Fidelity European Trust

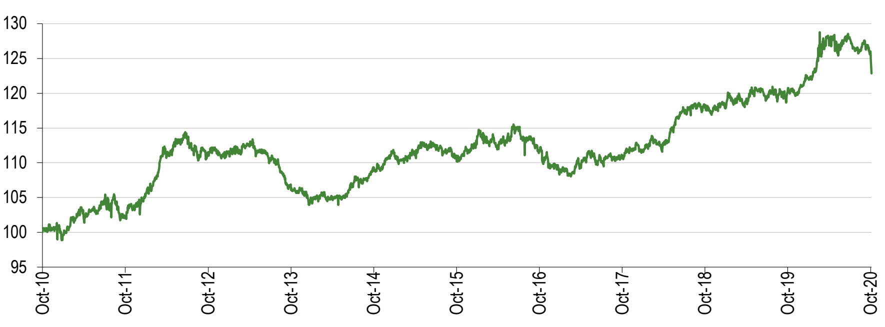
Outperforming and pursuing recent opportunities

Investment trusts
European equities

4 November 2020

Fidelity European Trust (FEV, formerly Fidelity European Values) seeks to achieve long-term growth in both capital and income from a portfolio comprising mainly continental European stocks. FEV's managers, Sam Morse and Marcel Stötzel, note that the coronavirus crisis has temporarily marginalised many fundamentally strong and resilient European companies. They believe this has created abundant new opportunities for long-term investors such as FEV to benefit as these companies recover and re-rate over time. The trust's ambition to be the cornerstone investment of choice for investors seeking European exposure across market cycles is supported by its very solid outperformance over the long term. In addition, FEV's dividend has increased every year since 2010 and the board intends to maintain dividend increases during the current crisis, drawing on reserves if necessary.

Long-term NAV outperformance versus benchmark



Source: Refinitiv

The market opportunity

The European Union is the world's second largest economy and home to some of the strongest, most stable and resilient companies. Yet European equity markets appeared relatively inexpensive before the Q120 sell-off and they have become more so since, underperforming the recovery in the US market. Investors seeking exposure to European equities may find particular value at current market levels.

Why consider investing in Fidelity European Trust?

- Outperformance of the market over the longer term and above-average total returns versus its peers over three and five years.
- Aims to capture the diversity of Europe across a range of countries and sectors, drawing on the support of Fidelity's extensive European research capabilities.
- For UK investors, an effective diversifier away from the home market.

Discount now at narrow end of the trading range

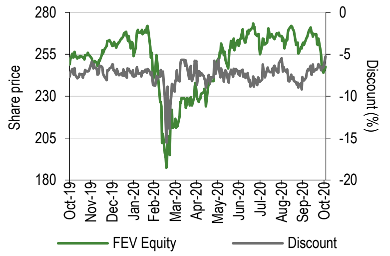
After widening briefly during the Q120 stock market sell-off, FEV's current 5.2% discount to cum-income NAV is at the narrow end of its 12-month trading range, compared with average discounts of 7.4%, 8.8%, 9.3% and 10.2% over one, three, five and 10 years. The trust currently offers a 2.6% dividend yield.

Price	**247.5p**
Market cap	**£1,018m**
AUM	**£1,198m**
NAV*	261.2p
Discount to NAV	5.2%

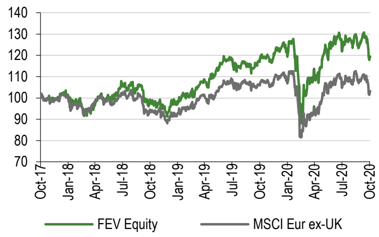
*Including income. As at 30 October 2020.

Yield	2.6%
Ordinary shares in issue	411.5m
Code	FEV
Primary exchange	LSE
AIC sector	Europe

Share price/discount performance



Three-year performance vs index



52-week high/low	273.5p	187.4p
NAV* high/low	296.7p	218.2p

*Including income.

Gearing

Gross market gearing*	8.7%
Net market gearing	7.7%

*As at 30 September 2020.

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Edison profile page

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Exhibit 1: Trust at a glance

Investment objective and fund background

Fidelity European Trust's investment objective is to achieve long-term growth in both capital and income from a portfolio predominantly comprising continental European securities. Up to 20% exposure to stocks listed outside continental Europe is permitted, to give the manager investment flexibility. FEV's performance benchmark is the World Europe ex-UK Index.

