

August 2010



Paras Anand
Fund Manager

Trust aims

To achieve growth of capital through investment in quoted medium-sized companies in Europe, excluding the United Kingdom. A high distribution policy has been adopted and dividends have been paid mainly out of capital reserves.

Trust highlights

- Diversified portfolio of small to mid-cap growth businesses across Continental Europe.
- This area of the market is less well researched, allowing value to be added from stock selection.
- Admission of new Euro member countries will boost economic dynamism.

Benchmark

HSBC Europe (ex-UK) Smaller Companies Index

Average annual return

Average annual return figure over 5 years 1.97%

Key details

Fund Type	Investment Trust
Launch Date	1972
Total assets	£90.7 million
Share price	537.00p
NAV	600.18p
Discount/Premium(-/+)	-10.5%
Dividend Payment Dates	Jan, May, Aug
Net dividend yield	6.7%
Actual gearing*	103.0
Management fee rate**	0.80%
Total expenses	1.77%
Year end	31 December
Sector	European Smaller Companies
Currency	Euros
Website	www.europeanassets.eu

Standardised performance

	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
Fund	11.9%	-21.6%	-27.0%	35.2%	27.3%

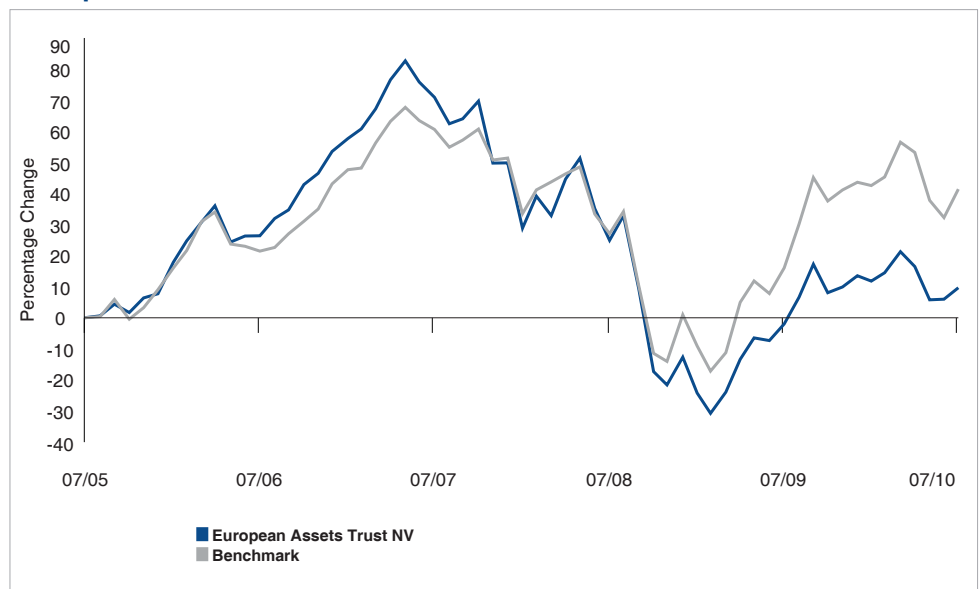
Cumulative performance

	1 Month	Year to date	1 Year	3 Years	5 Years
Fund	3.5%	-3.4%	11.9%	-35.9%	10.2%
Benchmark	6.9%	-1.5%	21.8%	-11.9%	41.4%

Source: Datastream & Lipper. Basis: share price, percentage growth, bid to bid, net income reinvested. Basis in accordance to the regulations of the FSA.

Past performance is not a guide to future performance. The standardised performance table refers to 12 month periods ending 31 July. The cumulative performance table refers to cumulative periods ending 31.07.2010

Fund performance



Top ten holdings

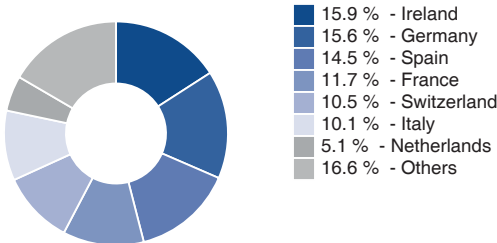
Holdings	Sector/Country	%
Glanbia	Ireland	3.9%
C&C	Ireland	3.0%
Viscofan	Spain	2.9%
Rubis	France	2.9%
Norkom	Ireland	2.9%
Davide Campari	Italy	2.8%
EFG International	Switzerland	2.8%
Ansaldo	Italy	2.8%
Rheinmetall	Germany	2.8%
Bolsas Y Mercados	Spain	2.8%
Total		29.6%

