

# **The European Investment Trust plc**

Half-Yearly Report  
31 March 2015



## Financial Summary

	<b>31 March 2015</b>	30 September 2014	Change
<b>Capital</b>			
Shareholders' funds	<b>£366.10m</b>	£336.73m	8.7%
Net asset value per ordinary share ("NAV")	<b>870.23p</b>	800.41p	8.7%
Share price per ordinary share	<b>807.00p</b>	748.75p	7.8%
Share price discount to NAV	<b>7.3%</b>	6.5%	

	<b>Six months to 31 March 2015</b>	Year to 30 September 2014
<b>Total return per ordinary share*</b>		
Capital return per ordinary share	<b>81.24p</b>	35.26p
Revenue return per ordinary share	<b>3.58p</b>	14.85p
Total return per ordinary share	<b>84.82p</b>	50.11p

\* Based on the weighted average number of ordinary shares in issue during the period.

## Performance

	<b>Six months to 31 March 2015</b>	Year to 30 September 2014
NAV Total Return	<b>10.8%</b>	6.4%
FTSE All-World Europe ex UK Index Total Return*	<b>9.3%</b>	5.3%

\* In sterling.

The NAV Total Returns are sourced from Edinburgh Partners Limited and include dividends reinvested. The index performance figures are sourced from Thomson Reuters Datastream.

*Past performance is not a guide to future performance.*

# Objective and Investment Policy

## Objective

The objective of The European Investment Trust plc (the “Company”) is to achieve long-term capital growth through a diversified portfolio of Continental European securities.

## Investment Policy

The Board believes that investment in the diverse and increasingly accessible markets of this region provides opportunities for capital growth over the long term. At the same time, it considers the structure of the Company as a UK listed investment trust, with fixed capital and an independent Board of Directors, to be well-suited to investors seeking longer-term returns.

The Board recognises that investment in some European countries can be riskier than in others. Investment risks are diversified through holding a wide range of securities in different countries and industrial sectors. No more than 10% of the value of the portfolio in aggregate may be held in securities in those countries which are not included in the FTSE All-World European indices.

The Board has the authority to hedge the Company’s exposure to movements in the rate of exchange of currencies, principally the euro, in which the Company’s investments are denominated, against sterling, its reporting currency. However, it is not generally the Board’s practice to do this and the portfolio is not currently hedged.

No investments in unquoted stocks can be made without the prior approval of the Board. The level of gearing within the portfolio is agreed by the Board and should not exceed 20% in normal market conditions.

No more than 10% of the total assets of the Company may be invested in other listed investment companies (including investment trusts) except in such other investment companies which themselves have stated that they will invest no more than 15% of their total assets in other listed investment companies, in which case the limit is 15%.

The Investment Manager’s compliance with the limits set out in the investment policy is monitored by the Board and the Alternative Investment Fund Manager.

# Investment Manager's Review

## Results

The NAV at 31 March 2015, the Company's half-year end, was 870.23p, an increase of 8.7% on the NAV at 30 September 2014 of 800.41p. After including the special and final dividends totalling 15.0p per share which were paid in January 2015, the NAV total return for the six-month period was 10.8%. This is an outperformance when compared to the total return from the FTSE All-World Europe ex UK Index in sterling of 9.3%.

## Share price and discount

During the six months to 31 March 2015, the Company's share price increased by 7.8% from 748.75p to 807.00p. The share price total return was 9.9%. The share price discount to NAV widened from 6.5% to 7.3%.

## Revenue

The net revenue return per share in the six-month period to 31 March 2015 was 3.58p, a small increase on the net revenue return per share of 3.23p received in the six months to 31 March 2014.

In the year to 30 September 2014, the net revenue return per share was 14.85p. As detailed in previous half-yearly reports, shareholders should be aware that the revenue return for the half-year is not indicative of the full-year return, as many European companies pay their dividends between April and September while the expenses of running the Company are incurred on a more even basis throughout the financial year.

## Economic and Market overview

When considering the period under review, it is worth reflecting on some fairly significant and, some might consider, historic events that occurred:

- After much speculation, the European Central Bank (the "ECB") announced the commencement of a quantitative easing programme. The €1.1 trillion (£834 billion) scheme will last until at least September 2016 and ECB President Mario Draghi has offered to extend the scheme if inflation in the Eurozone does not rise back to the ECB target of 2%.
- For the first time since its formation, the Eurozone recorded a period of deflation.
- Partially in response to the above two points, there have been some very substantial currency and bond market movements: the euro has weakened considerably against most other major world currencies with which it trades; the Swiss National Bank decided to abandon the Swiss franc peg to the euro; and the sovereign bond yields of many European countries turned negative.

