European Assets Trust

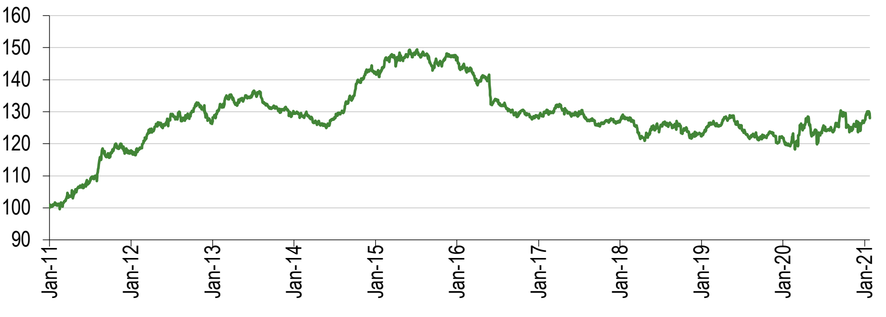
High income and improving performance

Investment trusts
European smaller companies

25 February 2021

European Assets Trust (EAT) seeks to generate long-term capital growth by investing in a concentrated but diverse portfolio of small and medium-sized European companies. The trust has adopted a high distribution policy that pays a dividend of 6% of NAV as at the end of the preceding financial year. Managers Sam Cosh and Lucy Morris used the Q120 market sell-off to improve the quality of the portfolio and these changes are having a favourable impact on EAT's performance. In the six months to end-January 2021, EAT made positive absolute gains, returning 23.7% in NAV terms, and outperformed the benchmark, which returned 22.2%. The trust has consistently outperformed the UK market over the past 10 years.

NAV total return performance relative to benchmark over 10 years



Source: Refinitiv, Edison Investment Research. Note: Total returns in sterling.

Why invest in EAT now?

The European economy was hit hard by the pandemic. However, the IMF forecasts that it will rebound more strongly than other advanced economies and this should benefit EAT's economically sensitive smaller-cap holdings. The trust's portfolio offers a balance between cyclical sectors such as industrials and consumer discretionary, which will do well as the economy recovers, and technology stocks benefiting from structural changes driven by the pandemic.

The analyst's view

The board's commitment to a high dividend pay-out policy, paid quarterly, is likely to attract investors seeking a relatively high and steady income, while Europe's relatively low valuations mean that EAT may also appeal to UK investors looking to diversify away from the UK market. The managers' focus on environmental, social and governance (ESG) considerations when selecting stocks may find favour with investors seeking investments in socially responsible companies.

Improved performance may support tighter discount

EAT's shares are currently trading at a 10.9% discount to cum-income NAV. This is relatively wide compared to historical levels. However, the trust's high dividend pay-out policy, combined with a recent improvement in performance, may help EAT's discount narrow towards its longer-term levels over time.

NOT INTENDED FOR PERSONS IN THE EEA

Price		**119.5p**
Market cap		**£430.3m**
AUM		**£474.4m**

NAV*		134.2p
Discount to NAV		10.9%

*Including income. As at 22 February 2021.

Yield		6.7%
Ordinary shares in issue		360.1m
Code/ISIN		EAT
Primary exchange		LSE
AIC sector		European Smaller Companies
52-week high/low	126.0p	62.4p
NAV* high/low	138.5p	81.3p

*Including income

Gross gearing*	4.8%
Net gearing*	4.8%

*As at 31 January 2021

Fund objective

European Assets Trust was launched as a Dutch company in 1972 and was previously dual listed on the LSE and Euronext Amsterdam exchanges. The trust formally migrated from the Netherlands to the UK on 16 March 2019. It targets capital growth through investment in quoted small- and medium-sized companies in Europe (ex-UK), using the EMIX Smaller Europe ex-UK Index as a benchmark.

Bull points

- A high dividend pay-out policy.
- Solid absolute returns over the short and longer term and outperformance over 10 years.
- European equity markets are attractively priced relative to the world market and European small caps are undervalued versus larger companies.

Bear points

- Portfolio's quality and growth bias means it will lag an aggressive value rally.
- Some holdings have yet to recover from the adverse impact of the pandemic.
- The European economy has been hit relatively hard by the pandemic and the recovery is halting.

