Subject: Newsletter from European Opportunities Trust PLC
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From: 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 November has been published to our website.

The total return on your Company's NAV in November was 7.9% and the total return on the Company's share price was 10.3%. The total return on Company's benchmark, the MSCI Europe index in Sterling, was 5.5%.
With the US Fed indicating the end of rate rises, sentiment has turned. Moderating inflation in the US and in Europe is seen as paving the way for interest rate cuts. Economists expect the Fed to start cutting late in 2024; and the ECB at the end of 2024. In Europe inflation is falling; economists expect the core rate to remain under 4.0% this year. In the US, inflation has slowed with core inflation falling to 4.0%. However, this progress has to be set against slower economic growth. It is expected that the ECB will cut its 2023 and 2024 forecasts to 0.5% and 0.8%, respectively. These forecasts do not compare well with the performance in the US, where GDP expanded by 5.2% in the third quarter of this year. Forecasters expect 2.4%growth for 2023. Clearly there is a divergence in economic

performance. Our investee companies have more global reach than the average in Europe. They can tap into better performing parts of the world. China, for all their travails,is still expected to grow in 2024 by around 4.8%; the Indian economy appears very robust, having reported 7.6% growth in the third quarter of 2023.

This optimism around interest rates has been reflected in strong stock market performance. Revenue numbers across the market for the third quarter were not very encouraging, and third quarter earnings across the market were not impressive. Luxury goods and drinks companies, which have been extraordinarily strong in recent years, reported subdued results. On the other hand, defence companies, led by Rheinmetall, are increasing expectations.

With few exceptions, our companies reported very good results for the third quarter. Top of the list in terms of contribution to performance was **Experian**. Their results reassured the market and showed that their mix of business is different from its two credit bureau peers. The US market for Experian has remained robust and the company confirmed its full year objectives.

The next biggest contributor to performance in November was **Infineon** as the company reported excellent fiscal 2023 full year results. Infineon's world leading positions in power semiconductors and in automotive applications is reaping rewards as demand in these two verticals remains strong. Indeed, we think visibility is good as demand for more efficient power semiconductors is likely to stay strong through the energy transition.

Dassault Systemes' shares continued to do well, buoyed by recent contracts which point to further interest from the automotive and defence sectors.

At **Deutsche Boerse**'s recent capital markets day, management underlined its confidence in the company's three year targets and in the SimCorp acquisition. This was taken well by investors.

ICG was also a good contributor. The company's third quarter results were much better than expected. One of the principal factors behind ICG's strong trading performance is their success in fundraising and in deploying assets, notably into private debt. Across private markets, around 14% of capital raised over the past 10 years has been deployed into private debt.Today, that figure has reached 20%. As one of the leaders in the private debt market, ICG has benefitted disproportionately from this development.

Other results of note which contributed to performance included **Grifols**. The company had a good third quarter and raised its expectations for the full year.

The same was true of **Ryanair**. Its third quarter results were a reminder that it is a bigger, more profitable European airline than any of its competitors and that in terms of costs and network, the gap with its competitors is widening. We expect Ryanair to continue to gain market share and grow profits considerably.

The biggest detractor in November was **Bayer**. The scale of its problems is being revealed. The failure of the last management team is clear. We readily accept that this has been a poor investment. The new CEO acknowledges the challenges. It remains to be seen whether he has the ability and support to make the necessary changes. The valuation now reflects massively negative sentiment, an important consideration as we seek to exit.

Although **Genus**' shares are also affected by negative sentiment, in other respects the company is in an excellent state. It is true that near- term trading is not strong. However, its leading positions combined with the realistic prospect of getting FDA approval for its gene editing technology make this a compelling investment.

Edenred shares weakened in the face of regulatory threats in France. It is not easy to envisage what the French government might do. We are relatively sanguine about this at present.

Finally, we note that **Darktrace** shares slightly detracted from performance but we see no cause for concern.

Trading activity was higher than usual. The main effect of our trading was to reduce the Company's gearing. We have frequently indicated our desire to reduce gearing in 'normal' market conditions and took the opportunity presented by better prices to do so. Of course, the borrowing facility is a crucial advantage for the Company and we are ready to gear the portfolio in what we consider to be the right circumstances. At the end of November the Company had £10 million of drawn down borrowings, representing 1.1% gross gearing.

We reduced some of the bigger positions including **Bayer**, **SOITEC**, **RELX**, **Experian** and **Dassault Systemes**.The proceeds were mostly used to repay debt. However, a small part of the proceeds was used to build further on the position in **Camurus** that was established in October. We also established new, small positions in the defence companies, **Thales** and **BAE Systems**, beneficiaries of increased defence spending.

Outlook

Although sentiment has improved with the view that interest rates have peaked, prospects for our portfolio depend to a much greater extent on individual stocks. We are confident that out performance will follow if our investee companies are able to convert the transformational opportunities they have before them.

We would like to thank you for your continued support.

Yours faithfully

Alexander Darwall
Chief Investment Officer
Devon Equity Management Limited
Notes -

On 5 December the Company published a circular to Shareholders which contains details of a proposed **tender offer** for up to 25% of the Company's shares in issue. A General Meeting of Shareholders has been convened on 21 December for the purposes of approving the proposed tender offer. Please click here to read the circular, which sets out details of the actions to be taken by Shareholders.

QuotedData have recently initiated coverage of the Company. Click here to read their note, titled "European Opportunities Trust - 'Special' growth companies".

Click here to view an **IG TV** interview with Alexander Darwall filmed on 24 October.

Click here if you would like to be added to the subscriber list for these monthly updates.

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.