## Investment Manager's Review (continued)

- The price of a barrel of oil fell by approximately one-half in response to excess supply over demand and a Saudi-led OPEC decision not to reduce production levels, with a partial recovery being seen since the half-year end.

Overall, the manifestation of the above events has seen business and consumer confidence improve throughout the Eurozone. We have been here before in recent years with economic expectations in Europe improving, but the expected growth then failing to materialise. The difference is that the sheer scale of the stimulus from quantitative easing, currency weakness and the oil price decline makes it much more likely that, this time around, we should see a return to economic growth within the Eurozone. Naturally, we have to hedge this with some warnings. There are a number of important elections across Europe this year, including those in Denmark, Portugal and Spain, which could impact sentiment. In addition, the Ukrainian and Greek situations are highly unpredictable, albeit contagion controls, or the promise of them, at present appear to be ring-fencing Greece from the remainder of Europe.

The reaction in European equity markets has been unequivocally positive. The 10.8% NAV total return referred to above is stated in sterling terms, the reporting currency of the Company. In terms of the euro, the return for the six-month period was 19.3%.

It is worth expanding on the implications of the currency moves we have seen as these are a contributory factor to the recent rise in European share prices. Approximately 40% of the aggregate sales from the portfolio derive from outside Europe, with, in order of size, North America, Asia and Latin America the three largest locations of non-European sales.

The potential benefits of a weaker euro flow from two key impacts, the translation effect and the transaction effect. There is a translation effect as overseas profits are worth more in euros at the lower euro value compared to prior periods. There is also a beneficial transaction effect for companies which export from a weaker currency and this could result in a market share gain due to improved price competitiveness.

We estimate that as many as half of the companies in the portfolio will benefit from the translation effect of a weak reporting currency, whilst only a handful (e.g., Volkswagen exporting cars from Germany) will make gains in market share, i.e., a transaction effect. The principal reason why so few companies benefit from a transaction effect is that, in recent decades, many of the major European exporting companies have spent a significant amount of time and effort re-locating production facilities out of Europe to the countries or continents where demand is located. This means that the natural export market share gains associated with sharp currency moves are nowhere near as significant as they once were.

## Investment Manager's Review (continued)

Whilst the translation effect is clearly a positive factor, there are many additional considerations to take into account. These include whether companies with overseas profits are able to remit cash to their country of domicile or whether they need to reinvest locally. Taxation impacts need to be reviewed, as do currency hedging arrangements. In addition, we have to analyse what happens not just over the next year, but in the years beyond. Although in the short term it is difficult to judge, our view would be that, from a longer-term perspective, the euro will stabilise and regain some ground. This may mean that some translation benefits may prove to be relatively short-lived. In summary, whilst there are many positive aspects to the weakness of the euro, we would not want to place a significant reliance on this providing a long-term boost to earnings of European domiciled companies.

### Portfolio

It is our opinion that we are in a bond market bubble. In the equity market, this is distorting the valuation of many companies, in particular companies whose cash flow characteristics are similar to those of a bond, collectively 'quality' or 'growth' stocks. These companies rely heavily on interest rates for a determination of their value and as a group they now appear overvalued.

An example of this is GEA, a company which had been in the portfolio since 2011. GEA is a supplier of process technology equipment for the food and beverage industry. Its products are large scale mechanical equipment and GEA's customers are the major food and beverage industry groups, such as Nestlé and Heineken. The industry is relatively stable as demand comes from the capital expenditure of its clients, with GEA estimating the industry growth rate at c.5% per annum. Investors appreciate this stability as well as the recent restructuring efforts made by the company and the shares had been rerated accordingly. Whilst we rate the management, the company's strategy and the future outlook for the business, the valuation at 23 times 2015 consensus earnings and 13 times our forecast 2019 earnings was considered to be just too high and the shares were sold. Our observation is that this is the type of rerating that investors are currently chasing in the equity market and in many instances these valuations have gone too far.

If you believe, as we do, that inflation and hence interest rates will normalise, these valuation distortions will unwind and the corrections could potentially be quite violent. The timing of when these corrections occur is uncertain, given that it requires a reversal of a trend which has been in place for many years, namely the decline of bond yields to their current historically low levels.

## Investment Manager's Review (continued)

Our experience tells us that it is critical to maintain our long-term valuation discipline. Whenever we go through periods when valuations become detached from the reality of economic and profit fundamental analysis, we find this to be a challenging environment. However, we have found that maintaining investment discipline is the best way of delivering longer-term returns.