European Assets Trust NV

Continued

August 2010

Trust geographical breakdown



Manager's commentary

July was a better month for investors with most indices posting positive gains; whilst it is arguably of limited benefit to rationalise every small oscillation in markets, the scale of this month's move (HSBC Smaller European Companies ex-UK + 6.8%) definitely warrants some comment.

What we have been seeing over the early part of the year has been a two-way pull between concerns over the fragility of the economic recovery in developed markets and the relatively robust earnings being reported by the corporate sector. July is the month where many companies start to indicate how they have performed in the first half of the year; that many companies continued to perform ahead of expectations acted to spur the markets on. Financial companies in particular were buoyed both by strong operating results and by early indications that discussions on regulation would be constructive (which is sensible) rather than penal (reactive and unhelpful).

The company's Net Asset Value rose over the month by +4.8% in Sterling terms, with strong gains from some of our financial holdings. Azimut, the Italian investment management group gained +14.4%, BME, the Spanish stock exchange operator rose +12.3% and Partners Group added +11%. The fund was negatively impacted by falls in STS Ansaldo, (-7.6%) and EFG International (-6.8%); we took the opportunity in both cases to add to our holdings. Our share price rose by +3.5%, the discount to NAV widening slightly to -10.5%.

The stock for discussion this month is ASM International. We typically divide our holdings into four categories – Durable Franchises, Wide Moat Growth, Transformation and Deep Value. ASM fits into the Transformation category as part of the manufacturing base is relocating to Singapore and the corporate culture appears to be changing for the better. ASM comprises two main parts: a 53% stake in Hong Kong listed ASMPT, which sells tools used in the 'back-end' of the semiconductor chip manufacturing process and is highly profitable, and a 'front-end' business that has been loss-making and consuming the ample cash flow generated by ASMPT. Given this position, the market has seen fit to ascribe a negative value to the 'front-end' business such that the market capitalisation of ASM is less than the value of its stake in ASMPT. There are, however, attractive parts within the 'front-end' business of ASM evidenced by the fact that in June 2008 Applied Materials offered to buy two of the product lines for \$400-500m. Management fought off the attempted break-up but agreed to make the front-end self financing and cash flow from ASMPT was to be used only to pay down debt or be returned to shareholders. In 2009 the PERFORM! programme was introduced to address the cost base in the 'front-end' businesses in order to achieve good profitability through the cycle on lower working capital. The latest results show good progress towards this goal with the 'front-end' orders up +153% Y-o-Y and operating margins of 13%. It feels incongruous therefore that ASM is still valued at over €400m less than the value of its stake in ASMPT. There are clear concerns that the semiconductor cycle will turn after a solid recovery, but ASMPT is benefiting from the longer term growth in LED usage, and the 'front-end' business is supplying tools that the industry will need to produce the next generation of semiconductor chips. Cyclicalities aside, both businesses in ASM should generate good returns over the cycle; that the 'front-end' has not done so historically, is a result of poor management.

All data as at 31.07.10 unless otherwise stated.

The yield is calculated on an historic basis using the actual dividends paid during the company's last financial year and the closing share price as at the end of the relevant month.

All information is sourced from F&C, unless otherwise stated. All percentages are based on gross assets. *(total assets - cash and fixed interest) / shareholders' funds. **Total expenses and management fee information as at the end of December 2009 and expressed as a percentage of average shareholders funds. The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously. Performance information excludes any product charges which can be found in the 'Key Features' document for the relevant product. Stock market and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. Where investments are made in emerging markets, unquoted securities or smaller companies, their potential volatility may increase the risk to the value of, and the income from the investment. If markets fall, gearing can magnify the negative impact on performance. The fact sheet is issued and approved by F&C Management Limited. Authorised and regulated in the UK by the Financial Services Authority (FSA). Registered office: Exchange House, Primrose Street, London EC2A 2NY. Registered in England & Wales No 517895.

Trust codes

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