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European Assets Trust is a research client of Edison Investment Research Limited

Market outlook: European stocks attractive vs world

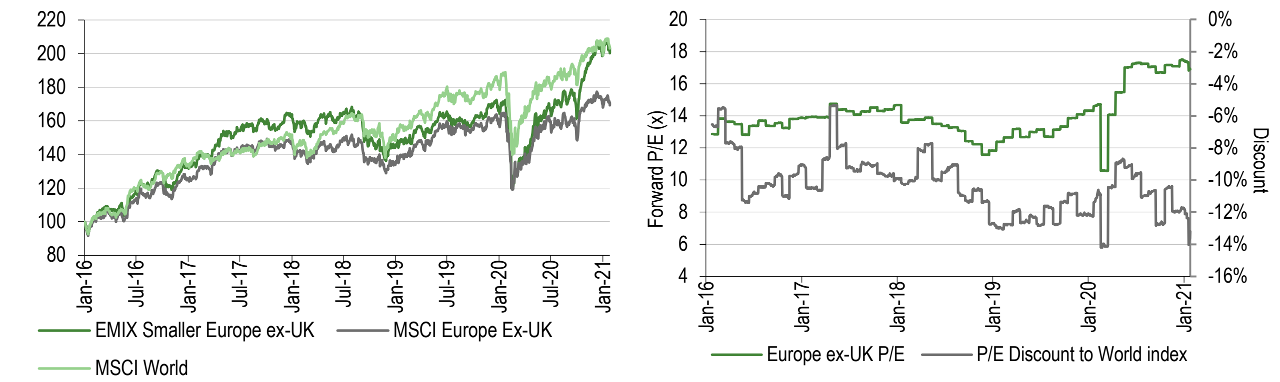
The European economy has been hit relatively hard by the COVID-19 pandemic. The euro-area economy contracted by an estimated 7.2% in 2020, according to the IMF, compared to a contraction of 4.9% in advanced economies as a whole. However, the region is forecast to rebound this year, with projected growth of 4.2% and a further 3.6% expansion in 2022 – a little stronger than the recovery the IMF forecasts for the advanced economies this year and next.

This more upbeat global economic outlook is due to some key developments at the end of last year: the arrival of several viable vaccines and additional, aggressive US stimulus measures from the new Biden administration. These events sparked gains in European and global stock markets and encouraged a significant rotation into value and cyclical stocks in all markets. Nonetheless, the disparity between value and growth stocks remains at its widest in at least a decade – in Europe, as elsewhere – and there is scope for this disparity to narrow further if confidence in the economic outlook continues to improve.

Despite recent gains, European equity markets remain attractively priced on both historical measures and compared to the world market (Exhibit 1). The MSCI Europe Index's forward P/E ratio at end January 2021 was 17.6x, compared to the MSCI World Index's forward P/E of 20.3x, and on a price-to-book valuation, Europe remains at lows vs the US not seen in several decades. Another key feature of European equity markets is that although small-cap European companies have outperformed the broader market recently (Exhibit 1), they are still trading near 20-year lows relative to large-cap companies, on both P/E and price-to-book (P/B) bases. These valuation metrics suggest that European equities offer value at current levels and that the European small-cap space may provide particularly appealing opportunities to invest in good, well-priced but overlooked businesses.

Exhibit 1: Market performance and valuation

Total return performance of Asia-Pacific and UK equities over five years (£) | **Europe ex-UK forward P/E and discount to World Index over five years**



Source: Refinitiv, Edison Investment Research. Note: Valuation data as at 22 February 2021.

The fund managers: Sam Cosh and Lucy Morris

The managers' view: Quality & growth focus, with an eye to risk

EAT's portfolio has always had a quality, growth bias and managers Sam Cosh and Lucy Morris intend to maintain this bias. They stress that they have, in fact, used the opportunities created by the Q120 market turmoil to increase the quality characteristics of the portfolio, at attractive prices. As Exhibit 3 shows, EAT has a better return on equity and stronger growth and balance sheet characteristics than the index.

However, Cosh and Morris are mindful of the current disparity between growth and value stocks and they expect value and cyclical stocks to benefit as the current, nascent economic recovery gathers momentum over the course of 2021 and beyond. They acknowledge that their focus on quality and growth means that the portfolio would lag an aggressive value rally. To address this risk, the portfolio retains some balance, with exposure to three kinds of businesses: companies they believe are 'great businesses', such as Wizz Air, the budget airline, Marr, an Italian food company, and Coor, a Swedish commercial services company, that have yet to recover from last year's economic shock; good-quality cyclicals such as Interpump, a world leader in the production of pumps and hydraulic components, Fluidra, a swimming pool company, and Norma, an industrial components manufacturer; and companies that will benefit from an eventual rise in interest rates, such as Avanza, a Swedish online broker, Storebrand, a Norwegian financial services company, and Ringkjoebing Landbobank and SpareBank. The managers believe this balance, combined with the majority of the portfolio's holdings in enduring quality stocks, means EAT is well-placed to continue to benefit as Europe's economic recovery gains pace.

