

Press release European Assets Trust NV

UNAUDITED INTERIM RESULTS – SIX MONTHS TO 30 JUNE 2018

Total return* performance for the six months to 30 June 2018

	Euro	Sterling
Net asset value per share	-0.4%	-0.9%
Share price per share	-4.2%	-4.6%
EMIX Smaller European Companies (ex UK) Index	+1.0%	+0.7%

Annual dividend of 6% of opening net asset value per share (2018: Euro 0.088)

	Euro	Sterling
January 2018 dividend per share [^]	€0.022	£0.019
April 2018 dividend per share [^]	€0.022	£0.019
Two further dividends, net of Dutch withholding tax, of €0.022 per share will be paid on 31 July and 31 October 2018.		

*Capital performance with dividends reinvested

[^] Adjusted for the ten for one stock split effective 3 May 2018

Investment Manager's Review

Market Review

While the European Smaller Company market made little progress in the first half, this masked what was a volatile six months. The year had started strongly with optimism that a global, co-ordinated upswing was embedded, and would lead to strong profit performance from listed companies. Indeed, while the most popular leading indicator, the PMI, rolled over from the highs achieved at the end of 2017, the survey remained firmly in expansionist territory, and both economic growth and earnings progress was good. The strong start however rapidly gave way to weaker markets, initially this was due to concerns over rising bond yields following a strong US job report, though this weakness spread further through worries over politics both globally and regionally. While European investors must by now be used to political upheaval, it was nonetheless unnerving to see the inauguration of a potentially confrontational populist government in Italy and more recently a challenge to Angela Merkel's dominance in Germany. However, the most dominant driver of recent market weakness is the escalation in trade fears precipitated by the US administration. Ultimately these issues have encouraged the belief that the bull market which started in 2009, has potentially run its course.

Portfolio Review

The total NAV return lagged the benchmark, with the share price falling marginally behind this as our shares moved to a small discount. It is the stocks we hold that are of course responsible for our performance, but we were held back a little by our lack of exposure to two of the best performing sectors, namely Telecommunications and Oil and Gas, and a low weighting in one of the other best performers, Health Care.

Turning to stocks, our worst contributor was Lectra, which fell -20.7% in Sterling terms. Lectra provides software and machines for cutting materials within the textile, automotive and leather industries. Having performed well for us since purchase, the share gave some of this performance back following a disappointing results outlook that highlighted a slowdown in orders from the automotive sector and a currency headwind from the fall in the US dollar in the first quarter. The company is however well positioned, has a good proportion of repeat business, a strong balance sheet, and we believe will deliver strong growth over the medium term. We will continue to hold the position.

In contrast IFG, our Irish listed financial holding company, which had a poor half year, was sold following a disappointing meeting with new management. The company announced a complete change of management following the decision not to sell their most valuable asset, Saunderson House, the London based wealth advisor. We no longer had confidence in the strategic direction of the group.

The other poor performer of note was the leading Scandinavian window supplier, Inwido, which continued to suffer from concerns over the deteriorating Swedish housing market. While we believe that Inwido's exposure to this is limited, until the company starts producing results to prove this, the shares will struggle to make progress. A review of the position is underway.

Turning to the positives, the stand out performer was Tomra, the Norwegian listed recycling company that delivered a return of +35.8%. The company makes the bulk of their profits in selling reverse vending machines for the recycling of plastic bottles. Here they are by far the market leader with an estimated 70-80% market share. We appear to have reached a tipping point in the battle against plastic waste, with a number of governments announcing interest in introducing plastic bottle deposit schemes which are enabled by reverse vending machines. The UK is now proposing the introduction of a scheme which would prove very lucrative for Tomra.

Another strong contributor was a new holding Tecan Group, a leading supplier of automated laboratory equipment for the life sciences and diagnostics sectors. Its end markets are growing strongly driven by a greater understanding of disease characteristics and as such a different approach to treatment. An ageing global population of course helps too. The company's strong results demonstrated their ability to harness this growth whilst improving profitability.

Portfolio Activity

Investors will note that trading activity has been more active this half than usual. We sell positions when the investment case changes or we see no margin of safety in the share price. The sale of IFG, discussed above, Nordic Waterproofing, and the Spanish media companies Atresmedia and Mediaset Espana fall into the former category. In the latter category we have the sale of Amer Sports, following a recovery from a poor 2017, SAF Holland, and Christian Hansen, which has been a superb performer for many years. Sadly, the valuation reached such an unpalatably high level that we had to book the substantial profits that we had made here.

New additions will always be as a result of the output of our research pipeline, and in this regard, we had a productive half. New holdings include the leading Dutch Food distributor Sligro, which became a more interesting investment proposition following their decision to sell their food retail business. We added two healthcare stocks, specifically market leaders in the high growth invitro diagnostics market; Tecan Group and Diasorin. We also initiated a position in the leading seismic company TGS which we believe is set to benefit from a higher oil price. Finally, we bought a position in Rocket Internet. Rocket is a value way to play the disruption that new business models are creating on more traditional businesses. The value of its listed stakes, which include, Delivery Hero and HelloFresh, and its net cash position, are greater than its market capitalisation, so therefore give no value from its portfolio of unlisted holdings.

The changes to the portfolio have broadly had the effect of marginally reducing the economic sensitivity of the portfolio and also reducing our lack of exposure to sectors where we had limited weights, namely Healthcare, Technology, and Energy.

