

Subject: A monthly factsheet and commentary from Alexander Darwall
Date: Sunday, 5 June 2022 at 14:20:44 British Summer Time
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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 May 2022, has been published to our [website](#).

The MSCI Europe index was up 0.8% in sterling in May; Your Company was down 0.2%.

Higher energy costs, rising inflation and interest rates dominate the economic backdrop, explaining the good performance of oil and utility companies and the banks. Typical estimates for Eurozone economic growth for 2022 are about 2.5% and only 1.7% for 2023. Consensus China GDP expectations, too, have fallen further to around 3.3% for 2022 as shutdowns stymie the economy. Unsurprisingly, European corporate profits expectations are coming down. Not everything is going down: inflation expectations are going up. Eurozone inflation hit

an estimated 8.1% in May. The US Federal Reserve has signalled its commitment to tackling inflation by confirming its intention to increase interest rates in 50bp steps. The ECB's commitment appears to be less in that they are signalling 25bp increases in interest rates.

News and results from our companies were good. The most important company for us to report was Experian. It reported strong results and a reassuring outlook. Two factors underpin our confidence. One is that Experian's second biggest market, Brazil, is growing strongly helped by the buoyancy of its agricultural sector. Second, it has momentum in its US consumer business which should continue even as the US economy slows. Notwithstanding our confidence, the shares have performed poorly and detracted from returns in May.

Grifols and Bayer also reported results. Shares in both companies reacted well to results and contributed to our May returns. Grifols has performed well this year, though it has been very poor over the longer term. The results showed that plasma donors are returning to Grifols. We expect this trend to continue as in more straightened economic times Grifols will find it easier to attract donors. Bayer reported very strong results on the back of booming agricultural markets. Infineon reported strong results and raised guidance, yet the shares did not respond well.

Likewise, Pets At Home released excellent results but the shares are still markedly lower this year. ICG also reported strong earnings and very good fund raising but the shares' performance has been lacklustre. GTT continues to win new contracts for LNG carriers; its shares contributed to our returns in May. Similarly, shares in Genus, which have fallen nearly 50% in the last year, rallied slightly and made a positive contribution as pork prices in China rose. Apart from Experian, other detractors in May included Novo Nordisk and Darktrace. The former continues to suffer by comparison with its principal competitor. However, we remain firmly of the view that Novo Nordisk enjoys many advantages and, in any case, the industry structure remains exceptionally favourable. Darktrace's business continues to progress well but the shares are held back by negative sentiment. We do not see any substance to this negative sentiment.

Trading activity was very low, a reflection of the fact that we are very comfortable with our investments. Our companies are delivering good results and news flow, importantly, vindicates our investment expectations. We sold a tiny, longstanding, holding KWS; in soft commodities, Bayer is a more compelling investment. We took a new, small position in Bachem, the Swiss leader in the manufacture of peptides. We raised some money from the holding in GTT and switched it into the existing Neste holding. Shares in GTT, a 'play' on LNG, have surged recently. Neste is singularly well placed to succeed in renewable diesels and Sustainable Aviation Fuels.

We sold a few shares in Deutsche Boerse and bought a few in Grenke. Grenke's accounting has been vindicated and the company is on the path to recovery. We

expect rising interest rates to help them.

Outlook

European funds are out of favour. European-focused equity funds have seen significant outflows this year. There are good reasons for this: Europe is most impacted by the energy crisis, appears unwilling to tackle inflation and has no policies to reverse its long record of economic underperformance. Nevertheless, we are confident that our companies, which, for the most part, compete and succeed on the world stage have what it takes to succeed against a background of a worsening macro environment. Our portfolio is a play on great companies not on Europe's economic prospects. Recent news flow and results supports our confidence.

We would like to thank you for your continuing support.

Yours faithfully

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[Please click here to see an Edison TV interview with Alexander published on 13 April 2022.](#)

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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.

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