Asset allocation

Current portfolio positioning

In addition to the acquisitions mentioned above, the managers have sought greater exposure to companies benefiting from the accelerated pace of technological transformation triggered by the pandemic. Acquisitions related to this theme include Nordic Semiconductor, which has proved to be the portfolio's top performer over the year to end December 2020 as its price has tripled on demand for chips. Cosh and Morris have also opened a position in Global Fashion Group, an online fashion retailer operating in emerging markets, where market penetration is low and there is potential for strong growth. The digitalisation of healthcare is another manifestation of this trend and to gain exposure, the managers have purchased Carasant, a small company focused on electronic patient records, an area set to grow rapidly as healthcare moves online. While many healthcare stocks are now expensive, potentially having benefited disproportionately from the crisis, the portfolio still has significant exposure to the sector, focusing on companies where the outlook is not just dependent on crisis-related demand. For example, the managers invested in German diagnostics business Stratec (now a top 10 holding), which is benefiting from the start of a new product cycle. More recent purchases have included ALTEN, a French provider of industrial R&D, with a good track record of organic growth, and Sligo, a market-leading Dutch food company. Sligo sells to the hospitality industry so 2020 was a challenging year, but the managers believe the company used the time well, to integrate some acquisitions and restructure its logistics and cost base. They expect the company to emerge from the pandemic stronger and capable of gaining market share.

Exhibit 2: Top 10 holdings (as at 31 January 2021)

Company	Country	Sector	Portfolio weight %	
			31 Jan 2021	31 Jan 2020
Vidrala	Spain	Glass bottle manufacturer	3.3	4.1
FlatexDEGIRO	Germany	Financial brokerage	3.2	N/A
Gerresheimer	Germany	Pharmaceutical packaging	3.0	3.8
Ringkjoebing Landbobank	Denmark	Regional bank	2.8	3.4
HelloFresh	Germany	Home delivered meal kits	2.8	N/A
Norma	Germany	Technology components	2.6	1.9
Stratec	Germany	Healthcare	2.6	N/A
Wizz Air	UK	Low-cost airline	2.6	3.8
Marel	Iceland	Specialty industrial machinery	2.6	2.4
Marr	Italy	Consumer staples	2.5	2.2
Top 10 (% of holdings)			**28.0**	**36.3**

Source: European Assets Trust. Note: *N/A where not held at end-January 2020.

The managers have also sold or pared some holdings where they believe pandemic-driven gains were fully priced in. As mentioned above, the healthcare sector did especially well during the early months of the pandemic and two of EAT's holdings, DiaSorin, a medical equipment company that has developed a COVID-19 serology, and Tecan, a diagnostic company, were beneficiaries of this trend. Positions in these two businesses were initially reduced by 50%, then closed entirely in Q4, on the view that earnings would struggle to keep up with valuations. The managers also took profits on online broker Avanza, which had also performed strongly. Several poor performers were also sold, including Irish Continental Group, a ferry company, TGS NOPEC, a Norwegian energy equipment company, Lenzing, an Austrian chemicals company, and Aareal, a German regional bank.

Exhibit 3: EAT's sector exposure and portfolio characteristics (as at 31 January 2021*)

(% unless stated)	End Jan 2021	End Jan 2020	Change (pp)	Index	Active weight vs benchmark		EAT	EMIX Smaller European Cos ex-UK
Industrials	23.0	27.5	(4.5)	23.8	(0.9)	Forward P/E (x)	19.1	12.4
Consumer discretionary	18.1	16.2	1.9	10.2	8.1	Dividend yield (%)	1.2	1.9
Technology	17.1	8.4	8.7	9.6	7.8	Weighted avg market cap (£m)	3,160	2,455
Financials	14.1	14.0	0.1	11.5	2.5	Return on equity (%)	13.9	10.8
Consumer staples	9.9	11.4	(1.5)	5.3	4.7	Net debt/equity (%)	20.0	92.6
Healthcare	9.2	13.2	(4.0)	9.3	0.1			
Basic materials	3.2	7.1	(3.9)	8.6	(5.1)			
Real estate	3.1	0.0	3.1	9.8	(6.9)			
Utilities	2.3	0.0	2.3	4.4	(2.1)			
Telecommunications	0.0	0.0	0.0	5.8	(6.4)			
Energy	0.0	2.2	(2.2)	1.7	(1.8)			
Total	**100.0**	**100.0**		**100.0**				

Source: European Assets Trust, Edison Investment Research. Note: *Valuation data as at 31 December 2020.

