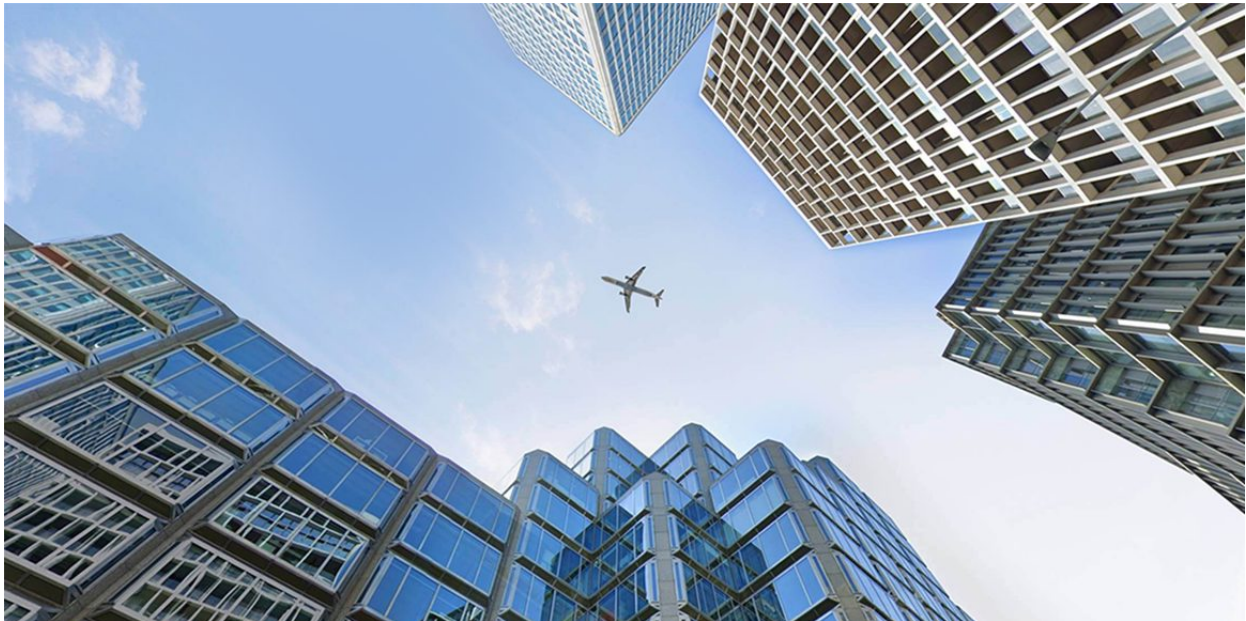


Subject: A monthly factsheet and commentary from Alexander Darwall
Date: Wednesday, 6 April 2022 at 15:47:32 British Summer Time
From: Alexander Darwall - Devon Equity Management
To: Richard Pavry

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Newsletter

Dear investor

[A new fact sheet for European Opportunities Trust PLC](#), comprising details of portfolio holdings and past performance statistics as at the end of March 2022, has been published to our [website](#).

The MSCI Europe index was up 1.8% in sterling in March; Your Company was up 5.4%.

The Russian invasion of Ukraine continues to dominate investment considerations. Immediate and important issues include the impact of higher energy costs, which are a prime cause of the leap in inflation. Eurozone inflation hit new high of 7.5% in March. The European Commission has already issued its response to this, REPowerEU, an attempt to make Europe independent from Russian fossil fuels. It does little or nothing to dampen energy and surging inflation in the near term. Central banks are

under pressure to raise interest rates. The requirement to abandon or sell (much the same thing) assets in Russia is also concerning; some European companies are walking away from significant assets. It might not be possible to recover those businesses in the event of a Russia/Ukraine settlement. Higher energy costs, supply chain disruption and sanctions amount to a significant business dislocation causing downgrades to economic growth. Forecasters have reduced expectations for European growth to a range of 2.2% to 3.6% (previously 3.3% to 4.6%).

There was relatively little news from our companies, most having reported results in February. FDA approval for a high dose version of an existing drug, Ozempic, helped propel the Novo Nordisk share price, our biggest contributor in the month. Bayer was the next biggest contributor. It announced good clinical results for new pharmaceutical drugs. Bayer is also seen as a beneficiary of high crop prices, driving demand for its crop protection products. Soitec shares rose sharply after investors (including us) visited the company's operations in France. The company's unique semiconductor technology looks well suited to the needs of electric vehicles. GTT was another significant contributor benefitting from the realisation that demand for LNG is rising. Neste announced a major strategic deal with a US partner, which assures production and distribution of Neste's renewable diesel products on the west coast of America. The only detractor of note was Genus. New lockdowns in China have further dampened pork prices in China, a key factor for Genus' prospects there.

We slightly reduced our holding in Novo Nordisk simply because it had become such a large weighting. We recycled some of the proceeds into BioMerieux, a company which recently reported a technology development which significantly expands their potential market. We also bought more shares in Bayer, where the valuation remains low despite the favourable news. We took a small position in Network International. New management and a modest valuation explain our decision to invest again. Finally, we added to our holding of Genus shares. Although the short-term prospects are difficult, were the company to get approval for its gene edited porcine genetics, as we anticipate, the company stands to make a lot of money.

Outlook

The resilience of equity valuations is extraordinary. Companies have started to warn about the impact of higher logistics and raw material costs. If interest rates rise, as the US Federal Reserve has indicated, this will also squeeze profits of some companies. Hedging strategies and inventories have deferred the impact of higher costs, but there is no escaping the cost pressures coming. We seek to mitigate these pressures by avoiding companies that are most vulnerable to cost increases and by having companies that enjoy pricing power. Our emphasis on Intellectual Property

avoids many of the energy and raw material costs that affect processing and hardware businesses. If our companies produce 'must have' products and services, as we hope, this helps pricing power.

We would like to thank you for your continuing support.

Yours faithfully

Alexander Darwall
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[Please click here to see a research note from **Edison Investment Research Limited** on European Opportunities Trust PLC published on 28 March 2022.](#)

[Please click here if you would like to be added to the subscriber list for these monthly updates.](#)

As a reminder, all of our investments are into companies listed on European stock exchanges. The portfolio has no exposure to Ukrainian or Russian securities and we are compliant with all applicable sanctions regulations.

The ordinary shares of European Opportunities Trust PLC are traded on the [London Stock Exchange with the following investor codes: ticker: EOT.LN, ISIN: GB0000197722 and SEDOL: 0019772.](#) Market and exchange rate movements can cause the value of an investment to fall as well as rise. You may get back less than originally invested.

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