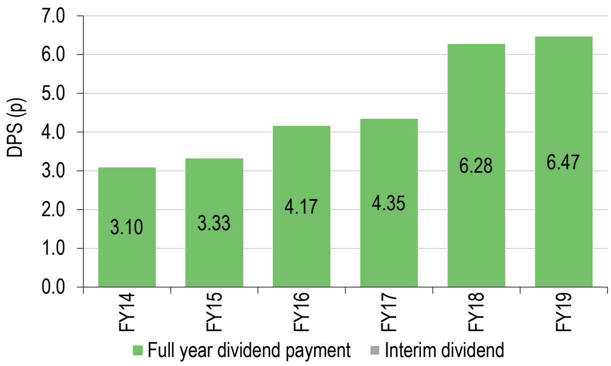
Recent developments

- 1 October 2020: FEV's name changed to Fidelity European Trust from Fidelity European Values. Ticker remains unchanged.
- 4 August 2020: HY20 results – share price TR of +1.7% and NAV TR of +3.0% vs benchmark TR of -1.9%.
- 4 August 2020: Board declared an FY20 interim dividend of 2.6p per share to be paid on 30 October 2020.

Forthcoming		Capital structure		Fund details	
AGM	May 2021	Ongoing charges	0.87%	Group	FIL Investments International
Final results	March 2021	Net market gearing	7.7%	Manager	Sam Morse
Year end	31 December	Annual mgmt fee	Tiered: 0.85% up to £400m net assets, then 0.75%	Address	Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP
Dividend paid	November, May	Performance fee	None		
Launch date	November 1991	Trust life	Indefinite (subject to vote)	Phone	+44 (0)800 414110
Continuation vote	Two-yearly (next 2021)	Loan facilities	None – CFD used	Website	www.fidelity.co.uk/europeanvalues

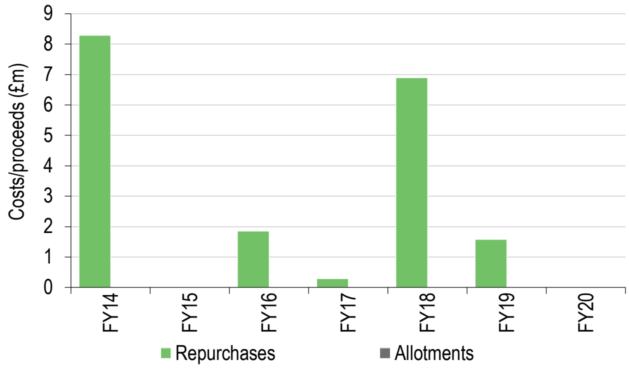
Dividend policy and history (financial years)

Until FY18, FEV paid an annual dividend in May. From FY19, an interim dividend will also be paid in November. FY18 distributable income partly rose due to the shift to a 75:25 allocation of fees and expenses between capital and revenue.

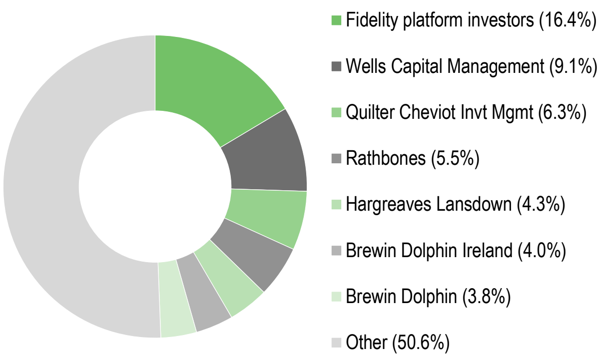


Share buyback policy and history (financial years)

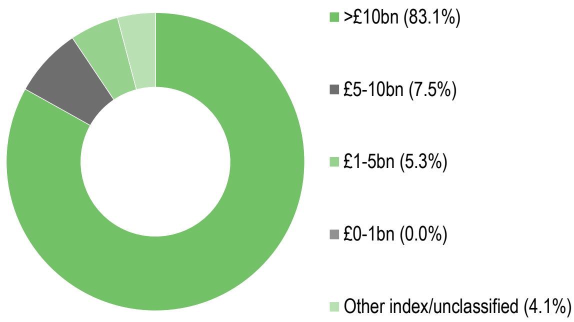
FEV has annually renewed authority to purchase up to 14.99% and allot up to 5% of its issued share capital.



Shareholder base (as at 30 September 2020)



Portfolio exposure by market cap (as at 30 September 2020)



Top 10 holdings (as at 30 September 2020)

Company	Country	Sector	Portfolio weight %		Benchmark weight (%)	Active weight (%)
			30 Sep 2020	30 Sep 2019**	30 Sep 2020	30 Sep 2020
Nestlé	Switzerland	Consumer goods	7.5	7.3	4.8	2.7
Roche Holding	Switzerland	Healthcare	5.3	5.5	3.6	1.7
SAP	Germany	Technology	4.7	4.1	2.5	2.2
LVMH	France	Consumer goods	4.1	3.8	1.7	2.4
ASML Holding	Netherlands	Technology	3.9	3.6	2.1	1.8
Sanofi	France	Healthcare	3.7	3.6	1.6	2.1
L'Oréal	France	Consumer goods	3.5	3.2	1.1	2.4
Novo Nordisk	Denmark	Healthcare	3.4	N/A	1.6	1.8
Enel	Italy	Utilities	3.2	N/A	1.0	2.2
Swedish Match	Sweden	Consumer goods	3.1	N/A	0.2	2.9
Top 10 (% of holdings)			**42.3**	**41.0**		

Source: FEV, Edison Investment Research, Bloomberg, Morningstar. Note: *Gearing net of short positions. **N/A where not in end-September 2019 top 10.

