

Press release European Assets Trust NV

UNAUDITED INTERIM RESULTS – SIX MONTHS TO 30 JUNE 2015

• Total return* performance for the six months to 30 June 2015		
	Euro	Sterling
Net asset value per share	23.3%	12.6%
Share price per share	22.9%	12.2%
Euromoney Smaller European Companies (ex UK) Index	18.5%	8.3%
• Total return* performance for the three years to 30 June 2015		
	Euro	Sterling
Net asset value per share	125.6%	97.7%
Share price per share	159.9%	127.5%
Euromoney Smaller European Companies (ex UK) Index	91.2%	67.5%
• Annual dividend of 6% of opening net asset value per share (2015: Euro 0.7743)		
	Euro	Sterling
January 2015 dividend paid per share	€0.2527	£0.1933
May 2015 dividend paid per share	€0.2527	£0.1817
A further dividend of €0.2689 per share will be paid on 28 August 2015.		

*Capital performance with dividends reinvested

Investment Manager's Review

Market Review

The first half of 2015 yielded good returns for our shareholders, with our NAV rising 12.6% in Sterling total return terms, outperforming our benchmark which rose 8.3%. These returns were impacted by the weakening Euro which fell 9.5% over the period.

The year started with optimism and European smaller companies appreciated significantly within the first months as the European Central Bank embarked on its quantitative easing programme and leading indicators pointed the way to a better economic performance through the region. Lower energy prices and a weaker Euro also helped investors' confidence that European corporates would start the profit recovery that has taken so long to appear. Throughout the first half of 2015, economic indicators continued to improve with consumer confidence in particular picking up, while there were also encouraging signs that the region's banks were starting to lend as demand for borrowing improved. In real economic terms we saw better activity in the countries which had felt so much of the pain during the economic crisis; Spain, Portugal and Ireland all showing good improvements in economic growth, vindicating the reforms that they have all endured.

This is of course in contrast with Greece whose prolonged standoff with its creditors has dominated much of the second quarter. The Greek's controversial government's stewardship of their economy and unwillingness to tackle structural economic problems, weakened both their economy and bargaining positions with the IMF and ECB, leading to ultimately, a capitulation to the demands of their creditors. The negotiations however have dominated recent months and, in combination with valuations that are no longer so obviously attractive, this has meant that European equities have made little progress in the second quarter.

There is still potential for more volatility as the Greek parliament digest their new programme, however wider investor attention has been diverted by emerging market weaknesses. It is becoming increasingly apparent that the huge Chinese investment cycle of the last decade has produced over-supply of capacity. This is likely to lead to a deterioration of profitability of companies exposed to these areas. Importantly though, European small caps are generally domestically orientated and should withstand this well. Indeed it can be argued that productive capacity in Europe has fallen during the crisis. As the economy recovers this can have a very powerful effect on profit growth in the region that is earning well below its long term trends.

Performance Review:

Stock selection is always the most significant determinant of performance for European Assets Trust. Our top performer over the first half of 2015 was the Swiss structured financial product provider Leonteq which rose 44.0% in Sterling terms. There was no material news on the stock apart from strong full year results which helped underline the strong progress the business is making. The company's innovative systems and service means they are the lowest cost provider in the market and are taking market share from competitors, who are mainly banks struggling to manage legacy issues.

Another strong performer was Finnish listed Amer Sports, which rose 38.9%. Amer Sports owns a strong collection of global brands which have high market shares in their respective areas: Salomon and Atomic in skiing, Wilson in tennis, Mavic in cycling and Arc'teryx in mountaineering. Management have been implementing a transformation of the business following a period of mismanagement and recent results are demonstrating that the work undertaken in recent years is coming to fruition.

Other performers of note, were Azimut and Banca Generali, the Italian asset managers who both announced significant inflows as they continue to benefit from the structural changes taking place in Italian wealth management, where independent asset managers are taking share from the banks in a growing market for long term savings.

Amongst our poor performers, however, was one of our largest holdings, Origin Enterprises which fell 14.1% in Sterling terms. The incident of note for the stock was the placing of 29% of its share capital by their majority shareholder. Due to the size of this placing, the shares were sold at a discount, however we see that this is very encouraging for the shares over the longer term due to greater stock liquidity. We continue to like the shares and have been adding in recent months as their relative attractiveness in a market that has risen has increased.

