Subject: Monthly factsheet for European Opportunities Trust PLC
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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 has been published to our website.

The **MSCI Europe** index was down 4.4% in Sterling in May; your Company's NAV declined by 2.4% and the share price was up 0.5%. The discount to NAV was 10.9%.

There are positive elements to the current economic backdrop. Supply chain pressures have eased in recent months and oil and gas prices are much lower than they were a year ago. Inflation has eased, though remains stubborn at around 7% in Europe. There is evidence that US inflation is easing more quickly. Of concern is that the latest European PMI figures show increasing divergence between services and manufacturing, the former being robust and the latter weak. The gap between the two has never been wider. Moreover, the recovery in China seems to have stalled with analysts forecasting around 5% growth this year.

Artificial Intelligence is the hot topic. A few, mainly US companies, have been credited already as winners; NVIDIA's market capitalisation soared by approximately $200 billion.On the other hand, a few of our European companies were initially thought to be losers from AI, RELX for example. However, investors are already having to reconsider simplistic assumptions. RELX, responding to initial investor concerns, has helpfully explained why they expect their legal workflow software solutions to withstand new AI competition.

Our biggest contributor to out-performance in May was **Dassault Systèmes**, as sentiment turned positive. In the case of **Grifols**, another significant contributor to recent performance, there was some basis for improving sentiment. The company has responded to its management tribulations by appointing its first non-family CEO. This is a welcome step and demonstrates a proper commitment to improving the company's fortunes. The appointment of the new CEO increases our confidence that the company will successfully execute its restructuring plans.

Good results from **ICG** explains its good share price performance. Its investment performance continues to impress and its fundraising remains robust. **Infineon'**s shares also outperformed. It might be that investors see Infineon as a beneficiary of the growth of AI. On the other hand, there is some evidence from China of a weakening of EV (electric vehicle) demand.

Experian shares have bounced slightly after a period of under-performance reflecting, perhaps, an acknowledgement that their revenue forecast of 4-6%growth may be conservative. **Edenred**, one of the portfolio's other significant contributors in recent months, announced the acquisition of an 'employee engagement platform'. The management has an excellent record; we think this acquisition is a major new growth opportunity which the Edenred management willfully exploit.

The biggest detractor in May was **Bayer**. Excitement over the appointment of a new CEO from outside the group has waned. Investor expectations of a breakup of the group have ebbed. The shares were also depressed by a lacklustre profits' forecast for this year. We continue to see substantial value in the shares, its world leading agritechnology being the principal attraction.

Neste shares also detracted from returns. The new Swedish government confirmed its plans to scale back greenhouse gas reduction mandates for gasoline and diesel. This represents a direct hit to demand for Neste's renewable diesel. However, we think that this 'lost' demand can be more than compensated by the burgeoning demand for Sustainable Aviation Fuel (SAF). As the market leader in SAF, Neste is well positioned to benefit from tightening emissions regulations just as aviation demand recovers. SAF production volumes are ramping up significantly this year as new capacity comes on-stream in Rotterdam and Singapore. Many airlines (including British Airways and Ryanair)have committed publicly to using much more SAF than will be mandated by law.

RELX shares have weakened slightly recently as some investors think thatAI could be a risk to RELX's business. **Deutsche Boerse** shares remain subdued after they announced the intention to acquire Simcorp, the provider of integrated, multi-asset investment management solutions to the world's leading asset managers. The acquisition price represents approximately 5% of Deutsche Boerse's market capitalisation.

Shares in our largest investment, **Novo Nordisk**, slightly under-performed in May, though the shares have been strong over the last three months and beyond. This minor jolt to the share price was caused by news of a small molecule oral weight-loss drug from Pfizer. Phase two trial results for this drug show similar weight loss to Novo Nordisk's Ozempic injection drug. Novo Nordisk's pipeline of new drugs, together with its other advantages, underscores our continuing confidence in the company which is not diminished by this rival's trial results.

Genus issued a profits warning as its business in China has not recovered from the effects of African Swine Fever and COVID. **Soitec** downgraded its guidance on the back of weakness in the smartphone market. This is a cyclical rather than a structural concern. We continue to believe that SOITEC's technology is relevant for the silicon carbide wafer market and that this will provide a new structural leg of growth.

We invested a net £23.9 million in May. This was a partial reversal of the recent trend in the reduction of the Company's net borrowings. Small, partial sales of Borregaard, Wolters Kluwer and RELX, were more than offset by the cost of establishing two new positions, **Ryanair** and **Prysmian**. Through COVID, Ryanair has extended its lead over its rivals. Its cost advantage has increased; market share has increased; and pricing power has improved. Prysmian is the world leader in energy and telecoms cable systems. Its leading position in cables for power transmission and distribution grids means that it should be a major beneficiary from a period of significant investment in the US as Prysmian's customers strengthen the electricity transmission system.

The Company's net borrowings stood at 8.9% of total assets at month end. We expect to resume the recent trend of reducing net borrowings.

Outlook

The near term risk for European equities is that, with inflation stubbornly high due to the tight labour market, interest rates will stay higher for longer than expected. The medium-term risk is that energy prices rise. Saudi Arabia has recently announced cuts to its oil production which has had the effect of firming oil prices. China's energy buying next winter will be a critical determinant of energy costs in Europe. Notwithstanding these concerns, we are confident that our companies are well placed to sidestep most of these macro threats. The portfolio is less dependent on the economic prospects of Europe alone as most of our portfolio companies compete and succeed globally.

We would like to thank you for your continued support.

Yours faithfully

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