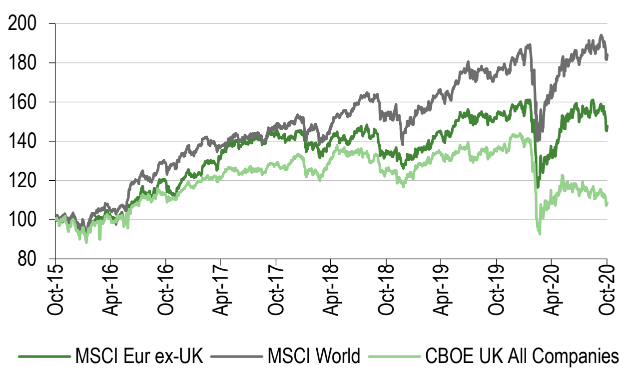
Market outlook: European equities relatively attractive

The eurozone economy contracted by 12.1% in Q220, the largest quarterly decline on record. However, restrictions on economic activity and movement are lifting, albeit it at an erratic pace, and the consensus seems to be that the worst is over for the regional economy. The latest economic indicators seem to confirm this. The eurozone's purchasing managers index (PMI) has been above 50 for several months and continues to improve, suggesting future growth. This expectation is supported by a recovery in export orders, which should feed through to a further expansion in industrial activity in coming months. September employment data showed job shedding is slowing. The European economy will also be bolstered by a recovery fund worth €750bn agreed by EU leaders in July. The package will be funded by debt underwritten jointly by EU governments, a decision that was welcomed by the market as a significant step in the direction of great fiscal integration across the union. Businesses can also expect an extended period of monetary policy support from the European Central Bank.

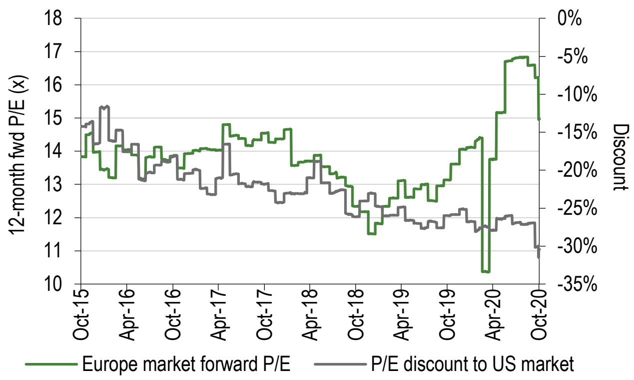
Against this backdrop, after falling sharply in Q120, European equity markets recovered much of this lost ground in Q220 and have since traded more-or-less sideways as the favourable effect of improving economic data and better-than-expected corporate earnings is being offset by concerns about rising COVID-19 case numbers. European equities have lagged US markets and valuations now appear attractive on several measures. The Datastream Europe index's forward P/E multiple of 15.0x, while higher than it has been over the past five years, still constitutes a sharply widening discount of 32% compared to the US market (Exhibit 2). In addition, on a price-to-book basis, Europe continues to trade near historic lows versus the US. These and other valuation metrics suggest that investors seeking exposure to European equities and diversification away from the UK may find particular value at current market levels.

Exhibit 2: Market performance and valuation

European equities performance vs world and UK indices (£ terms)



DS-Europe market forward P/E multiple vs DS-US market over five years



Source: Refinitiv, Edison Investment Research. Note: Valuation data as at 15 October 2020.

Fund profile: Focused European equity portfolio

With effect from 1 October 2020, Fidelity European Values changed its name to Fidelity European Trust. This is intended to align the trust's name more closely with its objective and to avoid confusion with value products. Its ticker, FEV, remains unchanged.

The trust aims to be the cornerstone long-term investment of choice for investors seeking European exposure across market cycles. Its objective is to achieve long-term growth in both capital and income from a portfolio of mainly continental European equities and their related securities. The managers may also invest in other transferrable securities, investment companies, money market instruments, cash and deposits, and they can use derivatives for efficient portfolio management and to gain additional market exposure (see Capital structure and fees section). The managers aim to outperform the broad European market by 1–2pp pa after fees, over the long term, and to outperform FEV's peers.

