AIF') under applicable Financial Conduct Authority ('FCA') rules and as an 'investment trust' by HMRC. It has a wholly independent board of directors (the 'Board') and a depositary bank, JPMorgan Chase, appointed to oversee the best interests of shareholders pursuant to applicable UK law and FCA rules.

The Company has appointed Devon to act as its alternative investment fund manager (AIFM). Devon is authorised and regulated by the FCA as a 'full scope' UK AIFM. Devon's regulatory status may be inspected on the FCA's website at:

<https://register.fca.org.uk/s/firm?id=0010X00004T7rVIQAZ>

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

The Company's investment portfolio is managed by Devon subject to the oversight of both the Board and the depositary. Devon is required to act within defined risk parameters and investment policies in pursuit of the Company's stated investment objective.

Devon provides transparent reporting for shareholders in the Company with a view to enabling them to make an informed decision as to whether the Company's shares meet their investment requirements.

The Company's shares are listed on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the main market of the London Stock Exchange ('LSE'). With a market capitalisation of ca. £900 million\* the Company is a member of the FTSE 250 Index (which comprises the 101<sup>st</sup> to the 350<sup>th</sup> largest companies listed on the LSE)(\*as at the date of this document).

### Devon's 'target market' for the Company's shares

Devon believes that the Company's shares are appropriate for both professional and retail investors who are interested in exposure to a diversified portfolio of European equity investments over the long term. Investors could, for example, be saving for retirement, school fees planning or other forms of long-term saving. The shares are eligible to be held in UK tax efficient ISA, JISA and SIPP investment accounts.

It is important that all investors consider the characteristics of their overall portfolio and appetite for risk. They should seek independent financial advice where necessary. The analysis

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set out in this document is not intended to constitute a ‘financial promotion’ by Devon or the Company for regulatory purposes.

### **How investors may deal in the Company’s shares**

Since the Company is closed-ended neither the Company nor Devon facilitates the issue or redemption of shares in the Company from day to day. Instead, shareholders may buy or sell their shares from one another on any LSE business day through regulated third-party stockbrokers and other market participants.

The price at which shareholders are able to buy or sell shares in the open market tends to differ from the underlying estimated Net Asset Value (‘NAV’) of those shares. The discount (or premium) to NAV (reflecting the balance of supply and demand for shares on the LSE) is influenced by many factors, some of which are outside of Devon’s or the Board’s control.

Devon and the Board pay close attention to discount-related issues. In recent years the Company has made significant use of share buybacks, when the Company’s shares have stood at a significant discount, and the Board has also been prepared in the past to issue shares at a premium to NAV to meet demand from investors. Both actions are accretive to the NAV per share, provide liquidity in the market and help to moderate discount volatility.

It remains a key objective for both Devon and the Board to create sustainable liquidity in the Company’s shares. The robust action taken to buy back shares is evidence of this continuing commitment.

The Company’s shares may be traded through any regulated UK stockbroker, most share dealing services and on-line platforms, as well as through Link Asset Services, the Company’s Registrars. Advisers who wish to purchase shares for their clients can do so via a number of adviser platforms. Further details are set out on the Company’s website at:

[www.europeanopportunities.com](http://www.europeanopportunities.com)

### **The regulatory environment applicable to the Company and Devon**

The Company is subject to the provisions of its Articles of Association, the Listing Rules of the UKLA, the Disclosure and Transparency Rules of the FCA, the UK Corporate Governance Code and the Companies Act 2006.

Devon, in its capacity as AIFM to the Company, is subject to the FCA’s Consumer Duty obligations, by virtue of its ability to have a material influence on the outcomes of retail customers through the issuance of shares in the Company, in Devon’s role as ‘Manufacturer’. Devon also has significant influence over the design, branding and promotion of the Company to investors.

Senior Managers and Certification staff at Devon are subject to the FCA’s ‘Conduct Rule 6’, which requires all Conduct Rule staff to ‘*act to deliver good outcomes for retail customers*’ where the activities of Devon fall within the scope of the Consumer Duty.

Further information on the Consumer Duty Rules may be found on the FCA’s website at: <https://www.fca.org.uk/firms/consumer-duty> and on the AIC’s website at [www.theaic.co.uk](http://www.theaic.co.uk).

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Devon is not deemed to be a 'distributor' of the Company's shares for the purposes of the Consumer Duty regulations since it does not conduct transactions in, or otherwise arrange transactions in the shares on behalf of investors. Devon is, nevertheless, considered to be the 'manufacturer' of the Company's shares for the purposes of the regulations.

The Consumer Duty regulations requires Devon, as 'Manufacturer', to ensure that the Company's shares offer a fair price and value, evidenced by an assessment that includes the distribution arrangements and channels involved.