The other notable poor performer was Topdanmark the Danish non-life insurance company that fell 18.3%. This is a combination of profit taking following an exceptional period of performance but also concerns that their competitive environment has become less benign. Topdanmark is a very profitable insurance company operating in a structurally sound, oligopolistic market. Having spoken to the company, we are comfortable that this situation has not changed so are happy to maintain our holding.

Portfolio Activity:

Much of our sales activity was caused by the conclusion of a number of bids; Nutreco, Jazztel and Exact were all sold to acquirers. The exception to this was Partners Group, the Swiss private equity business. Since we bought this share in 2007 it has delivered a total return of +279.4% in sterling terms, materially outperforming the benchmark. We sold the shares due to valuation.

We added three new positions in the first half. Atresmedia is a Spanish free to air TV company that is starting to see the benefits of an improving end market, as advertising recovers, in a more consolidated market. Permanent TSB, another new position, is an Irish bank, which is similarly benefitting from a recovering end market which has consolidated. The financial sector is one of the few areas of obvious value in European equities, and this is reflected in an exceptionally attractive valuation for this new holding. Finally we have started a position in an Italian business services company called Cerved Information Solutions which holds a dominant market position in providing credit information to both corporates and banks, helping them in making their credit decisions. We expect a decent and growing dividend, with any improvement in the Italian economy being a bonus.

Outlook:

Valuations, on aggregate, do not look obviously attractive to us and rely on improving profit levels. On this front, however, there is room for some optimism. Europe is enjoying the benefit of a weaker currency, lower energy costs, a more liquid banking system and the start of quantitative easing. Profit levels are well below previous peaks, in contrast to the US, and are starting to recover. The US had led the economic recovery, but it is now Europe which is showing improvements from a low level. If this were to continue, any meaningful profit recovery has the potential, in retrospect, to make current valuation metrics much more attractive. This will also of course disproportionately benefit smaller companies, who are more domestically focused than their larger counterparts.

Betting on profit recovery is always a dangerous game though, and we will not let it influence our process which has served us so well in recent years. We will continue to search for good quality assets and have the discipline to acquire these assets at attractive prices. This should over the long term deliver shareholder value.

Sam Cosh

Lead Investment Manager
F&C Investment Business Limited

Dividend Information**2015**

Dividends of €0.2527 per share have been paid in January and May 2015.

A further gross dividend of €0.2689 (net rate - €0.2527) per share will be paid on 28 August 2015 to shareholders on the register on 14 August 2015, having an ex-dividend date of 13 August 2015. This will result in total gross dividends paid for the year of €0.7743 (net dividends - €0.7581) per share.

The increase in the August dividend is to offset the element of Dutch withholding tax applicable and provide a full 6 per cent of closing net asset value per share of the Company at the end of the preceding year annual payment to shareholders.

Shareholders may elect to receive dividends by way of further shares in the Company rather than cash; the shares will be issued at the net asset value of the Company; the shares may trade in the market at a discount or premium to net asset value. Elections for scrip dividends can be made by shareholders using the form available from the Registrar on request. Subject to personal circumstances, UK resident individual shareholders who receive a scrip dividend should not be liable to UK income tax but UK capital gains tax rules should apply. Elections for scrip dividends must be received by the Company's Registrar, Computershare Investor Services PLC, by the record date in order to apply to this payment.

Unaudited Profit and Loss Account – for the six months ended

		30 June 2015 €000	30 June 2014 €000
	Notes		
Income from investments			
Dividends from securities		5,727	4,044
Movements on investments - realised		15,453	6,171
Movements on investments - unrealised		47,277	5,590
		62,730	11,761
		68,457	15,805
<i>Total investment gain</i>			
Operating expenses and interest			
Investment management fee	3	(1,340)	(955)
Depositary and custody fees	4	(76)	(40)
Other expenses		(547)	(485)
Interest		(91)	(128)
Net income	1	66,403	14,197
Distributed by dividends	2	11,735	8,797
Earnings per share		€2.75	€0.73
Dividends per share	2	€0.51	€0.47

Unaudited Balance Sheet

		30 June 2015 €000	31 December 2014 €000
	Notes		
Investments			
Securities	5	496,896	290,695
Current assets and current liabilities			
Receivables		529	169
Banking facility	6	(3,704)	(17,485)
Accrued liabilities		(1,178)	(252)
Total assets less current liabilities		402,543	273,127
Equity shareholders' funds		402,543	273,127

Net asset value per share - basic

€15.03 **€12.63**

Expressed in sterling

£10.65 £9.81

The number of €0.46 shares in issue at 30 June 2015 was 26,774,473 (31 December 2014 – 21,617,544).