FEV is the largest LSE-listed trust focused on continental Europe and has a track record stretching back almost 30 years. Its manager, Sam Morse, has more than 27 years' investment experience and also manages Fidelity's open-ended European Fund. Marcel Stötzel was recently appointed as co-manager alongside Morse. Stötzel has worked closely with Morse for several years. He has extensive experience of European companies as an analyst and investor and his appointment is expected to strengthen the investment approach by introducing a second opinion to the decision-making process and increasing the team's ability to meet more companies. Morse has no plans to retire but the board views succession planning as an important aspect of its ongoing responsibilities to shareholders.

The fund managers: Sam Morse and Marcel Stötzel

The managers' view: Opportunities abound despite economy

FEV's managers Morse and Stötzel expect Europe's economic recovery to be spasmodic, subdued and protracted, as governments try to balance health risks with the economic costs of persistent restrictions on commercial and social activities. They believe that aggressive government stimulus and central bank support only defers, rather than removes, the risks to the real economy, so underlying demand is probably weaker than it appears. The managers also note that many companies they speak to report that greater than usual uncertainty about the economic outlook is leading business managers to cut capital expenditure and discretionary spending. Morse and Stötzel expect such uncertainty and downward pressure on demand to continue until a vaccine is widely available. They see the coming months as being further complicated by a particularly divisive US presidential election and by the Brexit endgame, both of which have the potential 'to create moments of panic or relief' and associated volatility. However, the managers note that less than 5% of European companies' sales are to the UK, so the prospect of a non-deal Brexit is of limited importance for the region.

Looking further ahead, Morse and Stötzel note that the eurozone economy also faces several structural challenges, which represent potential risks over the medium term. Foremost on their minds is the high level of government debt, which they expect to become an increasing focus for investors. Little progress has been made on this front since the eurozone crisis of 2008 and the EU's recent efforts to support the regional economy will only exacerbate the problem. The managers are monitoring Italy's debt levels particularly closely, and have reduced exposure to Italian banks, as they fear the country's over-extended fiscal position may be the potential trigger for the next eurozone sovereign debt crisis.

However, Morse and Stötzel are keen to stress that the fortunes of European companies do not align directly with the outlook for the European economy. 'Equity returns are driven by real dividend growth, not by economic growth, and we can be selective in the companies we hold' says Morse. 'Whatever its near-term and longer-term challenges, the European Union is the world's second largest economy and home to some of the strongest, most stable and resilient companies in the world and we aim to capture the opportunities this offers, across a range of countries and sectors' he adds. In fact, Morse believes that the coronavirus crisis has spawned many more attractive stock-picking opportunities. 'Europe is a 'diverse hunting ground, with many best-in-class global companies offering good growth and varied revenue streams. These companies may find themselves marginalised by near-term concerns associated with the pandemic, but this creates opportunities for long-term investors such as FEV to benefit as such stocks re-rate over time' he says. With this in mind, Morse and Stötzel intend to stay fully invested and to use gearing to further exploit such opportunities as they emerge.

Asset allocation

Investment process: Seeking growth in capital and income

FEV's managers follow a consistent bottom-up stock selection investment approach, with the aim of building a portfolio of 40–50 attractively valued companies, which show good long-term structural growth prospects and scope to grow their dividends over a three- to five-year horizon. These are the companies that the managers believe have limited downside risk and are likely to outperform over time as the market recognises their growth potential and re-rates their share prices.

When researching companies, FEV's managers are able to draw on the extensive research capabilities of Fidelity's 40-strong team of pan-European analysts, who base their analysis and investment ideas on company meetings. The managers' three principles of investing are:

- **Bottom-up** – stock selection with a focus on dividend growth;
- **Long-term** – a long-term view improves performance and reduces costs; and
- **Cautious** – a focus on managing downside risk creates a strong foundation for long-term performance.

Once Morse and Stötzel identify a stock as potentially suitable for inclusion in the portfolio, a more detailed evaluation is conducted, which ideally allows the managers to define three specific reasons to invest: two relating to fundamentals and one to valuation. Specifically, the managers look for companies with the following main characteristics:

- **Positive fundamentals** – structural growth prospects, disciplined use of capital, proven business models;
- **Cash generative** – often a good indication of future dividend growth;
- **Strong balance sheet** – ensures ability to grow dividends is not jeopardised; and
- **Attractive valuation** – good quality at a discount to analysts' assessment of a stock's intrinsic value.

The managers maintain a 'three reasons sheet' on each stock held, which is revisited regularly to ensure the investment thesis still holds true and valuations are attractive. As a further level of scrutiny, portfolio stocks are ranked using a prospective total shareholder return (TSR) analysis and relative weightings are determined accordingly, with the best prospects allocated a higher weighting. The TSR analysis incorporates medium-term earnings growth prospects, dividend yield and potential for re-rating/de-rating, as well as liquidity, volatility, downside risk and Fidelity's in-house analyst rating. Stocks are sold when they no longer meet the investment criteria, usually when fundamentals or dividend prospects deteriorate or when valuations become less attractive.

