

**Subject:** A monthly factsheet and commentary from Alexander Darwall  
**Date:** Monday, 9 May 2022 at 12:20:32 British Summer Time  
**From:** Alexander Darwall - Devon Equity Management  
**To:** Richard Pavry

[View this email in your browser](#)



## 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 April 2022, has been published to our [website](#).

The MSCI Europe index was down 1.0% in sterling in April; Your Company was down 1.5%.

Given lockdowns and slowing growth in China on top of the continuing war in Ukraine, it is perhaps surprising that the market barely flinched in April. Consensus China GDP expectations have eased from 6% to 4.9%; and slower growth prospects are also reflected in downgrades for global new car sales this year. European inflation hit a new high of 7.4% in March, although analysts expect this to have fallen slightly in April. The ECB is relatively sanguine about inflation, whereas other central banks appear to be more determined to get it under control. Sweden's

Riksbank, for example, raised its repo rate, from zero to 25bps having previously indicated that there would be no rate rises until 2024. The US Federal Reserve is thought to be more hawkish than the ECB. Corporate earnings in Europe have held up reasonably well so far as companies have been able to push through price increases. For instance, consumer staples companies like Nestle have maintained margins. However, consumers will adjust their buying behaviour, buying less or trading down, and more cost increases will affect profitability.

News from our companies was good. Novo Nordisk reported excellent results and raised its guidance. This is an exceptionally good company. It is very unusual to have the chance to invest in such a compelling case where the huge, growing, addressable market, the strategy, the products, the pipeline and the management amount to a truly exceptional opportunity.

We are also pleased with results from Soitec, Network International, Neste, Edenred, Deutsche Boerse, Darktrace, RELX, GTT, Dassault Systemes, Worldline, and Borregaard. All these companies announced better than expected results and gave assuring, or raised, guidance.

Shares in Dassault Systemes, notwithstanding their excellent results, detracted from performance in the month. Other detractors included ICG and Experian. Both are seen as vulnerable to rising interest rates. It is our view that both companies can do well in a period of rising interest rates. Experian's business has developed in a way that makes it much more robust and less cyclical than it would have been in the past. Genus again detracted significantly from performance as the important Chinese pork market remains very weak. We expect this market to revive in due course, post lockdowns. Moreover, the company's gene editing trials remain on track. Were they to conclude these trials successfully and get FDA approval as we expect, it would massively transform the prospects for the company, an eventuality which is not captured in the valuation.

We did very little trading in the month as we are satisfied with the portfolio. We invested a total of about £10 million into existing holdings. The largest purchases were shares in Merck KGaA and Network International, the latter purchase following a meeting with the company. Smaller amounts were invested in Edenred and Mowi.

## Outlook

Although the likelihood of rising interest rates and cost pressures dampen investors' enthusiasm, we note that markets continue to be buoyed by private equity. The private equity industry has raised a lot of funds and debt and is still deploying capital, buying up some of the public markets' laggards. Notwithstanding our satisfaction with the spate of good results from our companies, this was not reflected in share price gains. It is not immediately clear to us why this is so. However, we are sure that patience will be rewarded.

The exceptionally low turnover in the fund is a sign of our significant confidence in our holdings, a confidence that we hope is matched by fuller valuations in due course.

We would like to thank you for your continuing support.

Yours faithfully

**Alexander Darwall**  
Chief Investment Officer  
**Devon Equity Management Limited**

123 Victoria Street, London SW1E 6DE  
[enquiries@Devonem.com](mailto:enquiries@Devonem.com)

[Please click here to see an Edison TV interview with Alexander published on 13 April 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.

*This email is for information purposes only and is not investment advice. Every effort is made to ensure the accuracy of any information provided, but no assurances or warranties are given. For your security we may record or randomly monitor all telephone calls. This communication is intended for investment professionals and is not for the use or benefit of other persons including retail investors.*

*Devon is registered in England and Wales (no. 11939535). Its registered office is 123 Victoria Street, London SW1E 6DE. Devon is authorised and regulated by the Financial Conduct Authority, whose address is 12 Endeavour Square, London E20 1JN. Devon's registration number is FRN 841960. Personal information provided to us or collected by us is processed in accordance with our Privacy Policy which can be inspected at <https://www.devonem.com>.*

# DEVON

## Equity Management

*Copyright (C) 2022 Devon Equity Management Limited. All rights reserved.*

You are receiving this email because you are, or have recently been, an investor in European Opportunities Trust PLC. Please note that this communication does not constitute investment advice or a recommendation. Devon is registered in England and Wales (no. 11939535). Its registered office is 123 Victoria Street, London SW1E 6DE. Devon is authorised and regulated by the Financial Conduct Authority, whose address is 12 Endeavour Square, London E20 1JN. Devon's registration number is FRN 841960.

Devon Equity Management Limited  
123 Victoria Street  
London, LONDON SW1E 6DE  
United Kingdom

[Add us to your address book](#)

[Unsubscribe](#)