EAT's top 10 holdings list (Exhibit 2) features several industrial companies, including its top holding, Spanish glass bottle manufacturer Vidrala, along with Norma, a German industrial components company, and Marel, an Icelandic machinery producer. Industrials are also the portfolio's largest sectoral exposure, representing 23.0% of the portfolio and end-January 2021 (Exhibit 3). The managers would like to hold more industrial names, but they are finding idea generation in the sector challenging, with many of the quality industrial businesses trading at excessive valuations. Consumer discretionary is the second largest sectoral position, representing 18.1% at end January, with positions including two top 10 holdings: German food home delivery service HelloFresh and Wizz Air. EAT's second largest holding is in FlatexDEGIRO, a German online broker, and Gerresheimer, a pharmaceutical packaging company, is its third largest. This company performed well throughout the year, although it lagged the value rally in Q420. The managers believe it is well positioned to continue delivering strong operational performance, not least as a result of its large market position in the glass vial market, which is vital to the roll out of the coronavirus vaccine.

Exhibit 4: Portfolio geographic exposure as at 31 January 2021

	Portfolio end-Jan 2021	Portfolio end-Jan 2020	Change (pp)
Germany	27.2	21.2	6.0
Sweden	13.6	13.0	0.6
Norway	10.2	9.3	0.9
Netherlands	8.6	6.8	1.8
Italy	8.3	10.2	(1.9)
Switzerland	8.1	12.1	(4.0)
Denmark	6.3	7.3	(1.0)
France	5.2	2.1	3.1
Spain	5.1	6.2	(1.1)
Iceland	2.6	2.4	0.2
Portugal	1.9	1.7	0.2
Austria	1.5	2.0	(0.5)
Ireland	1.4	5.7	(4.3)
	100.0	**100.0**	

Source: European Assets Trust

Portfolio turnover reached an annualised rate of around 48% during 2020. This unusually high level reflected portfolio activity in the first half of the year, when rare trading opportunities arose as the market sold off at the onset of the crisis. Turnover has since returned to more normal levels of around 20%. However, the managers stress that if market volatility increases, they intend to use it where possible to add more quality businesses that have so far been too highly priced.

Performance: Post pandemic actions are paying off

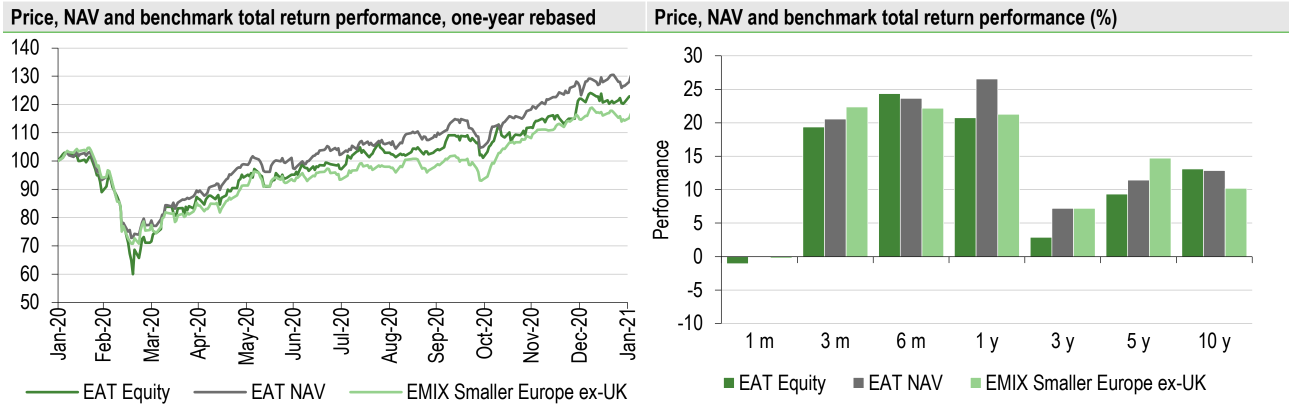
Exhibit 5: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	EMIX Smaller European ex-UK (%)	MSCI Europe Ex-UK (%)	CBOE UK All Cos (%)
31/01/17	9.2	14.9	25.0	24.3	20.9
31/01/18	31.3	21.3	18.2	17.4	11.3
31/01/19	(20.1)	(13.3)	(11.1)	(7.4)	(3.9)
31/01/20	12.9	12.4	9.9	15.6	10.5
31/01/21	20.8	26.6	14.3	7.5	(8.6)