FEV typically focuses on larger companies, although the manager is not limited by size, sector or geographical constraints. However, sectoral exposures are usually maintained within 'tramlines' of ±5% of benchmark weightings and certain investment restrictions are applied to ensure that risk is well-diversified:

- A maximum of 20% of gross assets may be invested in companies outside Europe and European countries, which are not included in the benchmark. This includes UK companies and up to 5% of gross assets invested in non-European stocks where these stocks have some exposure to Europe.
- Up to 10% of gross assets may also be invested in other transferrable securities, investment companies, money market instruments, cash and deposits.
- A maximum of 10% of gross assets may be invested in any one company at the time of acquisition.

- A maximum of 5% may be held in unlisted securities in aggregate.

The trust's normal policy is the be geared, up to a maximum level of 30% of total net assets, through the use of contracts for differences (CFDs) to obtain exposure to particular securities. This approach is based on the view that long-term investment returns should exceed the cost of gearing. In addition to the use of derivatives as a form of gearing, the managers may also utilise them to hedge equity market risks, to enhance portfolio income by writing call and put options and to boost investment returns by taking short positions on stocks the managers believe are overvalued. Gross short exposure is restricted to 10% of net assets.

Morse and Stötzel concentrate on European businesses that grow their dividends consistently, irrespective of the economic environment, as they believe these companies will outperform the market over the longer term. This focus on dividends has become even more critical since the onset of the coronavirus crisis, when many European companies responded to criticism from EU regulators and politicians by cutting or suspending dividend payments, even in some cases where such cuts were not merited by fundamentals. However, the managers believe that after months of uncertainty, dividend expectations are now becoming clearer. They estimate that over 60% of FEV's holdings are likely to growth their dividend payments over the coming year, while around 20% are expected to cut by more than 25%. In light of this, their strategy is to continue to treat each company held on a case-by-case basis, with attention on valuations, while staying cautious on those companies that are reducing dividends.

Current portfolio positioning

FEV's annual turnover is usually kept to around 20–30%, to minimise transaction costs. Approximately 70% of the companies currently held were in the portfolio five years ago. These longstanding positions include names such as food producer Nestlé, which is the portfolio's largest holding (see Exhibit 1), pharmaceutical manufacturer Novo Nordisk, also among FEV's top 10 holdings, and 3i Group, a UK private equity company that has implemented a successful turnaround and maintained attractive dividend payments. However, the managers have been more active in recent months due to the unusual market conditions and resulting investment opportunities.

Acquisitions in the six months to end-August 2020 include Enel, an Italian utility company, now a top 10 holding that the managers expect to benefit from continued growth of renewable energy, SIG Combibloc, a Swiss packaging company, and Zurich Insurance. Positions in 3i Group and Legrand, a French electrical devices manufacturer, have been increased. The managers have not made any outright sales since the onset of the pandemic, but positions in several companies have been reduced, including some profit-taking on FEV's holding in Swedish Match, a supplier of tobacco products, which has seen a strong performance due to the success of its nicotine patches. A holding in Italian bank Intesa Sanpaolo was reduced due to poor performance. The managers also have concerns about the Italian government's debt levels and about the adverse impact of low interest rates on banks' ability to generate interest income. Low rates were also a factor in the sale of Norwegian bank DNB, while a deterioration in fundamentals motivated a reduction in the position in Andritz, an Austrian plant and equipment supplier. An exposure to German dialysis company Fresenius Medical Care was trimmed due to concerns about the risks posed by inflation in healthcare and staff costs.

At the end of September 2020, FEV's top 10 holdings comprised 42.3% of the portfolio, up slightly from September 2019, with most of the positions common to both periods. The trust has a bias towards larger-cap stocks (Exhibit 1) and is broadly diversified by sector and geography, as illustrated in Exhibits 3 and 4. The managers are particularly attracted to financials, a sector that is presently out of fashion but in their view offers lots of opportunities and attractive valuations. While they have been reducing exposure to banks, they have increased positions to insurance companies and other financial companies, including via the acquisition of Zurich Insurance. The managers believe this company has a good business model and performance has improved under the current management team. Unlike many of its peers, Zurich Insurance has also maintained dividend payments and its bond exposure has been helped by the US Federal Reserve's support for bond markets. As well as exposure to insurance companies, FEV has positions in private equity companies 3i, EQT and Partners Group and in Deutsche Börse. Approximately 50% of the portfolio is invested in core eurozone countries, which represents a modest underweight. It is overweight Switzerland and underweight to Sweden and has a 4% out-of-index exposure to the UK.

