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 August has been published to our website.

The MSCI Europe index was down 2.5% in sterling in July; your Company's NAV declined by 1.8%. Gearing was 5.6% at the end of August. The discount to NAV was 10.5% at month end.

There are signs of divergence in both growth and inflation between the US economy and the European economy. Whereas the US is stabilizing or improving, Euro area growth has weakened slightly during the summer. Tighter financial and credit conditions explain the more sluggish performance in Europe as inflation remains stubbornly high. Inflation in Europe is running at about

5.5%, higher than inflation in the US. Yet interest rates are higher in the US where the FOMC's terminal target range is 5.50-5.75%.

The German economy is, according to some forecasters, likely to contract in 2023. Certainly, its export trade and residential construction industries are weakening. This is reflected in the Eurozone Composite PMI which has fallen to a 33-month low, implying the likelihood that Eurozone economy will decline once the order books, built up in better times, have been delivered. This situation is clearly not helped by evidence that the China economy is also growing more slowly than before. Typical analyst estimates for China's GDP growth have been reduced to 4.5% and to 4.2%for 2023 and 2024 respectively. We have noted previously the signs of a softening in the China economic recovery: June exports were down 12.4% as exemplified by lower Transpacific freight.

In the stock market, we highlight a couple of interesting developments: the Italian government announced a Bank Tax, a one-off tax on extra profits for banks originating from higher impact from rates. The proposal is a 40% tax on"excess" net interest income in 2022 and 2023. Although the proposals are likely to be modified before becoming enacted, this is clearly a negative factor for Italian banks but as we have almost no exposure, it has a negligible direct impact on our portfolio. The other development of interest was the hiccup in some of the green transition stocks. The offshore wind companies are struggling to make good returns with cost overruns and high interest rates. And as the pace of uptake of electrical vehicles in the West slows, we observe suppliers in that value chain, such as EV charging, suffering weaker demand.

Within our portfolio we are generally pleased with our companies' recent reports. The biggest contributor to performance in August was also our biggest investment, **Novo Nordisk**. The company announced excellent results from clinical trials establishing the cardiovascular benefits of their anti-obesity drug,Wegovy. These results were very well received and have driven the share price to a new all-time high.

The next best contributor was **SUSE**. Its majority shareholder, a private equity company, announced an offer to take SUSE private.We think the price does not reflect the true value of the company. However, as we saw no prospect of the majority shareholder improving the offer and with the likelihood that the company would be delisted, we sold the shares.

There was a similar takeover offer at **OHB** and, again, as the majority shareholder and a private equity company wanted to delist the shares, it is effectively impossible for us to get an improved offer or to keep the company in the public markets. We think the offer is too low but decided to take a pragmatic approach and we sold the shares.

Another good performer was **Merck KGaA** which issued satisfactory results. **GTT** shares also rose markedly. Oil prices have risen inthe last two months and this has refocussed attention on energy 'plays'. The travails of the wind operators and the stalling of orders for the green hydrogen companies was a reminder that conventional fuels will remain the staple fuel for the foreseeable future. Notwithstanding the excitement around green methanol, demand for LNG carriers is very robust, benefiting GTT.

The biggest detractor in August was **Experian**. There was no material news, but the shares have drifted following results earlier this summer when the company explained that their US direct to consumer credit platforms had been weaker than expected. We are following this closely to see if, as the company expects,this weakness proves to be temporary.

Infineon was another poor performer, the shares retreating after hitting a new high. There is concern that China is turning against western suppliers of chips and there is also a concern that sales of electric vehicles are weaker than expected. Nevertheless, we note that Infineon remains the world leader in power semiconductors and we expect it to prosper even if progress is uneven.

Dassault Systemes' shares weakened as a peer, Siemens, reported weakening demand for the automation and digitalisation solutions. We do not see a direct read-across. The outlook has not changed. The company is likely to be a winner from the use of AI technology and in any case is building on its significant market positions.

The **Deutsche Boerse** share price again disappointed but it is hard to understand why. Our recent contact with the company again emphasised their confidence in the acquisition of SimCorp, which they indicated is even more exciting than they had first thought, and that Deutsche Boerse continues to be a beneficiary of higher interest rates. The company is retaining most, if not all, of the additional interest income generated from customers' deposits.

After a strong recent performance, **SOITEC** shares weakened slightly. Semiconductor stocks have eased on the back of inventory concerns but this has little direct impact on SOITEC.

We sold our holdings in **OHB** and **SUSE**, raising c.£7 million. Purchases amounted to c. £10.5 million. The sales of our holdings in OHB and SUSE followed, in both cases, offers from private equity. Although we think these offers do not reflect the true value, as both are recommended by the respective boards and we expect them to be accepted, we thought it best to sell now and redeploy the proceeds.

We established a new position in **CTS Eventim** as share price weakness gave us the chance to buy in at a good point. Europe's leading ticketing and live entertainment business, CTS Eventim is obviously consumer facing. However,it has proved to be a resilient business in previous downturns. We also bought more shares in **Worldline** and **Grenke**. Worldline's results have been good this year. The company is gaining market share, they have made good strategic moves and they have cost cutting benefits to come through. Yet the valuation is low,leaving the company vulnerable to a low offer from private equity.

Outlook

The signs of divergence, with growth forecasts for the US economy improving slightly and the European economy showing weaker signs, is a reminder that our portfolio is relatively well prepared for a slowdown. Our companies' global reach is likely to an advantage. More important is that we believe we have some companies which can markedly increase their earnings power in the medium term and that these companies are not properly appreciated by the market. As we have seen, the risk is that public investors' apathy about these opportunities means that they are overlooked and become easy prey for private equity. Nevertheless,we continue to identify and back companies where we believe these transformational opportunities exist.

Our portfolio companies are spread across a wide range of activities and sectors, mitigating against the danger of undue concentration in narrow