Against the current economic backdrop, we will remain relatively fully invested for now but we will continue to rotate out of stocks which start to suffer from valuation distortions into companies that offer a higher 'margin of safety' in their valuations.

### **Outlook**

The recent strong move in equities gives us something of a valuation conundrum. The outlook for economic growth and European corporate profits is positive. We are still at an early stage in the economic cycle in Europe and the impact of stimulus from the quantitative easing programme has just started. However, it does appear to us that, in aggregate, European equities have moved to discount many of these positive factors. We therefore expect to adopt a cautious approach to the management of the portfolio.

### **Dale Robertson**

Edinburgh Partners Limited  
26 May 2015

*Past performance is not a guide to future performance.*



# Portfolio of Investments

as at 31 March 2015

Rank	Company	Sector	Country	Valuation £'000	% of Net Assets	
1 (16)	Volkswagen*	Consumer Goods	Germany	12,423	3.4	(2.6)
2 (13)	Ryanair	Consumer Services	Ireland	12,388	3.4	(2.7)
3 (6)	PostNL	Industrials	Netherlands	12,136	3.3	(3.1)
4 (-)	Telecom Italia	Telecommunications	Italy	12,118	3.3	-
5 (5)	Novartis	Health Care	Switzerland	12,011	3.3	(3.1)
6 (17)	GAM	Financials	Switzerland	11,636	3.2	(2.6)
7 (20)	Fresenius Medical Care	Health Care	Germany	11,016	3.0	(2.5)
8 (2)	Roche**	Health Care	Switzerland	11,011	3.0	(3.2)
9 (14)	Prysmian	Industrials	Italy	10,911	3.0	(2.7)
10 (3)	BNP Paribas	Financials	France	10,740	2.9	(3.2)
11 (18)	United Internet	Technology	Germany	10,220	2.8	(2.6)
12 (8)	Sanofi	Health Care	France	10,172	2.8	(2.9)
13 (25)	Unipol Gruppo	Financials	Italy	10,069	2.8	(2.3)
14 (4)	Gerresheimer	Health Care	Germany	9,833	2.7	(3.2)
15 (-)	DNB	Financials	Norway	9,523	2.6	-
16 (12)	Valeo	Consumer Goods	France	9,277	2.5	(2.7)
17 (31)	Hexagon B	Industrials	Sweden	9,241	2.5	(2.1)
18 (-)	Bayer	Basic Materials	Germany	9,115	2.5	-
19 (11)	Royal Dutch Shell A	Oil & Gas	Netherlands	9,051	2.5	(2.9)
20 (23)	Heineken	Consumer Goods	Netherlands	9,030	2.5	(2.4)
21 (26)	KPN	Telecommunications	Netherlands	8,992	2.4	(2.3)
22 (38)	Leoni	Industrials	Germany	8,734	2.4	(1.5)
23 (33)	Pirelli	Consumer Goods	Italy	8,725	2.4	(2.0)
24 (10)	ENI	Oil & Gas	Italy	8,561	2.3	(2.9)
25 (29)	SAP	Technology	Germany	8,546	2.3	(2.1)
26 (9)	Delta Lloyd	Financials	Netherlands	8,495	2.3	(2.9)
27 (15)	BBVA	Financials	Spain	8,405	2.3	(2.7)
28 (36)	TDC	Telecommunications	Denmark	7,921	2.2	(1.8)
29 (37)	Outotec	Industrials	Finland	7,919	2.2	(1.8)
30 (30)	ABB	Industrials	Switzerland	7,889	2.2	(2.1)
31 (28)	Swedbank A	Financials	Sweden	7,466	2.0	(2.1)
32 (-)	Petroleum Geo-Services	Oil & Gas	Norway	7,219	2.0	-
33 (22)	Piaggio	Consumer Goods	Italy	6,979	1.9	(2.4)
34 (39)	Ipsos	Consumer Services	France	6,575	1.8	(1.5)
35 (24)	Orange	Telecommunications	France	6,270	1.7	(2.4)
36 (27)	Total	Oil & Gas	France	6,247	1.7	(2.2)
37 (-)	Rocket Internet	Financials	Germany	6,195	1.7	-
38 (34)	Aryzta	Consumer Goods	Switzerland	5,988	1.6	(2.0)
39 (7)	BB Biotech	Health Care	Switzerland	1,963	0.5	(3.0)
Prior year investments sold during the period						(14.6)
<b>Total equity investments</b>				<b>351,010</b>	<b>95.9</b>	<b>(99.1)</b>
<b>Cash and other net assets</b>				<b>15,092</b>	<b>4.1</b>	<b>(0.9)</b>
<b>Net assets</b>				<b>366,102</b>	<b>100.0</b>	<b>(100.0)</b>

The figures in brackets represent the position as at 30 September 2014.