FEV presently has net market gearing of 7.7% but Morse and Stötzel have indicated their inclination to increase gearing to allow them to take advantage of opportunities as they arise. They closed all short positions at the bottom of the market and have since re-opened one short position in an unspecified company in the travel and leisure sector that they view as too financially weak to cope with the structural pressures faced by this industry.

Exhibit 3: Portfolio breakdown by sector

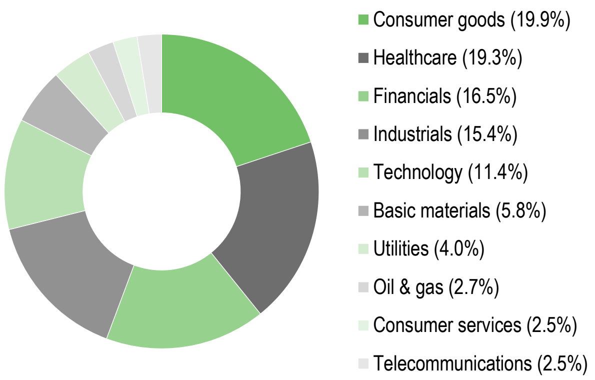
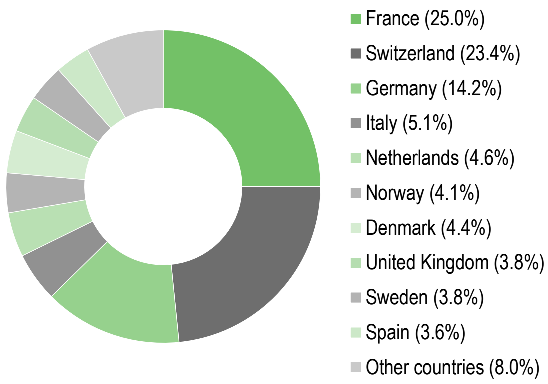


Exhibit 4: Portfolio breakdown by geography



Source: FEV, Edison Investment Research. Note: Data at 30 September 2020.

Performance: Outperformance over near and long term

Exhibit 5: Five-year discrete performance data

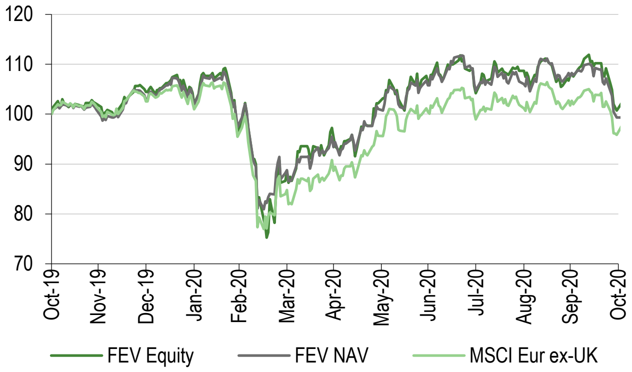
12 months ending	Share price (%)	NAV (%)	MSCI Europe ex-UK (%)	MSCI World (%)	CBOE UK All-Cos (%)
31/10/16	11.5	21.3	19.6	28.8	12.8
31/10/17	26.4	18.8	19.7	13.5	13.6
31/10/18	(0.8)	0.8	(5.4)	5.7	(1.6)
31/10/19	17.9	14.1	11.9	11.9	6.9
31/10/20	0.7	(0.7)	(4.2)	5.0	(20.2)

Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

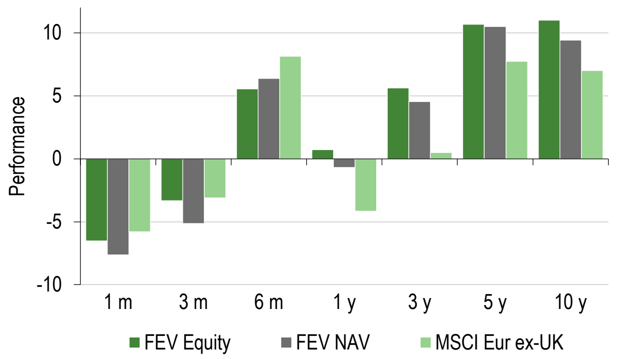
FEV has delivered solid absolute performance in the six months ended 31 October 2020 and over the long term. Total returns in the six months to end October 2020 were 5.6% on a share price basis and 6.4% in NAV terms. This compared with a benchmark return of 8.1%. However, the trust has outperformed the European market decisively over one, three, five and 10 years (Exhibit 6). Annualised total returns over the past 10 years were 11.0% on a share price basis and 9.4% on an NAV basis, compared to the market return of 7.0%. As illustrated in Exhibit 7, the trust has also outperformed the UK market over six months and over one, three, five and 10 years, which serves as a reminder to UK investors of the potential benefits of diversification away from their home market.