As the shares derive their value from the underlying NAV of the Company's investment portfolio, the regulations impose a duty upon Devon to ensure that the price and value of the Company's shares is fair.

### **The Company's investment portfolio**

The Company has a long-only, concentrated, high-conviction portfolio structure with low portfolio turnover. Whilst diversified by region (within Europe), sector and at the individual investee company level, it is designed to deliver outperformance of 'low-cost' investment alternatives, such as index linked exchange traded funds.

The Company's investment portfolio provides exposure to a diversified range of investee companies with the aim of providing better returns than the Company's stated benchmark, the total return on the MSCI Europe index, over the long term.

The composition of the Company's investment portfolio is expected to be the principal driver of performance. The Company also employs gearing to help it adapt to different market conditions and to take advantage of investment opportunities. The use of gearing in investment can amplify returns (both positively and negatively). Over the long-term gearing is considered by Devon to have been a material benefit to the Company's returns. Gearing is limited to a maximum of 20% of the Company's total assets and the level of gross gearing is determined by the Board, with net gearing (the amount of gearing after deduction of any cash held on deposit) being at the discretion of Devon as investment manager. The use of gearing does not preclude the promotion of the Company to retail investors.

### **Key performance indicators for the Company**

The Board has adopted a number of key performance indicators ('KPIs') which are monitored as significant measures of longer-term success for the Company and Devon as its investment manager. These include:

- Share price total return;
- NAV total return per share;
- The discount/premium of the share price to NAV;
- The Ongoing Charges Figure ('OCF'); and
- The level of investment management fees.

These KPIs are included in the annual and interim reports of the Company which are published at: [www.europeanopportunities.com](http://www.europeanopportunities.com). Monthly updates on NAV and share price performance

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are also published to the website and are also accessible from a number of other independent data providers such as:

- [Morningstar](#)
- [The AIC](#); and
- [Trustnet](#)

The Company's investment performance (the NAV total return per share) is reported after all costs. Therefore, although the question of the costs of managing the Company is relevant for the Board, these costs are not paid directly by individual shareholders and are instead accounted for within the NAV total return on the shares. Investment company shares have no entry charges, although third party brokers may charge commissions on transactions undertaken and stamp duty may be payable to HMRC. These costs are external to the Company and not within its or Devon's control.

The Board also reviews the Company's performance relative to its closed-ended peers on a regular basis. Peer group data, which is independently sourced from third-party providers such as Morningstar, includes details of market capitalisation, dividend yield, dividend growth over time, gearing, discount or premium to NAV, costs and NAV performance. This information allows the Board and Devon to assess how the Company compares with other investment trusts available to investors.

### **The relationships between the Board, shareholders and Devon**

The Board (which consists solely of independent, non-executive directors) is responsible in company law for ensuring value for shareholders, ensuring that there is effective communication with the shareholders and always acting in their best interests.

There is an ongoing programme of engagement with institutional investors and with private client stockbrokers and advisers representing smaller investors in the Company. There is regular Board liaison with both Devon and the Company's stockbroker, Singer Capital Markets, in relation to shareholder engagement. In addition to Devon and the brokers, both the Chair and the Senior Independent Director (SID) are always available to meet the Company's shareholders. The Chair of the Remuneration and Nomination Committee is also available to discuss Board remuneration matters.

The Board and Devon are conscious that it is not always easy to communicate directly with retail shareholders, many of whom own shares via on-line platforms. Devon therefore dedicates considerable resources to enable such shareholders to engage with the Company where they wish to do so. In recent years, Devon executives have presented at various conferences, produced videos hosted on their own and third-party websites, and it publishes regular written communications via social media channels.

The Board and Devon encourage attendance at the Company's Annual General Meeting ('AGM') as a forum for direct communication with individual shareholders. The Notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting. The full Board, the Company's brokers and Devon all expect to be present at the AGM and to answer questions from shareholders as appropriate. The chief investment officer of Devon,

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Alexander Darwall, makes a presentation to the meeting. In addition, arrangements are put in place for shareholders to put questions to the Board if they cannot attend the AGM in person.

Details of the proxy votes received in respect of each resolution put to the AGM are made available on the Company's website. In the event of a significant (defined as 20% or more) vote against any resolution proposed at the AGM, the Board would consult shareholders in order to understand the reasons for this and consider appropriate action to be taken, reporting to shareholders within six months accordingly.

While Devon expects to lead on preparing and effecting communications with investors, all major corporate issues are put to the Board or, if time is of the essence, to a duly convened committee thereof.

Copies of the Annual Report and the Half Year Report are circulated to shareholders and, where possible, to investors through other providers' products (such as retail investment platforms), through data portals (such as [www.mornignstar.com](http://www.mornignstar.com) and the AIC's website at [www.theaic.co.uk](http://www.theaic.co.uk)) and the nominee companies of institutional investors. Devon publishes a monthly newsletter and factsheet and its estimated net asset value per share is released daily to the regulatory news service of the LSE. All of this information is also readily accessible on the Company's website at [www.europeanopportunities.com](http://www.europeanopportunities.com).