Outlook

As we entered 2018 the investment consensus was bullish; we were enjoying a co-ordinated global upswing supported by a market friendly US administration. Much has changed in investor sentiment during the intervening period with the most dominant driver of investor nervousness being an escalation in trade fears. We cannot possibly make predictions of the outcome of these current disturbances or the market reaction to such outcomes. We do not however believe that the investment backdrop has changed so fundamentally in just a matter of a few months. Whether it has or not, we must maintain discipline through our investment philosophy and stock picking. As has been discussed above, we have concentrated on buying businesses that have strong enough business models to deliver irrespective of the economic climate. We are fortunate to be able to do this in a market of European smaller companies, where the opportunities are numerous and diverse.

Sam Cosh
Lead Investment Manager
F&C Investment Business Limited

Dividend Information

2018

Two dividends, net of Dutch withholding tax, totalling €0.044 per share* have been paid in January and April 2018.

Two further dividends, net of Dutch withholding tax, of €0.022 per share will be paid on 31 July 2018 and 31 October 2018 respectively.

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.

*Adjusted for the ten for one stock split effective 3 May 2018.

Unaudited Income Statement – for the period ended

		Six months ended 30 June 2018 €000	Six months ended 30 June 2017 €000	Year ended 31 December 2017 €000
	Notes			
Income from investments				
Dividends from securities		11,216	10,110	12,009
Movements on investments - realised		26,225	17,974	31,453
Movements on investments - unrealised		(37,141)	34,862	38,613
		(10,916)	52,836	70,066
Total investment gain		300	62,946	82,075
Operating expenses and interest				
Investment management fee	1	(2,020)	(1,807)	(3,761)
Depositary and custody fees		(144)	(112)	(265)
Other expenses		(590)	(576)	(1,040)
Interest		(42)	(51)	(107)
Net (loss)/income		(2,496)	60,400	76,902
Distributed by dividends	2	16,037	17,222	27,055
Earnings per share		€(0.0070)	€0.1819	€0.2284
Dividends per share	2	€0.0458	€0.0526	€0.0822
Unaudited Balance Sheet – As at				
		30 June 2018 €000	30 June 2017 €000	31 December 2017 €000
	Notes			
Investments				
Securities	3	495,173	478,919	509,879
Current assets and current liabilities				
Receivables		4,566	2,962	1,251
Cash and cash equivalents		8,314	1,584	-
Banking facility	4	-	-	(2,748)
Accrued liabilities		(1,007)	(1,414)	(231)
Total assets less current liabilities		507,046	482,051	508,151
Equity shareholders' funds		507,046	482,051	508,151
Net asset value per share		€1.41	€1.44	€1.46
Expressed in sterling		£1.25	£1.27	£1.30

Unaudited Summary of Changes in Shareholders' Funds

		Six months Ended 30 June 2018 €000	Six months Ended 30 June 2017 €000	Year Ended 31 December 2017 €000
At beginning of period		508,151	436,220	436,220
Sale of own shares and new shares issued	5	17,428	2,653	22,084
Net income for the period		(2,496)	60,400	76,902
Dividends distributed		(16,037)	(17,222)	(27,055)
At end of period		507,046	482,051	508,151

Unaudited Statement of Cash Flows – for the period ended

		30 June 2018 €000	30 June 2017 €000	31 December 2017 €000
Cash flows from investment activities				
Dividend income		9,903	8,916	11,518
Purchases of securities		(118,146)	(54,625)	(125,843)
Sales of securities		120,089	47,560	104,814
Depository fees, custody fees and other expenses		(697)	(647)	(1,276)
Investment management fees		(2,020)	(1,807)	(3,761)
Interest charges		(29)	(76)	(127)
		9,100	(679)	(14,675)
Cash flows from financial activities				
Dividends paid		(15,400)	(17,222)	(27,055)
Sales of own shares		17,362	2,653	22,150
Banking facility		(2,748)	-	2,748
		(786)	(14,569)	(2,157)
Cash at bank				
Net movement for the period		8,314	(15,248)	(16,832)
Opening balance		-	16,832	16,832
Closing balance		8,314	1,584	-

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 2018 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 manages investment activities with on-balance sheet risk. Risk management is described in the Notes to the Accounts for the year ended 31 December 2017 and the principal risks have not changed materially since the date of that report.

Stock split

At the General Meeting of the Company held on 18 April 2018, Shareholders approved a resolution for a ten for one stock split such that each shareholder would receive ten shares with a nominal value of €0.10 each for every one share held with record date of 2 May 2018. For comparison purposes, the number of shares before the split as well as all per share amounts in these results have been adjusted on a ten for one basis.

Notes

1. The ongoing charges figure, based on average shareholders' funds for the first half of the year and calculated with reference to the basis recommended by the AIC, amounted to 1.09 per cent annualised (first half year 2017: 1.07 per cent annualised). The ongoing charges figure for the year ended 31 December 2017 was 1.06%.
2. Two dividends, net of Dutch withholding tax, totalling €0.044 per share have been paid in January and April 2018. Two further dividends, net of Dutch withholding tax, of €0.022 per share will be paid on 31 July 2018 and 31 October 2018 respectively.
3. Securities comprise only listed investments. Listed investments are valued at the bid price on the valuation date on the relevant stock markets.
4. As at 30 June 2018, the Company had a banking facility available amounting to €45,000,000 (30 June and 31 December 2017: €45,000,000). As at 30 June 2018 this was unutilised. It was also undrawn at 30 June 2017.
5. During the six months period ended 30 June 2018, the Company issued and sold 12,050,000 new shares. In addition, 118,150 shares were issued during the period via the scrip dividend option. During the six months period ended 30 June 2017, the Company issued and sold 1,800,000 new shares, whereas 160,970 shares were issued during the period via the scrip dividend option. During the year ended 31 December 2017, the Company issued and sold 15,300,000 new shares, whereas 253,450 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.
6. The accounting policies applied in preparing the half-year figures at 30 June 2018 are consistent with those underlying the 2017 annual accounts.
7. 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.

For further information, please contact:

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