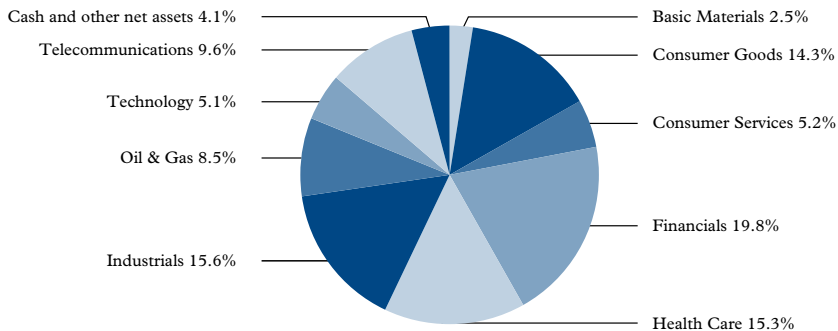
\* The investment is in non-voting preference shares.

\*\* The investment is in non-voting shares.

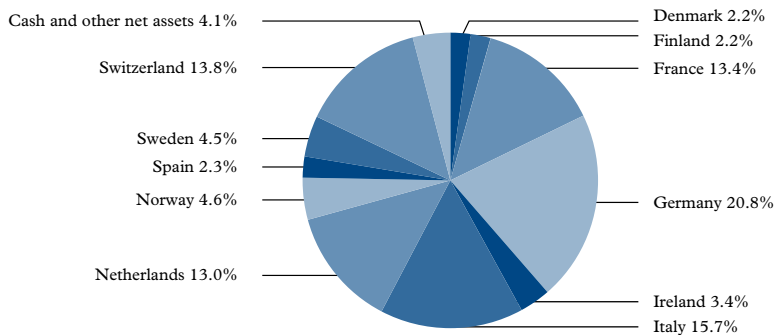
# Distribution of Investments

as at 31 March 2015 (% of net assets)

## Sector distribution



## Geographical distribution



## Directors' Statement of Principal Risks and Uncertainties

The important events that have occurred during the period under review and the key factors influencing the Financial Statements are set out in the Investment Manager's Review on pages 3 to 6. The principal factors that could impact the remaining six months of the financial year are also detailed in the Investment Manager's Review. Additional Risk Factors are set out on page 22.

The Board considers that the following are the principal risks associated with investing in the Company: investment and strategy risk, discount volatility risk, market risk (comprising interest rate risk, currency risk and price risk), liquidity risk, credit risk, gearing risk, regulatory risk, operational risk and other financial risk. These risks, and the way in which they are managed, are described in more detail under the heading "Principal risks and uncertainties" within the Strategic Report in the Company's Annual Report and Financial Statements for the year ended 30 September 2014. The Company's principal risks and uncertainties have not changed materially since the date of that report.

## Directors' Statement of Responsibilities in respect of the Financial Statements

The Directors confirm that to the best of their knowledge:

- The condensed set of Financial Statements has been prepared in accordance with the statement on Half-Yearly Financial Reports issued by the UK Accounting Standards Board and gives a true and fair view of the assets, liabilities, financial position and profit of the Company.
- This Half-Yearly Report includes a fair review of the information required by:
  - a) 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

The Half-Yearly Report was approved by the Board of Directors on 26 May 2015 and the above responsibility statement was signed on its behalf by Douglas McDougall, Chairman.

## Income Statement (unaudited)

for the six months to 31 March 2015

		Six months to 31 March 2015		
	Note	Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value		–	35,209	35,209
Foreign exchange losses		(43)	(1,033)	(1,076)
Income	2	2,878	–	2,878
Management fee		(884)	–	(884)
Other expenses		(222)	–	(222)
<b>Net return before finance costs and taxation</b>		<b>1,729</b>	<b>34,176</b>	<b>35,905</b>
Finance costs		(6)	–	(6)
<b>Net return on ordinary activities before taxation</b>		<b>1,723</b>	<b>34,176</b>	<b>35,899</b>
Taxation on ordinary activities	3	(216)	–	(216)
<b>Net return after taxation</b>		<b>1,507</b>	<b>34,176</b>	<b>35,683</b>
<b>Return per ordinary share*</b>		pence <b>3.58</b>	pence <b>81.24</b>	pence <b>84.82</b>

The total column of the statement is the Profit and Loss Account of the Company. The revenue and capital columns are prepared under guidance published by the Association of Investment Companies (“AIC”).