A Key Information Document ('KID') and the European Mifid Template version 4.1 (the 'EMT', a standardised dataset of key financial information) is prepared in accordance with both the EU and the UK version of EU rules, is also published on the Company's website.

### **Devon's additional services to the Company**

In addition to portfolio management services, other services provided by Devon to the Company include:

- detailed **due diligence** applied to all of the Company's suppliers (including the key area of cyber security) and reporting to the Board accordingly;
- **Information provision.** Creating content for shareholders and potential shareholders ranging from newsletters, factsheets and financial statements to market commentary and strategic outlooks;
- **Risk Management.** Devon represents the Company's first line of defence in relation to risk management. Nevertheless, the Board is responsible in company law for the Company's system of internal controls and has charged the Board's Audit & Risk Committee with conducting an annual review of the effectiveness of the system, covering all such controls (including financial, operational and compliance controls and risk management systems);
- **Operational oversight.** The service quality and value received from major service providers are reviewed regularly by Devon, which in turn reports to the Board. The contracts governing the provision of all services are formulated with legal advice and stipulate clear objectives and guidelines for the service required;
- **Net gearing levels.** The level of gross gearing is determined by the Board, whereas the level of net gearing is determined by Devon's chief investment officer within the scope of the discretionary management of the Company's investment portfolio. Net gearing is a function of cash held against the Company's drawn down (gross) borrowings;

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- **Compliance and Monitoring.** Devon receives specialist advice on regulatory compliance issues and, as required, legal, investment consulting, financial and tax advice on the Company's behalf.
- **Responsible investment.** In its portfolio management activities Devon seeks to make well-informed investment decisions that ensure that the pursuit of prosperity for shareholders is not achieved at the expense of the environment or the wellbeing of society. Devon believes that companies which disregard these principles will fail to deliver sustainable returns to shareholders. Far from there being a conflict between good returns and responsible investment, managing assets in line with these principles is considered by Devon to be key to achieving good returns and therefore value for shareholders.

### **Devon's value assessment for the Company**

Over the long term the Company has, after costs, beaten the returns on its benchmark, the MSCI Europe index. Since launch in November 2000 the Company has achieved an annualised NAV total return per share of 10.7% and an annualised share price total return of 9.9% which compared with an annualised return of 5.6% on the Company's benchmark (as at the date of this document).

In the more recent past it is regrettable that the Company has underperformed its benchmark over the one, three and five years to 31 May 2023. The reasons for this are considered in detail in the publications on Devon's website. Nevertheless, Devon's high conviction, concentrated approach to investing the Company's portfolio is recognised as being differentiated from that of the Company's peers and Devon's investment style has been applied consistently since the formation of the Company in 2000. Devon believes that the Company will outperform again and that the Company's shares represent an attractive opportunity to gain exposure at a reasonable price to its investment approach.

**Given all of the factors considered above, Devon believes that the Company's shares continue to offer fair value to their holders.**

**Richard Pavry**

Chief executive officer

16 June 2023

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### Regulatory ‘price and value’ assessment

The following information, issued by Devon, is published in order to comply with the applicable regulations:

	<b>AREA</b>	<b>Response</b>	<b>Rationale</b>
1	Costs, Charges, and Fees	The charges associated with the shares are in-line with other similar Investment Trusts, making the fees charged by Devon both reasonable and fair.	<p>As stated in the KID, the Company incurs management fees and administrative expenses amounting to 1.05% per annum (as at 14/6/2023). These fees are in addition to “other costs” that may be charged by platforms or advisers. These ongoing costs and are broadly in line with those charged by other investment trusts of comparable size and investment style. This comparison indicates that the costs, charges, and fees associated with the Company’s shares are reasonable and fair.</p> <p>Devon does not anticipate the need to manufacture new shares in the Company, which is a closed ended fund. The shares currently in issue were created during the initial placing conducted by the Company’s brokers in November 2000. The existing shares will only be redeemed for their share of the NAV of the Company in the event that the Company is placed into liquidation under applicable UK company law.</p> <p>Devon is not involved in the trade or transfer of the Company’s shares between third parties and it cannot determine the fees agreed between those third parties when the shares change hands. No fees or charges are payable to Devon or the Company by the purchaser or seller of shares upon a transfer of ownership.</p>
2	Price of shares	Actions that may influence the share price are undertaken so as to create a liquid market and enhance value for continuing shareholders.	<p>Devon does not set or control the price of the Company’s shares. These can be traded for any amount that the current owner and new buyer deems acceptable.</p> <p>The agreed price may have a correlation with the estimated NAV at the time of trading. Devon endeavours to increase the NAV per share through the active management of the Company’s investment portfolio in accordance with the stated investment objectives of the Company.</p> <p>Devon has the potential to influence the price of the shares, albeit through supply and demand, by way of collaborating with the Board to issue or buy back shares in the open market on the LSE. Any new issue of shares may only be undertaken at a</p>