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

Portfolio changes made since the onset of the pandemic are having a favourable impact on EAT's performance. In the six months to end January, EAT made positive absolute gains, returning 24.4% in share price terms and 23.7% in net asset value (NAV) terms (Exhibit 6, RHS), and it slightly outperformed its benchmark, the EMIX Smaller Europe ex-UK index, which returned 22.2%. The trust's longer-term performance has also been solid in absolute and relative terms. It has delivered outright gains over all periods shown in Exhibit 6, beyond one month, and although its performance has been mixed against its benchmark and the MSCI Europe ex-UK over one, three and five years, it has outperformed both indices over 10 years (Exhibit 7). It has also outperformed the UK market consistently, which illustrates the potential benefits for UK investors of diversification away from the UK market.

Exhibit 6: EAT's performance to 31 January 2021



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

EAT's returns over the 12 months to end-December 2020 have been driven exclusively by stock selection. The main contributors to performance during 2020 included Nordic Semiconductors, as mentioned above, and healthcare companies DiaSorin and Tecan Group (both of which were sold in Q420). Norma also added to returns, as did FlatexDEGIRO, a German broker that has benefited from the recent rise in retail investor activity. Fluidra, a Spanish pool company, has seen excellent results as property owners confined at home due to coronavirus restrictions have installed pools to improve their home environment. Fluidra is a global market leader in its field and has positioned itself to expand its market share following a recent merger with a US company. The contributions to performance from these and other holdings over the 12 months to end-December 2020 were only partially offset by the adverse performance impact of CANCOM, a German information technology services company, Marr and JustEat, a food delivery service. However, the managers believe that these three companies will eventually realise their potential, so these positions have been maintained. Other detractors such as TGS NOPEC, Irish Continental Group and Aareal have since been sold.

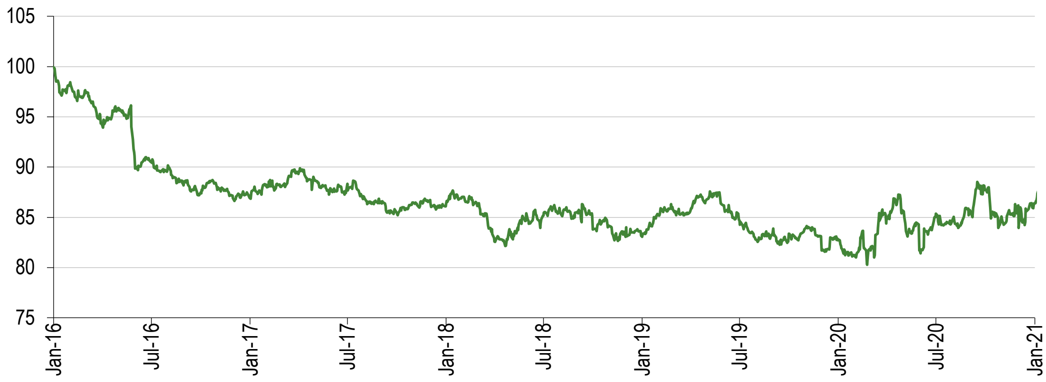
More recently, EAT's performance was flat in NAV terms in January 2021. Its technology and e-commerce holdings were supportive – ASM International, a Dutch semiconductor equipment provider, Global Fashion Group and HelloFresh, all began 2021 well. However, these gains were offset by a decline in its position in Coor, the Swedish commercial services company, which was hurt by what the managers believe was an excessively adverse reaction to news of a large contract loss. Coor maintains that its contract pipeline is strong, and Cosh and Morris have opted to continue holding this position pending the release of the company's full-year results.