All revenue and capital items in the above statement derive from continuing operations.

A separate Statement of Recognised Gains and Losses has not been prepared as all such gains and losses are included in the Income Statement.

\*The return per ordinary share for the six months to 31 March 2015 is based on the net revenue return after taxation of £1,507,000 (six months to 31 March 2014: £1,357,000; year to 30 September 2014: £6,246,000) and the net capital return after taxation of £34,176,000 (six months to 31 March 2014: £43,277,000; year to 30 September 2014: £14,833,000) and on 42,069,371 (six months to 31 March 2014: 42,069,371; year to 30 September 2014: 42,069,371) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

## Income Statement (unaudited) (continued)

for the six months to 31 March 2015

Six months to 31 March 2014			Year to 30 September 2014		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	43,547	43,547	–	15,612	15,612
(8)	(270)	(278)	(60)	(779)	(839)
2,779	–	2,779	9,528	–	9,528
(869)	–	(869)	(1,752)	–	(1,752)
(194)	–	(194)	(367)	–	(367)
1,708	43,277	44,985	7,349	14,833	22,182
(63)	–	(63)	(95)	–	(95)
1,645	43,277	44,922	7,254	14,833	22,087
(288)	–	(288)	(1,008)	–	(1,008)
1,357	43,277	44,634	6,246	14,833	21,079
pence	pence	pence	pence	pence	pence
3.23	102.87	106.10	14.85	35.26	50.11

## Balance Sheet (unaudited)

as at 31 March 2015

	31 March 2015	31 March 2014	30 September 2014
Note	£'000	£'000	£'000
<b>Fixed asset investments</b>			
Investments at fair value through profit or loss	<b>351,010</b>	352,246	333,696
<b>Current assets</b>			
Debtors	565	748	30
Taxation recoverable	741	783	754
Cash at bank	<u>14,105</u>	<u>10,920</u>	<u>5,026</u>
	<u>15,411</u>	<u>12,451</u>	<u>5,810</u>
<b>Creditors: amounts falling due within one year</b>	<u>319</u>	<u>4,413</u>	<u>2,777</u>
<b>Net current assets</b>	<u>15,092</u>	<u>8,038</u>	<u>3,033</u>
<b>Net assets</b>	<u>366,102</u>	<u>360,284</u>	<u>336,729</u>
<b>Capital and reserves</b>			
Called-up share capital	4 10,517	10,517	10,517
Share premium account	123,749	123,749	123,749
Capital redemption reserve	8,294	8,294	8,294
Capital reserve	217,754	212,022	183,578
Revenue reserve	<u>5,788</u>	<u>5,702</u>	<u>10,591</u>
<b>Total equity shareholders' funds</b>	<u>366,102</u>	<u>360,284</u>	<u>336,729</u>
<b>Net asset value per ordinary share</b>	6 <u>870.23</u>	pence <u>856.40</u>	pence <u>800.41</u>

## Cash Flow Statement (unaudited)

for the six months to 31 March 2015

	<b>Six months to 31 March 2015</b>	Six months to 31 March 2014	Year to 30 September 2014
Note	£'000	£'000	£'000
<b>Operating activities</b>			
Investment income received	2,304	2,634	9,465
Other income received	2	3	3
Management fees paid	(1,008)	(832)	(1,861)
Other cash payments	(200)	(218)	(387)
<b>Net cash inflow from operating activities</b>	<b>7</b> <u>1,098</u>	<u>1,587</u>	<u>7,220</u>
<b>Servicing of finance</b>			
Finance costs	(6)	(63)	(95)
<b>Taxation</b>	<u>(204)</u>	<u>(347)</u>	<u>(1,038)</u>
<b>Financial investment</b>			
Purchases of investments	(60,246)	(83,037)	(162,177)
Sales of investments	75,780	98,077	166,922
Exchange gains on settlement	363	9	39
<b>Net cash inflow from financial investment</b>	<u>15,897</u>	<u>15,049</u>	<u>4,784</u>
<b>Equity dividends paid</b>	<b>5</b> <u>(6,310)</u>	<u>(7,572)</u>	<u>(7,572)</u>
<b>Net cash inflow before financing</b>	<u>10,475</u>	<u>8,654</u>	<u>3,299</u>
<b>Financing</b>			
Own shares purchased and cancelled	—	—	—
<b>Net cash inflow/(outflow) from financing</b>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Increase in cash</b>	<b>8</b> <u>10,475</u>	<u>8,654</u>	<u>3,299</u>

