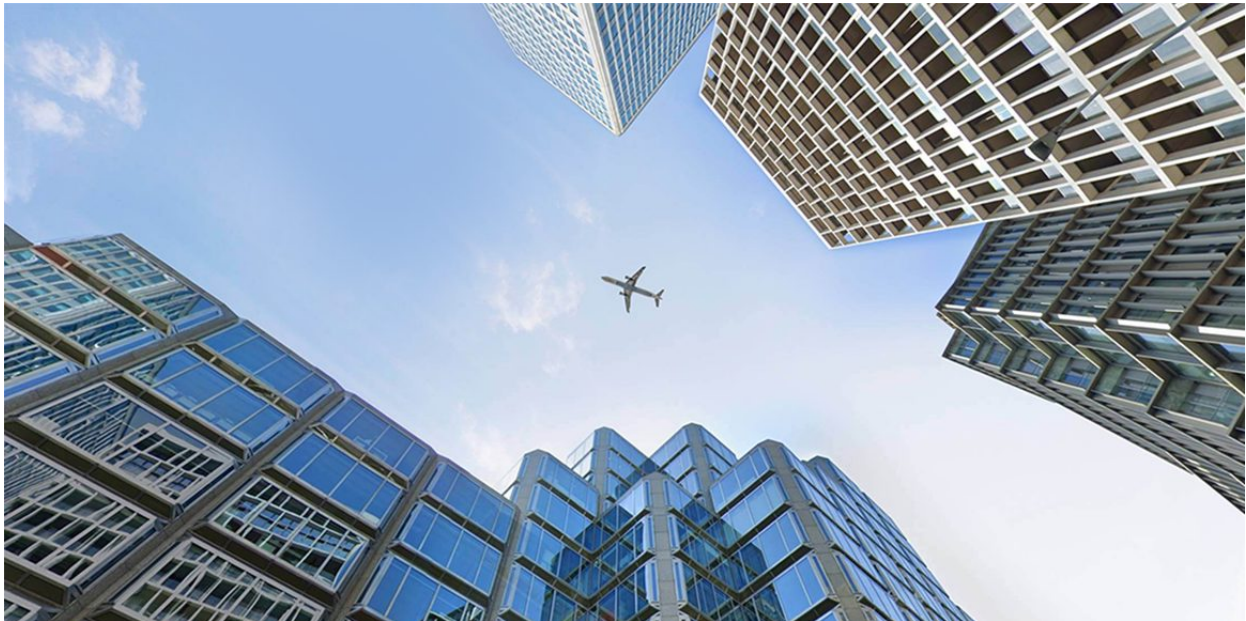


**Subject:** A monthly factsheet and commentary from Alexander Darwall  
**Date:** Tuesday, 5 July 2022 at 13:41:54 British Summer Time  
**From:** Alexander Darwall - Devon Equity Management  
**To:** Richard Pavry

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

The MSCI Europe index was down 6.6% in sterling in June; Your Company's NAV per share was down 6.5%.

The macro situation has deteriorated: for instance, there is weakening demand for smartphones and car sales (which were markedly weaker across Europe in June); renewed concerns about food and energy security as the war in Ukraine and its ramifications intensify; and the depressing effects of higher interest rates as central banks with great reluctance acknowledge a problem. The US federal reserve has indicated a more robust commitment to stopping inflation. The ECB too has, belatedly, signalled a slightly greater willingness to address inflation by raising

interest rates at a faster rate than expected. Starting with a 25bp rise in July, its key policy rate is now forecast to be 1.25% by the end of this year. Yet even this rate is a long way short of current inflation which is running at c.9% in the Eurozone. This is because the ECB still believes that inflation is in some way transient, thereby leaving themselves plenty of scope for profound disappointment. Inflation is a self-sustaining phenomenon, as evidenced by the start of waves of high wage demands across Europe. Once started, inflation will not be stopped without drastic action, action that the ECB and the politicians are unwilling to take.

There was relatively little news from our companies in June. Oxford Instruments reported good results. Soitec, too, reported excellent results and raised its expectations. However, its shares have slumped on the back of the deteriorating outlook for consumer spending. This is understandable. Soitec has unique, differentiated technology; nevertheless, the pace of market adoption of their technologies will be influenced, to a certain extent, by the strength of end consumer demand. We remain confident that, in due course, customer announcements will give investors the requisite confidence. Neste continues to announce encouraging deals, underpinning our view that there is huge demand for its offer. Greater volatility and the prospect of higher interest rates explain the good performance of Deutsche Boerse shares.

The biggest contributor to performance in June was Novo Nordisk. This is probably explained by the fact that, historically, demand for their products has been undimmed by recession. The worst performing share in June was Bayer. We were disappointed by the US Supreme Court's decision not to accept Bayer's Roundup case. The shares reacted sharply. However, this setback does not change our view of the strength of Bayer's business.

There was very limited trading activity in June. We used the proceeds from small sales of Novo Nordisk and RELX shares (both positions remain over 10% of assets), to increase our holdings in Deutsche Boerse, Oxford Instruments and Neste.

## **Outlook**

Whilst we are very mindful of the threats from lower economic growth, and higher costs and interest rates, we cannot avoid these threats completely. Market earnings expectations are falling and are likely to fall much further. On the other hand, our companies typically have stronger cashflows and lower borrowings than most; they are less dependent on consumer demand; and they are less vulnerable than most, we believe, to cost shocks. Moreover, we seek to identify companies with secular, not cyclical, growth prospects. Accordingly, we believe that our companies are well placed to navigate these challenges and we expect their earnings to remain robust.

We would like to thank you for your continued support.

Yours faithfully

**Alexander Darwall**

Chief Investment Officer

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

[Please click here to read updated research coverage of European Opportunities Trust PLC by Kepler Trust Intelligence, published on 15 June.](#)

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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