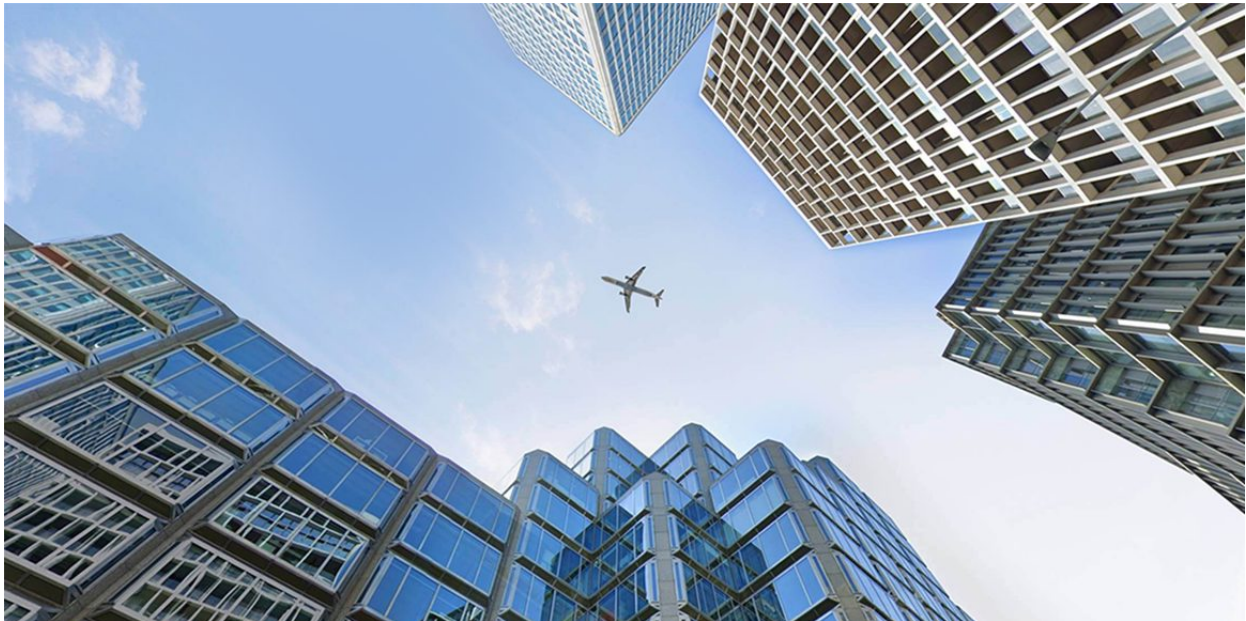


Subject: A monthly factsheet and commentary from Alexander Darwall
Date: Friday, 5 August 2022 at 12:10:30 British Summer Time
From: Alexander Darwall - Devon Equity Management
To: Richard Pavry

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

The MSCI Europe index was up 4.8% in sterling in July; Your Company's net asset value per share was up 9.0%. The discount to net asset value narrowed slightly as the Company's share price increased by 13.8%.

The strong wider market performance in July is hard to explain. The main positive news was that gas flowed again, albeit at a reduced level, through the Nordstream 1 pipeline after having been shut for 'maintenance' work. This was a great relief to German industry and to the wider European economy. With inflation rising, the ECB raised interest rates by 50 basis points to zero per cent, thereby ending the era of negative interest rates. The US Federal Reserve raised its benchmark interest rate

by 75 basis points, the second 75-basis point hike since June and the fourth interest rate hike this year. In all, the Fed has raised the interest rate by 225 basis points this year, increasing the federal funds rate from 0-0.25 per cent to 2.25-2.5 per cent. It may be that investors were cheered by evidence that consumer spending in Europe and abroad has remained surprisingly strong despite higher prices. Leading consumer companies like Nestlé and Unilever (neither of which is held by your Company) reported results which showed that demand has remained resilient despite higher prices. It is likely that consumers are using their savings to sustain consumption in the hope that inflation and recession are transitory. We are not so optimistic.

Many of our companies reported results in July. Overwhelmingly these were good. The biggest contribution in July was from Experian after the company reported good results. There is no sign of a slowdown in the growth of their business. Another big contributor to performance was RELX, also following the publication of good results. Their key divisions are growing at higher rates than historically, which gives us confidence that this remains a compelling investment. Deutsche Boerse shares also surged after their results. The company expects to benefit from secular trends and cyclical factors, including higher interest rates and greater volatility in financial markets. Likewise Neste reported extraordinarily strong results. Its traditional oil refining business is benefitting from the severe shortage of refining capacity in Europe; and its renewable diesel business is proving to be more resilient and more profitable than we had hoped. Worldline, the payments processing business, also had good results. It confirmed - as other companies have already noted - that a part of consumer spending has moved from online back offline. Worldline is more present in the offline payments business. Darktrace raised its guidance after excellent results; the need for cybersecurity is growing. Dassault Systèmes also raised its guidance after reporting good results. Likewise, Edenred's shares responded well to excellent results and raised guidance. The higher interest rate environment and an exceptionally strong management team are factors sustaining our confidence that Edenred will continue to flourish. Whilst Borregaard's results were good (and better than expected), it is one of our few energy-intensive companies. This is a factor to weigh up against its many strengths. Against this plethora of good news, we must set, once again, a disappointing earnings release from Grifols. We acknowledge that their chronic mismanagement has created a severe debt problem. Yet, at the current valuation, and given the quality of the core business, we have decided to retain the holding.

The salient feature of our trading activity in July was that we raised cash to reduce the Company's net borrowings by around £19 million. Our small, partial, sales of RELX, Novo Nordisk, Dassault Systèmes and Experian were only made because, after strong share price performances, we thought it was a good time to slightly reduce the portfolio's gearing. We bought a small number of shares in Genus, adding to our existing holding, because our view remains that its shares are significantly undervalued.

Outlook

Since 2008 central banks in Europe (including the Bank of England) have printed money and kept interest rates artificially low. This policy encouraged governments and most consumers and corporates to believe that the reality of higher interest rates would never bite. There is still a deal of undue optimism to unwind. We think that difficult economic circumstances are likely to endure for much longer than most expect. We are well set for this harsher climate. We are very attentive to the dangers of debt. Yet we know there will be big winners and continue to do our best to identify them.

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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