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			<p>premium to the prevailing NAV per share and any buy back may only be undertaken at a discount to that NAV, meaning that either activity is necessarily accretive to the NAV of continuing shareholders. This activity supports sustainable liquidity in the Company shares at or near to their asset value.</p>
3	Value of shares	<p>Actions taken that may influence the value of the shares are done so in a fashion that is accretive to NAV per share, making it a value-add function.</p>	<p>Devon does not control the price of the shares on the LSE. It may nevertheless influence the price of the shares through buy backs, which in turn can influence the underlying value of the shares.</p> <p>Buy backs are undertaken to create sustainable liquidity in the Company shares at a discount to NAV. Since buy backs at a discount to NAV are necessarily accretive to the NAV for continuing shares, they represent a value-add function.</p>
4	Distribution chain	N/A	<p>Devon acts as a 'Manufacturer' in the distribution chain and it fulfils its obligations to publish an EMT and a KID for the Company.</p> <p>Devon is not involved in third party trading in the Company's shares. It is therefore not possible for Devon to assess or influence whether the price paid in the secondary market of these shares in any given instance offers fair value for the purposes of the Consumer Duty regulations.</p>
5	Target Market	<p>The Company is a simple, equity long-only investment trust with high liquidity and ease of entry/exit via its listed shares. It is suited to all investors.</p>	<p>As the manufacturer responsible for the shares of the Company, Devon is responsible for setting the target market. The Company's shares are described as suitable for 'all investors' in the EMT and KID.</p> <p>The Company's shares were initially distributed to both retail and institutional investors at launch in November 2000 by the Company's third-party brokers. No direct distribution of the Company's shares to retail investors has been undertaken by Devon.</p>
6	NAV of the Fund	N/A	<p>The estimated NAV per share changes daily as the value of the Company's investments fluctuate. An announcement of the estimated NAV per share is announced to the LSE on a daily basis.</p> <p>All investments made by Devon on behalf of the Company are implemented by investment professionals at Devon whose aim is to maximise capital returns in line with the stated investment objective.</p>

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7	Date of value assessment review	Reviews of value assessments will take place annually, in line with regulatory requirements.	A review of this value assessment will take place annually. This is set out in the Fair Value Review Framework.
8	Value Assessment	Actions taken that may influence the value of the shares (buy backs at a discount to NAV and new issuance at a premium to NAV) are done in a fashion that is accretive to the NAV of continuing shares, making those actions a value-add function.	The actions taken by Devon that may influence the value of the Company's shares (buy backs) are accretive to NAV per share and serve to enhance liquidity in the market for the Company's shares. This is a value-add function which seeks to ensure that investors are free to enter and exit the product as they wish.

### IMPORTANT INFORMATION

Together with other factors, this assessment includes commentary on the Company's investment performance over the long term. These statements represent Devon's opinion on the history of the Company as at the date of publication of this document. Previous patterns of equity market returns and the relative performance of the Company may not be replicated in future. Investors should be mindful of this when assessing the merits of an investment in the Company and, if uncertain of the risks of such an investment, should seek independent financial advice.

### GLOSSARY

**Benchmark:** The Company's benchmark is the total return on the MSCI Europe index calculated in Sterling.

**Gearing:** The difference between shareholders' funds and the total market value of the investments (including the face value of futures positions) expressed as a percentage of shareholders' funds. Investment trusts can borrow money to make additional investments on top of shareholders' funds (gearing). If the value of these investments falls gearing will magnify the negative impact on performance. If an investment trust incorporates a large amount of gearing the value of its shares may be subject to sudden and large falls in value and you could get back nothing at all

**Net asset value and net asset value per share:** Net asset value is the value of total assets less all liabilities of the Company. The Net Asset Value, or NAV, per ordinary share is calculated by dividing this amount by the total number of ordinary shares in issue (excluding those shares held in treasury).

**Net asset value total return:** Total return on net asset value ('NAV'), on a debt at fair value to debt at fair value basis, assuming that all dividends paid out by the Company were readded back at the time the shares were quoted ex-dividend.

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**Ongoing charge:** The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue as a collective fund, excluding the costs of acquisition and disposal, finance costs and gains or losses arising on investments.

**Premium/discount:** The amount by which the market price per share is either higher (premium) or lower (discount) than the net asset value per share expressed as a percentage of the net asset value per share.

**Share price total return:** on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.