## Reconciliation of Movements in Shareholders' Funds (unaudited)

for the six months to 31 March 2015

	<b>Six months to 31 March 2015 £'000</b>	Six months to 31 March 2014 £'000	Year to 30 September 2014 £'000
Opening equity shareholders' funds	<b>336,729</b>	323,222	323,222
Net return after taxation for the period	<b>35,683</b>	44,634	21,079
Dividends paid	<b>(6,310)</b>	(7,572)	(7,572)
<b>Closing equity shareholders' funds</b>	<b><u>366,102</u></b>	<u>360,284</u>	<u>336,729</u>



# Notes to the Financial Statements (unaudited)

for the six months to 31 March 2015

## 1 Accounting policies

These Financial Statements have been prepared on the basis of the accounting policies set out in the Company's Annual Report and Financial Statements for the year ended 30 September 2014. These accounting policies are expected to be followed throughout the year ending 30 September 2015.

## 2 Income

	Six months to 31 March 2015 £'000	Six months to 31 March 2014 £'000	Year to 30 September 2014 £'000
<b>Income from investments</b>			
Overseas dividends	2,876	2,776	9,525
Other income	<u>2</u>	<u>3</u>	<u>3</u>
<b>Total income</b>	<u>2,878</u>	<u>2,779</u>	<u>9,528</u>

## 3 Taxation

The taxation charge for the six months to 31 March 2015 is £216,000 (six months to 31 March 2014: £288,000; year to 30 September 2014: £1,008,000).

The taxation charge comprises a corporation tax charge for the six months to 31 March 2015 of £nil (six months to 31 March 2014: £nil; year to 30 September 2014: £nil) and irrecoverable withholding tax suffered of £216,000 (six months to 31 March 2014: £288,000; year to 30 September 2014: £1,008,000).

# Notes to the Financial Statements (unaudited) (continued)

for the six months to 31 March 2015

## 4 Share capital

	Number of shares	Allotted, called-up and fully paid £'000
<b>Equity share capital</b>		
Ordinary shares of 25p each		
Balance at 30 September 2014	42,069,371	10,517
Shares issued	–	–
Shares cancelled	–	–
	<hr/>	<hr/>
<b>Balance at 31 March 2015</b>	<b>42,069,371</b>	<b>10,517</b>
	<hr/>	<hr/>

During the six months to 31 March 2015, no ordinary shares were issued or purchased and cancelled (six months to 31 March 2014 and year to 30 September 2014: no ordinary shares were issued or purchased and cancelled).

## 5 Dividends

	Payment date	<b>Six months to 31 March 2015</b> £'000	Six months to 31 March 2014 £'000	Year to 30 September 2014 £'000
Final dividend for the year ended 30 September 2014 of 14.0p	30 January 2015	<b>5,889</b>	–	–
Special dividend for the year ended 30 September 2014 of 1.0p	30 January 2015	<b>421</b>	–	–
Final dividend for the year ended 30 September 2013 of 14.0p	31 January 2014	–	5,889	5,889
Special dividend for the year ended 30 September 2013 of 4.0p	31 January 2014	–	1,683	1,683
		<hr/> <b>6,310</b>	<hr/> <b>7,572</b>	<hr/> <b>7,572</b>

## Notes to the Financial Statements (unaudited) (continued)

for the six months to 31 March 2015

### 6 Net asset value per ordinary share

	31 March 2015	31 March 2014	30 September 2014
Net assets attributable at the period end	£366,102,000	£360,284,000	£336,729,000
Number of ordinary shares in issue at the period end	42,069,371	42,069,371	42,069,371
Net asset value per ordinary share	<b>870.23p</b>	856.40p	800.41p

### 7 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	Six months to 31 March 2015 £'000	Six months to 31 March 2014 £'000	Year to 30 September 2014 £'000
Net return before finance costs and taxation	35,905	44,985	22,182
Adjustment for returns from non-operating activities:			
– Gains on investments	(35,209)	(43,547)	(15,612)
– Foreign exchange losses of a capital nature	1,033	270	779
Return from operating activities	<b>1,729</b>	1,708	7,349
Adjustment for non-cash flow items:			
– (Increase)/decrease in debtors and accrued income	(535)	(127)	2
– (Decrease)/increase in creditors	(96)	6	(131)
Net cash inflow from operating activities	<b>1,098</b>	1,587	7,220