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 EMIX Smaller Europe ex-UK	(0.8)	(2.5)	1.8	(0.4)	(11.6)	(21.5)	29.6
NAV relative to EMIX Smaller Europe ex-UK	0.2	(1.5)	1.2	4.3	0.1	(13.6)	27.2
Price relative to MSCI Europe Ex-UK	1.2	5.5	13.4	12.4	(5.3)	(7.0)	59.9
NAV relative to MSCI Europe Ex-UK	2.3	6.5	12.8	17.8	7.2	2.3	56.9
Price relative to CBOE UK All Companies	(0.1)	2.5	11.3	32.1	12.3	19.7	100.6
NAV relative to CBOE UK All Companies	1.0	3.5	10.7	38.5	27.1	31.6	96.8

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

Exhibit 8: NAV performance versus benchmark over five years



Source: Refinitiv, Edison Investment Research

Peer group comparison

EAT is a member of the AIC European Smaller Companies sector, which consists of four funds, shown in Exhibit 9. While all members of this sector target capital growth, EAT is the only trust committed to a high dividend distribution policy. Its performance ranks third over one year, which is an improvement on its fourth place ranking in August 2020. Its rankings of third over three years and fourth over five years are unchanged since August 2020. The trust's dividend yield is significantly higher than any of its peers. This helps support its discount to cum-fair NAV, where it ranks second among its peers. EAT's ongoing fees are the second lowest in its sector and like most of its peers, it does not pay a performance fee. Its net gearing is the highest among its peers.

Exhibit 9: Selected peer group as at 23 February 2021*

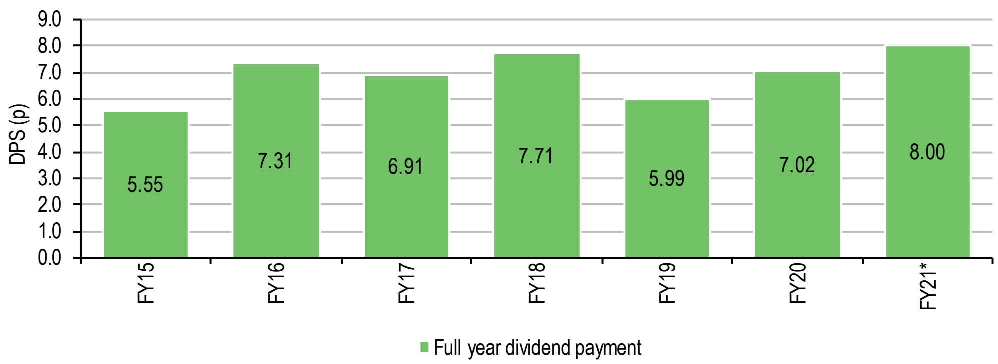
% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf fee	Net gearing	Dividend yield
European Assets Ord	430.3	28.4	29.5	83.2	248.0	(10.9)	1.0	No	105.0	6.7
JPMorgan European Smaller Comp Ord	724.0	17.8	21.4	93.9	199.4	(12.6)	1.1	No	100	1.5
Montanaro European Smaller Ord	286.7	38.1	87.4	187.5	271.4	1.6	1.2	No	100	0.6
TR European Growth Ord	643.9	40.4	31.4	139.5	250.4	(11.7)	0.7	Yes	108	1.7
Simple average	**521.2**	**31.2**	**42.4**	**126.1**	**242.3**	**(8.4)**	**1.0**		**103**	**2.6**
EAT rank in sector	**3**	**3**	**3**	**4**	**3**	**2**	**2**		**2**	**1**

Source: Morningstar, Edison Investment Research. Note: *Performance as at 22 February 2021 based on ex-par NAV. TR = total return. TER = total expense ratio. Net gearing is total assets less cash and equivalents as a percentage of net assets.

Dividends

EAT's board is committed to a high dividend distribution policy, paying an annual dividend of 6% of NAV as at the end of the preceding financial year. This can be funded from both income and distributable reserves. The annual total dividend is declared in January each year. For FY21, the board announced an 8.00p per share payment, which represents a 14.0% increase on FY20. The first quarterly instalment of 2.00p per share was paid on 29 January 2021 and the remaining three quarterly instalments of 2.00p per share will be paid in April, July and October. Beginning in FY20, dividends have been paid in sterling, rather than euros, which had been the previous practice before the trust's migration to the UK. At the current share price, EAT's prospective dividend yield for FY21 is 6.7%, comfortably more than double the average of its peers.