Exhibit 6: Investment trust performance to 31 October 2020

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

Exhibit 7: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to MSCI Eur ex-UK	(0.8)	(0.3)	(2.4)	5.1	16.1	14.3	44.3
NAV relative to MSCI Eur ex-UK	(2.0)	(2.1)	(1.6)	3.6	12.6	13.5	25.0
Price relative to MSCI World	(3.6)	(4.7)	(4.1)	(4.1)	(5.2)	(8.6)	(5.2)
NAV relative to MSCI World	(4.7)	(6.5)	(3.4)	(5.4)	(8.0)	(9.3)	(17.8)
Price relative to CBOE UK All Companies	(2.5)	0.8	8.9	26.2	40.3	54.3	86.2
NAV relative to CBOE UK All Companies	(3.7)	(1.1)	9.7	24.5	36.1	53.1	61.3

Source: Refinitiv, Edison Investment Research. Note: Data to end-October 2020. Geometric calculation.

FEV's performance is due mainly to stock selection. The main contributors to returns over the six months to end August 2020 included overweight exposures to materials companies Symrise and Linde and several top 10 holdings – SAP, a German IT company, ASML Holding, a Dutch technology company, L'Oréal, a French cosmetics producer and Swedish Match. Underweight positions in Spanish bank Banco Santander and French aircraft manufacturer Airbus also assisted returns over this period. These gains more than offset the adverse impact of overweight exposures to Spanish healthcare company Grifols, and several banks including Intesa Sanpaolo, which has since been reduced. An underweight position in German industrial company Siemens also detracted. The trust's performance was also assisted by the weakness of sterling against the euro.

Exhibit 8: NAV total return performance relative to benchmark over 10 years

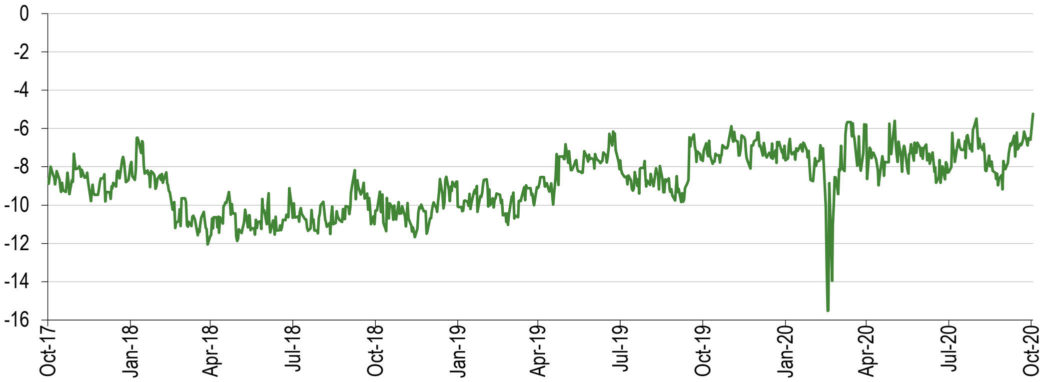
Source: Refinitiv, Edison Investment Research

Discount: Now at the narrow end of established range

Like many other investment trusts, FEV saw its discount to NAV widen sharply and briefly during Q120's market sell-off. It reached its three-year widest point of 15.5% on 18 March 2020. However, since then, the discount has narrowed and FEV's current discount to cum-income NAV stands at 5.2%, compared with average discounts of 7.4%, 8.8%, 9.3% and 10.2% over the past one, three, five and 10 years respectively (Exhibit 9).

FEV's board operates an active discount management policy, with the primary purpose of reducing discount volatility and maintaining the discount in single digits in normal market conditions. It notes that buying shares at a discount also enhances NAV per share. However, the board has not repurchased any shares during the current financial year.

Exhibit 9: Share price discount to NAV (including income) over three years (%)



Source: Refinitiv, Edison Investment Research

Capital structure and fees

FEV currently has 411.5m shares in issue. The board has authority, renewed annually, to repurchase up to 14.99% and allot up to 5% of FEV's outstanding shares with a view to managing the discount to NAV. However, buybacks have been modest in recent years. In FY19 the board purchased c 0.7m shares and so far in FY20, it has not made any repurchases, and no shares have been issued in the past 11 years (Exhibit 1).

Gearing of up to 30% is permitted, and gross short exposure is restricted to 10% of net assets, although the managers use this facility conservatively. Gross market gearing currently stands at 8.7%, while net market gearing is 7.7%. Single-stock CFDs are used to add gearing and to take short positions, while index futures are also used to add leverage, as well as to hedge short positions and general market risk.