Unaudited Summary of Changes in Shareholders' Funds - for the six months ended

		30 June 2015 €000	30 June 2014 €000
Total as at 1 January		273,127	209,077
Sale of own shares and new shares issued	7	75,270	32,193
Prospectus and share issuance costs		(522)	-
Profit for the period		66,403	14,197
Dividends distributed		(11,735)	(8,797)
Total as at 30 June		402,543	246,670

Unaudited Statement of Cash Flows – for the six months ended

	30 June 2015 €000	30 June 2014 €000
Cash flows from investment activities		
Dividend income	4,947	3,572
Purchases of securities	(85,449)	(45,975)
Sales of securities	33,495	21,166
Depository fees, custody fees and other expenses	(616)	(653)
Investment management fees	(1,340)	(955)
Interest charges	(129)	(133)
	(49,092)	(22,978)
Cash flows from financial activities		
Dividends paid	(11,735)	(8,797)
Sales of own shares	74,773	31,968
Prospectus and share issuance costs	(164)	-
Loan facility	(13,782)	(193)
	49,092	22,978
Cash at bank		
Net movement for the period	-	-
Balance as at 31 December	-	-
Balance as at 30 June	-	-

Representation concerning financial statements and Investment Manager's Review

The Management Board confirms that, to the best of its knowledge, the condensed financial statements, together with comparative figures, have been prepared in accordance with applicable Dutch generally accepted accounting principles for interim reporting. These condensed financial statements give a true and fair view of the state of affairs of the Company at 30 June 2015 and of the net result for the period then ended.

The Investment Manager's Review in the Interim Report gives a true and fair view of the situation on the balance sheet date and of developments during the six month period, together with a description of the principal opportunities and risks associated with the expected development of the Company for the remaining months of the financial year.

In the normal course of its business, the Company holds a portfolio of equities and other securities and manages investment activities with on-balance sheet risk. Risk management is described in the Notes to the Accounts for the year ended 31 December 2014 and the principal risks have not changed materially since the date of that report.

Notes

1. Income for the six month period should not be taken as an indication of the income for the full year.
2. Two dividends totalling €0.5054 per share have been paid in January and May 2015. A further dividend of €0.2689 per share will be paid on 28 August 2015.
3. The ongoing charges figure, based on average shareholders' funds for the first half of the year, amounted to 1.12 per cent annualised (first half year 2014, 1.27 per cent annualised).
4. As of 22 July 2014, the date on which the AIFMD became fully effective, KAS Trust & Depositary Services BV, a subsidiary of KAS BANK NV, has been appointed as depositary and custodian for the Company. Prior to 22 July 2014 custody services were delivered by KAS Bank NV, while no depositary services were required.
5. Securities comprise only listed investments. Listed investments are valued at the bid price on the valuation date on the relevant stock markets.
6. As at 30 June 2015, the Company had a banking facility available amounting to €45,000,000 (31 December 2014: €25,000,000).
7. During the period ended 30 June 2015 the Company sold 3,312,057 shares from treasury and issued 1,830,000 new shares. In addition, 14,872 shares were issued during the period via the scrip dividend option. The proceeds of the sale of own shares and new shares issued are stated net of related brokerage fees.
8. These costs comprise the advisory regulatory and other costs in connection with the issue and listing of new shares and the Company's prospectus that was published on 6 July 2015.
9. The accounting policies applied in preparing the half-year figures at 30 June 2015 are consistent with those underlying the 2014 annual accounts.
10. Copies of the interim report will be mailed to shareholders and will be available from the registered office of the Company and the website www.europeanassets.eu.

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