Exhibit 10: Dividend history since FY15



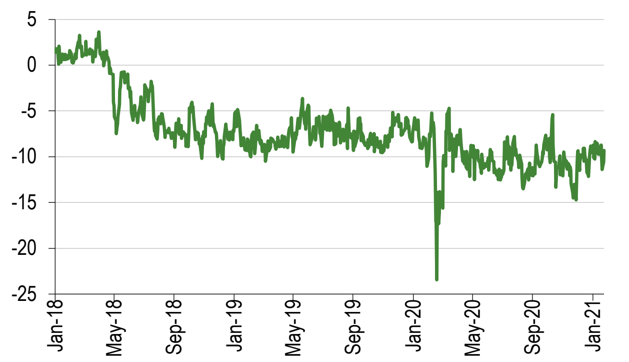
Source: European Assets Trust, Edison Investment Research. Note: *Prospective dividend for FY21.

Discount: Scope to narrow as performance picks up

The market turbulence triggered by the pandemic meant Q120 was a volatile time for EAT's share price, as it was for most UK investment trusts. The share price discount to cum-income NAV widened sharply for a brief period in March 2020 (Exhibit 11) but has since returned to its short-term trading range around 10%. EAT's shares are currently trading at a discount of 10.9%. However, this is relatively wide by historical standards, as the trust's average discount has been 7.2% over three years, 5.1% over five years and 4.7% over 10 years.

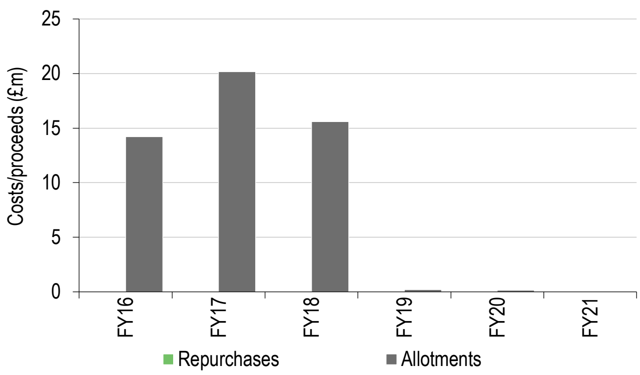
EAT's board is committed to managing the discount and has the authority to influence the demand and supply balance by share issuance and buybacks. However, share issuance has been very modest in recent years and the board has not conducted any buybacks in the past decade. The board believes that the migration of the trust to the UK in March 2019 has broadened its investor base, and this, combined with the high dividend pay-out policy, the April 2020 fee reduction and its recently improved performance, may help EAT's discount narrow back towards its longer-term average over time.

Exhibit 11: Discount over three years



Source: Refinitiv, Edison Investment Research

Exhibit 12: Buybacks and issuance



Source: Morningstar, Edison Investment Research

Fund profile: Committed to growth and high income

EAT targets capital growth through investment in quoted small- and medium-sized European companies. Its benchmark is the EMIX European Smaller Companies ex-UK Index. The fund is managed by Sam Cosh (lead manager) and Lucy Morris, who believe that smaller companies are often under-researched and thus possibly also undervalued, with scope for potentially significant outperformance over time. They follow a systematic, bottom-up, patient investment approach, which results in a relatively concentrated yet diversified portfolio typically of 40–50 holdings.

The trust was launched in 1972 as a Dutch company and until March 2019, its shares were dual-listed on the Amsterdam and London stock exchanges. In March 2019 the board completed a migration of the fund to the UK. EAT now has a premium listing on the London Stock Exchange. This move to the UK was motivated by many considerations, including the fact that a large majority of the trust's shareholders are UK residents and that it would also create the potential, recently realised, to reduce ongoing charges (see Fees and charges section on page 9).

Investment process: Opportunities, at the right price

Cosh and Morris seek high-quality companies, which they define as those with sound business models, high margins and returns and very strong balance sheets, with scope to deliver strong cash flows and superior returns over many years, even in difficult environments. An assessment of the strength of a company's competitive advantages is also essential to their selection process, as the managers look to invest in 'structural winners', rather than cyclical growth or value.

The managers adopt a well-established, bottom-up, fundamental analysis approach and are supported by BMO Global Asset Management's well-resourced small-cap and global equities teams. They produce detailed analysis of each potential investment, including valuation targets and sell triggers. Cosh and Morris's approach is benchmark agnostic and they are happy to adopt a contrarian stance when a business satisfies their investment criteria.