FEV has a tiered management fee structure: 0.85% per annum is payable on net assets up to £400m and 0.75% thereafter. The trust does not pay a performance fee. The ongoing charge for FY19 was 0.87%. Since FY18, management fees and finance costs have been allocated 75:25 between the capital and revenue accounts respectively, broadly reflecting the relative longer-term historical contributions to total returns. Previously these costs were charged entirely to revenue.

FEV is subject to a two-yearly continuity vote. The next vote is due at the 2021 AGM.

Dividend policy and record

FEV's board changed the trust's dividend policy last year. It now pays dividends twice a year in order to smooth payments for the reporting year. For the financial year ended 31 December 2019, the trust paid an interim dividend of 2.59p per share on 1 November 2019 and a final dividend of 3.88p per share on 15 May 2020, taking the total dividend payment for FY19 to 6.47p per share. This represents a 3.0% increase on the annual dividend payment of 6.28p per share for FY18 (see

Exhibit 1) and maintains the trend of annually increasing dividends established in FY10. On 4 August 2020, the board declared an interim dividend for FY20 of 2.60p per share which is 0.4% higher than the 2.59p per share paid as an interim dividend in 2019. The FY20 interim dividend was paid on 30 October 2020.

The board's policy is to continue to progressively increase dividend payments in normal circumstances. To help achieve this aim, in recent years the board has been gradually augmenting revenue reserves by retaining a minor proportion of earnings from year to year, to partially fund increased dividend payouts, even when portfolio income declines. In FY19, the dividend of 6.47p per share was paid from earnings of 7.00p per share, a retention rate of 7.5%. As at 30 June 2020, revenue reserves stood at £29.6m, sufficient to cover more than a year's dividends payment.

Despite the coronavirus crisis, which has seen many companies cut or cancel dividend payments, the board has stated that it intends to continue to pay nominal increases in total annual dividends, utilising reserves where necessary. The board has also indicated that once the current crisis is over, should company dividend practices be judged to have changed permanently, rather than temporarily, it will reconsider its dividend paying policy at that time. Based on the current share price, the trust currently yields 2.6%, which is in line with the average of its peers (Exhibit 10).

Peer group comparison

FEV is the largest of eight funds in the AIC Europe sector (Exhibit 10). Its NAV total returns lag average returns within the sector over one year, exceed it over three and five years and lag slightly over 10 years. All members of the peer group are presently trading at a discount and FEV's discount is narrower than the average, ranking third. Its ongoing charge is in line with the average and its net gearing, while relatively modest at 7.7%, is the highest within the peer group. Its dividend yield is in line with the average.

Exhibit 10: AIC Europe sector peer group as at 2 November 2020*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
Fidelity European Trust	1,018.4	(0.8)	14.0	64.8	143.8	(5.2)	0.9	No	108	2.6
Baillie Gifford European Growth	440.1	37.5	28.9	83.3	136.1	(1.4)	0.6	No	104	2.6
BlackRock Greater Europe	371.9	17.3	37.8	98.7	184.7	(3.7)	1.0	No	108	1.4
European Opportunities	733.3	(11.3)	2.0	37.5	181.0	(9.2)	1.0	No	99	0.5
Henderson European Focus	256.6	(0.9)	5.6	50.6	165.3	(13.1)	0.8	No	101	2.6
Henderson Euro	261.6	8.6	18.6	72.6	183.1	(9.0)	0.8	No	102	2.0
JPMorgan European Growth Pool	191.6	(8.2)	(9.7)	31.6	90.0	(14.1)	1.0	No	101	3.4
JPMorgan European Income Pool	97.7	(23.3)	(19.1)	19.8	85.9	(14.9)	1.0	No	105	6.1
Average (8 funds)	**421.4**	**2.4**	**9.8**	**57.4**	**146.2**	**(8.8)**	**0.9**		**103**	**2.7**
Trust rank in sector	**1**	**4**	**4**	**4**	**5**	**3**	**5**		**1**	**3**

Source: Morningstar, Edison Investment Research. Note: *Performance to 30 October 2020 based on ex-par NAV. TR=total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

FEV has five independent non-executive directors. Chairman Vivian Bazalgette joined the board in December 2015 and was appointed chair in May 2016. Senior independent director Marion Sears was appointed in January 2013. Paul Yates was appointed in May 2017 and Fleur Meijs joined in September 2017. After 10 years of service, Dr Robin Niblett stepped down from the board at the AGM in May 2020. His successor, Sir Ivan Rogers, was appointed on 1 January 2020. Rogers is a former British diplomat who has worked closely with both the UK government and EU institutions. He also has experience in the banking sector, where he held senior positions at Citigroup UK and Barclays Capital. Between them, the board members have extensive experience in asset management, investment banking, accountancy and international affairs.

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