## Notes to the Financial Statements (unaudited) (continued)

for the six months to 31 March 2015

### 8 Reconciliation of net cash flow to net cash

	<b>Six months to 31 March 2015 £'000</b>	Six months to 31 March 2014 £'000	Year to 30 September 2014 £'000
Movement in net cash resulting from cash flows	<b>10,475</b>	8,654	3,299
Foreign exchange movement	<b>(1,396)</b>	(279)	(818)
	<hr/>	<hr/>	<hr/>
Movement in net cash	<b>9,079</b>	8,375	2,481
Net cash brought forward	<b>5,026</b>	2,545	2,545
	<hr/>	<hr/>	<hr/>
Net cash carried forward	<b>14,105</b>	10,920	5,026
	<hr/>	<hr/>	<hr/>

### 9 Exchange rates

Detailed below are the exchange rates against sterling used in the preparation of the Financial Statements.

	<b>31 March 2015</b>	31 March 2014	30 September 2014
Euro	<b>1.3822</b>	1.2096	1.2834
Swiss franc	<b>1.4419</b>	1.4727	1.5490
Norwegian krone	<b>11.9638</b>	9.9813	10.4122
Swedish krona	<b>12.8025</b>	10.8091	11.6860
Danish krone	<b>10.3262</b>	9.0310	9.5529
US dollar	<b>1.4845</b>	1.6672	1.6212
NZ dollar	<b>1.9796</b>	1.9213	2.0799

## Notes to the Financial Statements (unaudited) (continued)

for the six months to 31 March 2015

### 10 Financial information

The financial information for the six months to 31 March 2015 and for the six months to 31 March 2014 has not been audited or reviewed by the Company's Auditors pursuant to the Auditing Practices Board guidance on such reviews. The financial information contained in this report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The latest published audited Financial Statements which have been delivered to the Registrar of Companies are for the year ended 30 September 2014; the report of the independent Auditors thereon was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The information for the year ended 30 September 2014 is an extract from those Financial Statements.

### 11 Status of the Company

It is the intention of the Directors to conduct the affairs of the Company so that it continues to satisfy the conditions for approval as an investment trust company as set out in Sections 1158 and 1159 of the Corporation Tax Act 2010.

### 12 Going concern

The Company's business activities, together with factors likely to affect its future development, performance and financial performance, are set out in the Investment Manager's Review and Directors' Statement of Responsibilities contained in the Half-Yearly Report. The Company's principal risks are investment and strategy risk, discount volatility risk, market risk (comprising interest rate risk, currency risk and price risk), liquidity risk, credit risk, gearing risk, regulatory risk, operational risk and other financial risk. The Company's assets consist principally of a diversified portfolio of listed European equity shares, which in most circumstances are realisable within a short period of time and exceed its current liabilities by a significant amount. The Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the Financial Statements.

### 13 Related party transactions

There were no related party transactions during the period.

## Shareholder Information

### **Investing in the Company**

The Company's ordinary shares are traded on the London Stock Exchange and the New Zealand Stock Exchange and can be bought or sold through a stockbroker or financial adviser. The ordinary shares are eligible for inclusion in New ISAs, Junior ISAs and SIPPs. These are available through Alliance Trust Savings, who also offer the opportunity to invest in the Company through a Dealing Account. The Company's ordinary shares are also available on other share trading platforms.

### **Frequency of NAV publication**

The Company's NAV is released daily to the London Stock Exchange and the New Zealand Stock Exchange and published on the Company's website at [www.theeuropeaninvestmenttrust.com](http://www.theeuropeaninvestmenttrust.com) and on the website of Edinburgh Partners at [www.edinburghpartners.com](http://www.edinburghpartners.com).

### **Share price and sources of other information**

The Company's ordinary share price is quoted daily in the Financial Times, the Daily Telegraph and The Times under "Investment Companies". Investors in New Zealand can obtain share prices from leading newspapers in that country. Previous day closing price, daily NAV and other portfolio information is published on the Company's website at [www.theeuropeaninvestmenttrust.com](http://www.theeuropeaninvestmenttrust.com) and on the website of Edinburgh Partners at [www.edinburghpartners.com](http://www.edinburghpartners.com). Other useful information on investment trusts, such as prices, net asset values and company announcements, can be found on the websites of the London Stock Exchange at [www.londonstockexchange.com](http://www.londonstockexchange.com) and the AIC at [www.theaic.co.uk](http://www.theaic.co.uk).