Although the managers' focus is on quality, they believe that valuation is an important driver of returns. They are disciplined about adopting or adding to positions only at the right price. They look for companies that trade at a substantial discount to their intrinsic value. Companies that meet EAT's investment criteria but are not trading at acceptable valuations are placed on a 'patient fisherman' watchlist of stocks, awaiting a better price entry point. Although EAT purchased several names from its watchlist during 2020, the list continues to evolve with the addition of new companies.

EAT's approach to ESG

EAT's managers believe that solid environmental, social and governance (ESG) credentials are essential if a business is to succeed over the long term. Considerations regarding the sustainability of a company's production process, its carbon footprint, and its treatment of its suppliers, employees and customers are thus integral to EAT's investment process. The managers are supported in this regard by input from BMO Global Asset Management's large and experienced Responsible Investment (RI) team. This team uses a scoring system which is developed using input from several external sources, such as MSCI and the Institutional Shareholder Services Group (ISS), but adapted by the RI team to take account of the most relevant factors. The trust's holdings are not selected from a screened list, but the outcome of the scoring is accounted for both in the investment thesis for each company and in the managers' conservative assessment of the intrinsic value of each company's shares. Alongside this, during meetings, the managers engage with companies on ESG and sustainability matters and liaise with the RI team on further steps to be taken as a result of these engagements.

Cosh and Morris cite several portfolio holdings as examples of their focus on environmental issues, including Swiss food and beverage packaging company SIG Combibloc, which is Tetra Pak's main competitor. SIG produces a range of environmentally friendly products, some of which allow food and drinks to be stored without refrigeration. The company also offers incentives for consumers to return packaging for recycling. Vidrala, another food packaging company and EAT's top holding, uses recycled glass to replace plastic. While this is a more energy-intensive process, the company is investigating the use of electric furnaces to reduce energy use. Fluidra, a Spanish swimming pool parts and maintenance company, designs its products to minimise water use and wastage. EAT's managers believe the efforts of these companies deserve greater recognition and they encourage them to be more vocal about their good environmental credentials, to inspire others to follow suit.

Gearing

EAT has scope to borrow up to 20% of NAV, although historically, its use of gearing has been cautious. The managers began increasing gearing modestly in October 2020 to raise the portfolio's exposure to the market's recovery. Gearing peaked at 6% in November, although by end January 2021, net portfolio gearing had fallen to 4.8%. However, the managers have indicated that they may increase gearing in the future, depending on available opportunities and market conditions.

The trust has a €45m loan facility with the Royal Bank of Scotland International.

Fees and charges

On 1 April 2020, the annual management fee received by BMO Global Asset Management was reduced to 0.75%, up to €400m of assets under management (AUM), and 0.60% on assets above this level. Previously, the manager received a fee equal to 0.80% of AUM, falling to 0.65% for funds in excess of €500m. Estimated ongoing charges for the year ending December 2020 are 0.95%.

Capital structure

Following the migration of EAT from the Netherlands to the UK in March 2019, the trust now has only one share class. As at 12 February 2021, there were 360.1m shares in issue. Historically, demand for EAT's shares has been solid and the board has issued new shares to meet investor demand, although in the fiscal year ended December 2020, new share issuance amounted to only 0.2m, up only slightly from the previous year. No shares have been issued so far in FY21.

In March 2020, the board announced that with effect from the reporting period starting 1 January 2020, the reporting currency would change from euro to sterling and that all future financial statements would be presented in sterling. The board anticipates that this change will improve the clarity of the trust's financial statements for its shareholders, the overwhelming majority of whom are located in the UK.

The board

Exhibit 13: EAT's board of directors

Board member	Date of appointment	Fees in FY19	Shareholdings at end-FY19
Jack Perry (chairman)	April 2014	£49,900	61,353
Stuart Paterson (audit cttee chair)	July 2019	£15,090	65,000
Julia Bond (remuneration cttee chair)	March 2014	£39,000	65,030
Laurence Jacquot	May 2011	£34,000	25,000
Martin Breuer	November 2015	£34,000	55,000

Source: European Assets Trust

As part of the board's plan to ensure an orderly succession as directors retire, in January 2021, the board announced that Pui Kei Yuen will be appointed to the board with effect from 26 February 2021. Ms Yuen has more than 20 years' experience in asset management and investment banking. She will replace Laurence Jacquot, who will retire at the forthcoming AGM.

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