

Subject: A monthly factsheet and commentary from Alexander Darwall
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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 November 2022, has been published to our [website](#).

The MSCI Europe index was up 7.1% in sterling in November; your Company's NAV was up 7.8%. The month end discount to NAV was c.12%, narrowing as the share price rose by 10.3%.

The main macro considerations remain the same: inflation, energy prices and China's weakening economic performance. The slightly moderating inflation reports in the US were a major fillip for markets in November, explaining the strong rise in equities. However, the inflation problem in Europe is more intractable than it is in the US. We identify two reasons for this: First is European energy policy. Clearly, Europe's energy position is weak compared with the US. Second, food prices in Europe are likely to remain structurally higher than in the US. We further expect Europe to continue its record of weaker economic performance. Addressing

this problem, we think that European policymakers will accept higher inflation rather than raising interest rates sharply. The growth 'problem' has been made worse by developments in China where manufacturing output is weaker than hoped due, in part, to continuing lockdowns.

News from our companies was good in November. Our biggest investment, Novo Nordisk, continues to perform well. It released excellent Q3 results and raised its guidance. More investors are recognising the massive opportunity in the obesity market, where the company is a leader along with one US competitor. Moreover, there was relief with the news that a key supplier has resolved its own production problems, boosting the short-term prospects for Novo Nordisk.

The second biggest contributor to the portfolio's performance was Infineon. It, too, reported excellent results and raised guidance. As the world leader in power semiconductors, the company should be a significant beneficiary of the transition to more electric power, notably in the automotive sector. The company's medium-term guidance underscores this view.

Genus shares bounced after a period of poor performance as hog prices in China continued to rise. This, it is argued, gives pig farmers the confidence to invest in porcine genetics from Genus. Soitec shares also rose as it confirmed its status as a key supplier to STM in sourcing silicon carbide wafers. The benefits of this cooperation will become clear in the medium term. Another good performer was BioMerieux, which should generate additional revenues if, as now seems likely, there is a bad flu season.

We remain concerned about Mowi following the tax assault on salmon farmers by the Norwegian government. We will review this position once the government's proposals are finalised. Pets at Home's results were taken badly by the market. However, we believe this remains an unusually attractive retail business: its veterinary division is performing well and its results shows both the advantages of vertical integration and a leading presence in this singular area of retailing.

We took a new position in Genmab. This innovative pharmaceutical company specialises in the discovery and development of antibodies mainly, but not only, for the treatment of cancer. It is, along with Roche, a leader in bispecific antibodies, a particularly complex branch of biologics, which opens up considerable growth opportunities.

We also re-established a small position in Elkem, the Norwegian listed manufacturer of silicones and silicon products. A key consideration is their relatively low energy costs, which leaves them better placed than other competitors in this growing business.

We also bought more shares in Oxford Instruments following the release of very strong results; and we bought more shares in Edenred following a short term dip in the share price.

Our sales were all prompted by the need to invest in Genmab and, to a lesser extent, Elkem, without increasing the Company's borrowings. Accordingly, we reduced holdings of Novo Nordisk, BioMerieux, Mowi, Pets at Home and Experian.

Outlook

Our focus remains on identifying companies that can continue to flourish against an increasingly difficult macroeconomic backdrop. We are confident that our companies are well set to grow through the business cycle.

We would like to thank you for your continued support.

Yours faithfully

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[European Opportunities Trust PLC published its annual report for the year ended 31 May 2022 at the end of September, a copy of which may be downloaded here.](#)

[Please click here to view a recent ShareSoc webinar with Alexander Darwall, recorded on 5 October, on YouTube.](#)

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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.

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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