### **Share register enquiries**

The register for the ordinary shares is maintained by Computershare Investor Services PLC. In the event of queries regarding your holding, please contact the Registrar on 0870 889 4086 or email: [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk). Changes of name and/or address must be notified in writing to the Registrar, at the relevant address detailed on the inside back cover. You can check your shareholding and find practical help on transferring shares or updating your details at [www.investorcentre.co.uk](http://www.investorcentre.co.uk).

## Shareholder Information (continued)

### Key dates

Company's year end	30 September
Annual results announced	November
Annual General Meeting	January
Annual dividend paid	January
Company's half-year end	31 March
Half-yearly results announced	May

### Portfolio updates

The Company releases details of its portfolio on a monthly basis to the London Stock Exchange and the New Zealand Stock Exchange and these may be viewed at the Company's website at [www.theeuropeaninvestmenttrust.com](http://www.theeuropeaninvestmenttrust.com) and on the website of Edinburgh Partners at [www.edinburghpartners.com](http://www.edinburghpartners.com).

### Association of Investment Companies

The Company is a member of the AIC, which publishes monthly statistical information in respect of member companies. For further details, please contact the AIC on 020 7282 5555, [enquiries@theaic.co.uk](mailto:enquiries@theaic.co.uk) or visit the website: [www.theaic.co.uk](http://www.theaic.co.uk).

The logo for the Association of Investment Companies (AIC) consists of the lowercase letters 'aic' in a bold, sans-serif font. The letter 'i' has a solid black dot above it.

The Association of  
Investment Companies

## Risk Factors

This document is not a recommendation, offer or invitation to buy, sell or hold shares of the Company. If you wish to deal in shares of the Company, you may wish to contact an authorised professional investment adviser.

An investment in the Company should be regarded as long term and is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.

The market value of, and the income derived from, the ordinary shares can fluctuate. The Company's ordinary share price may go down as well as up. Past performance is not a guide to future performance. There is no guarantee that the market price of the ordinary shares will fully reflect their underlying net asset value. Fluctuations in exchange rates will affect the value of overseas investments (and any income received) held by the Company. Investors may not get back the full value of their investment. There can be no guarantee that the investment objective of the Company will be met. The levels of, and reliefs from, taxation may change.

This Half-Yearly Report contains "forward-looking statements" with respect to the Company's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events that are beyond the Company's control. As a result, the Company's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Company's forward-looking statements. The Company undertakes no obligation to update the forward-looking statements contained within this Half-Yearly Report or any other forward-looking statements it makes.

The Company is a public company. It is registered in England and Wales and its shares are traded on the London Stock Exchange and the New Zealand Stock Exchange. The Company is not regulated or authorised by the Financial Conduct Authority.

The Directors of the Company, the directors of Edinburgh Partners AIFM Limited and the directors and employees of Edinburgh Partners Limited may (subject to applicable laws and regulations) hold shares in the Company and may buy, sell or offer to deal in the Company's shares from time to time.



# Corporate Information

## **Directors (all non-executive)**

Douglas C P McDougall OBE (Chairman)  
William D Eason  
Michael B Moule  
Dr Michael T Woodward

## **Company Secretary and Registered Office**

Kenneth J Greig  
Beaufort House  
51 New North Road  
Exeter EX4 4EP

## **Alternative Investment Fund Manager**

Edinburgh Partners AIFM Limited  
27-31 Melville Street  
Edinburgh EH3 7JF

## **Investment Manager**

Edinburgh Partners Limited  
27-31 Melville Street  
Edinburgh EH3 7JF

## **Independent Auditors**

PricewaterhouseCoopers LLP  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX

## **Registrar – UK**

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ

## **Registrar – New Zealand**

Computershare Investor Services Limited  
Private Bag 92119, Victoria Street West  
Auckland 1142, New Zealand

Level 2, 159 Hurstmere Road, Takapuna  
Auckland 0622, New Zealand

## **Solicitors**

Dickson Minto W.S.  
16 Charlotte Square  
Edinburgh EH2 4DF

## **Depository**

Northern Trust Global Services Limited  
50 Bank Street  
Canary Wharf  
London E14 5NT

## **Custodian**

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London E14 5NT

## **Stockbroker**

J.P. Morgan Securities plc  
25 Bank Street  
Canary Wharf  
London E14 5JP

*Registered in England and Wales No. 1055384*

*An investment company as defined under Section 833 of the Companies Act 2006*

*The Company is a member of the Association of Investment Companies*

# Notes



