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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 September has been published to our website.
The MSCI Europe index was down 0.3% in sterling in September; your Company's NAV declined by 0.8%. Net gearing was 6.0% at the end of September. The discount to NAV was 9.5% at the month end.

There are clear signs of recession. The companies we met on a recent research trip to Germany warned that the economic activity was slowing. Indeed, Germany may already be dipping back into recession. It is particularly affected by China's slower economic progress. Earnings expectations for European companies are coming down. Higher costs, notably higher interest rates and higher energy costs are challenges for most companies. There are pockets of growth which, given the global character of our portfolio, are relevant. We highlight Brazil and India. The Brazilian economy is going well. The IMF raised its 2023 growth forecast for Brazil to 3.1% recently, up from the 0.9%they had predicted in April. The same forecaster also raised growth expectations for 2024 to 1.5%, up from 1.2% in July. This is a good backdrop for many of our companies, notably **Experian** and **Edenred**, which have big businesses in Brazil. Moreover, as the reason for these upgrades is the surge in agricultural production, there might be a benefit for other companies we hold like Bayer.There is optimism around India, too. **Dassault Systèmes'** CEO, Bernard Charles, is quoted as saying that the company's Indian business is growing faster than its global average. Demand for precision and quality manufacturing is increasing, fueling demand for Dassault Systèmes' solutions in India.

In the stock market, European equity sentiment is very bad. Europe-focused funds have seen $53 billion of outflows from active equity funds so far this year. Private equity has the chance to buy assets from disgruntled public market investors on the cheap. There is clear evidence that spending on luxury products is stalling in many countries; this has caused the reversal in some of the extraordinary performance of the luxury goods stocks. Spending by VVICs (defined as Very Very Important Customers, those spending more than €250,000 each year on luxury goods) is still growing strongly. But this group is estimated to be only 0.03% of customer numbers and accounted for 10% of luxury spending. 'Mainstream' luxury spending is weakening. Energy stocks continue to be buoyed by the rise in oil prices this year. Green energy, however, is not faring so well. The travails of the offshore wind companies are well known. The threat of new government taxes is intensifying. For instance, in France, the government proposes to tax businesses and activities to accelerate the green transition. Toll roads and airports are the first in line for this proposed tax.

The biggest contributor to performance in September was **RELX**. The shares were buoyed by the company's commentary, indicating that sustainably higher growth rates can now be expected in their Risk and Legal divisions. The reason is best explained in the company's own words: *''The improving long-term growth trajectory continues to be driven by the ongoing shift in business mix towards higher growth analytics and decision tools that deliver enhanced value to our customers across market segments. By embracing artificial intelligence technologies for well over a decade we have been able to develop and deploy these analytics and decision tools across the company,and we believe that our* *ability to leverage AI, as it evolves, will continue to be an important driver of our business."*

The next best stock was **Novo Nordisk**,driven by continuing high demand for its new diabetes and weight reducing drugs. The 'real world' extent of these drugs' success was described by the Walmart CEO who explained how weight loss drugs are impacting the consumer: *"we definitely do see a slight change compared to the population, we do see as light pullback in overall basket. Just less units, slightly less calories"*.

Darktrace shares also contributed to the portfolio. The shares responded well to news that Cisco is buying Splunk, a US cyber security competitor to Darktrace. The offer price makes Darktrace look cheap by comparison.

The biggest detractor in September was **Genus**. Market sentiment is extremely negative: near term prospects for the Chinese pig market are uncertain. We think that this consideration has been given undue weight. More important, in our opinion, is the fact that the company has filed its application for regulatory approval for its gene editing technology with the FDA. If this is successful it will transform the fortunes of the company. We remain confident that Genus is a strong investment.

The same cannot be said of **Bayer**, another poor performer. Clearly, this has been a bad investment. Poor management, lack of financial discipline and poor accountability have exacerbated their strategic challenges. We wait to see if the new CEO can change the poor company culture and undertake a significant restructuring. He will present his plans in the coming months.

Soitec was another recent detractor from our returns. The shares got caught in the down draught of a slowdown in the market for electric vehicles and smartphones. Nevertheless, the bigger point with Soitec is that their unique, proprietary technology, can gain a lot of ground even against a weaker demand backdrop for semiconductors.

Experian shares also fell last month reflecting concerns about the impact of higher interest rates on their core credit bureau business. It is true that higher interest rates are squeezing consumers and business. Experian, however,has other lines of business which should be resilient; their Brazilian activities continue to grow.

We reduced the significant positions in Novo Nordisk and RELX, and reinvested the proceeds in Ryanair, Genus, Darktrace and Worldline. Net borrowings were £52 million at the end of the month.

Outlook

Even though European economies are weakening, and the Chinese economy is not rebounding as hoped, our investee companies' global reach is an advantage. More importantly, we identify specific catalysts with our investee companies which, in due course, will, we believe, prove that they are structural winners, overriding cyclical concerns. For this reason, we remain resolutely confident in our portfolio.

We would like to thank you for your continued support.

Yours faithfully

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We have recently published the 2023 **annual report and accounts or European Opportunities Trust PLC**. The annual report includes the Company's financial statements, a letter from the Chair, Matthew Dobbs, and a review of performance during the Company's financial year to 31 May 2023.

The annual report also includes notice and details as to how to attend and vote at the Company's Annual General Meeting of shareholders on 15 November 2023.

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