

# EUROPEAN OPPORTUNITIES TRUST PLC

DEVON  
Equity Management

## Consistent Investors

Alexander Darwall CIO

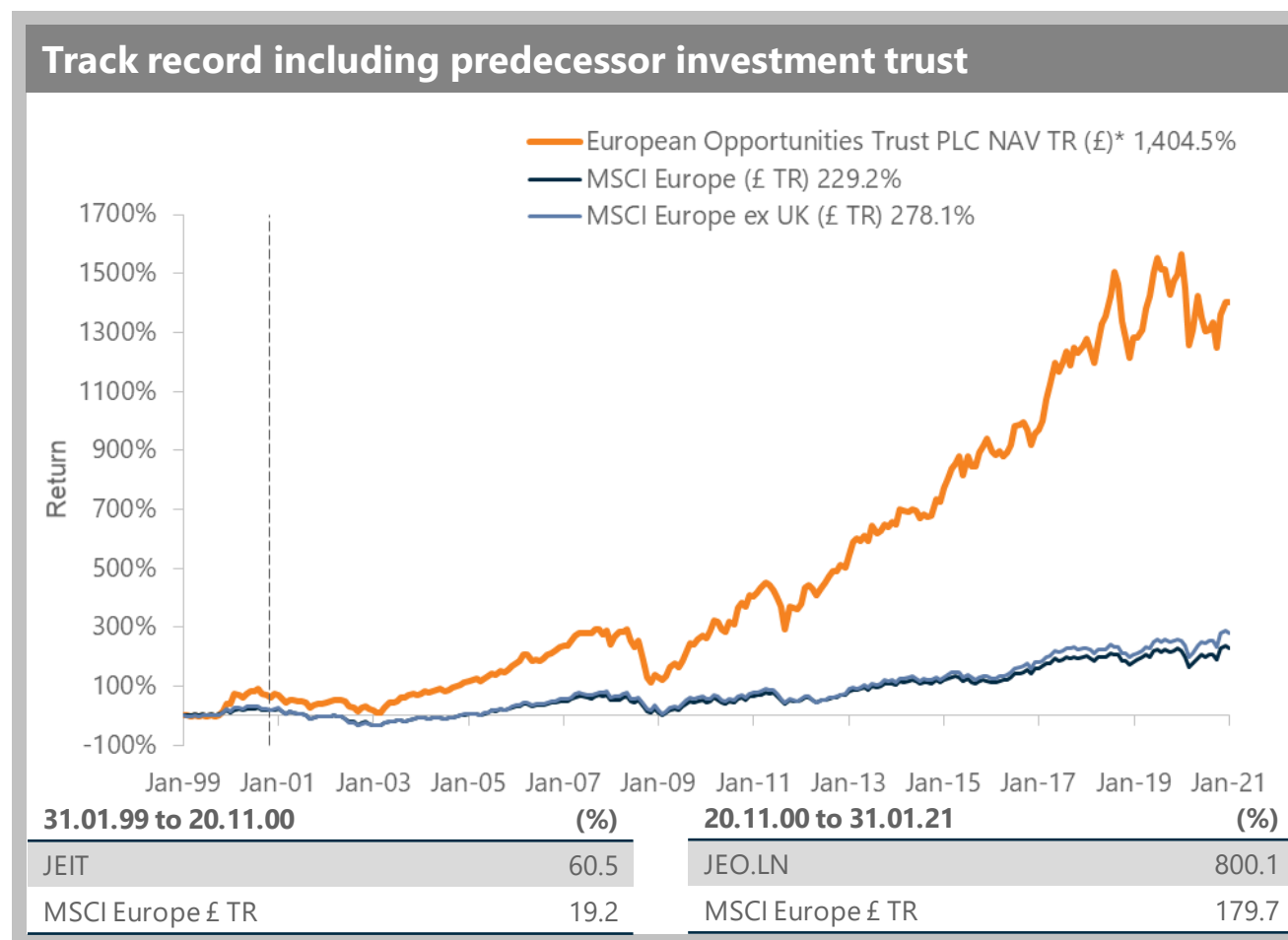
Luca Emo Senior Fund Manager

Charlie Southern Fund Manager

# Global winners in Europe

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- Devon
- Investment process
- Company characteristics
- Investment themes
- Covid positioning
- Risk
- ESG



Past performance is no guide to the future. Source: Devon, MSCI: NAV calculated at bid, with dividends added back as at 31.01.21. \*Jupiter European Investment Trust PLC ("JEIT") rolled into European Opportunities Trust PLC ("JEO") in November 2000. NAV per Geared Ordinary Share for JEIT from 31.01.99 to 20.11.00 and from 20.11.00 onwards for Ordinary shares in JEO. Note: JEIT Geared ordinary shares were geared with Zero Dividend Preference shares within a split capital investment trust structure. JEO is a conventional investment trust with gearing through bank debt.

Alexander Darwall	Luca Emo	Charlie Southern
1982-85 University of Cambridge	1999-03 University of Oxford	2006-09 University of Oxford
1985-95 Equity Research (BZW, Enskilda, Goldman Sachs)	2003-05 Postgraduate Diploma in Law (BPP)	2009-13 Equity Sales (JP Morgan, Goldman Sachs)
1995-19 Jupiter AM (Fund Manager, European equities)	2006-19 Jupiter AM (Fund Manager, European equities)	2013-20 Indus Capital Partners (Equity research)
2019- Devon Equity Management (CIO)	2019- Devon Equity Management (Senior Fund Manager)	2020- Devon Equity Management (Fund Manager)

Source: Devon

## Real world not index risk

- Structural not cyclical investing
- Diversified, largely uncorrelated risk
- Identifying companies with superior positioning
  - Industry structure
  - Embedded advantages
- Sustainable – in a business sense
- Multiple protections
- Multiple growth options
- Disruption proof; disruption opportunities
- Avoiding binary risk

The views expressed are those of the presenter at the time of preparation and may change in the future.

- Screening – qualitative overlay – understanding businesses
- Idea generation – identifying patterns and triggers
  - Daily news reading c.30 companies
  - Over 200 company meetings/presentations annually across sectors
  - Company research and preparation – quality, not quantity
- Maintenance and development
  - Checking, cross-referencing and teamwork
- Board engagement and corporate governance
- Total market coverage

# Stock selection – 4 steps

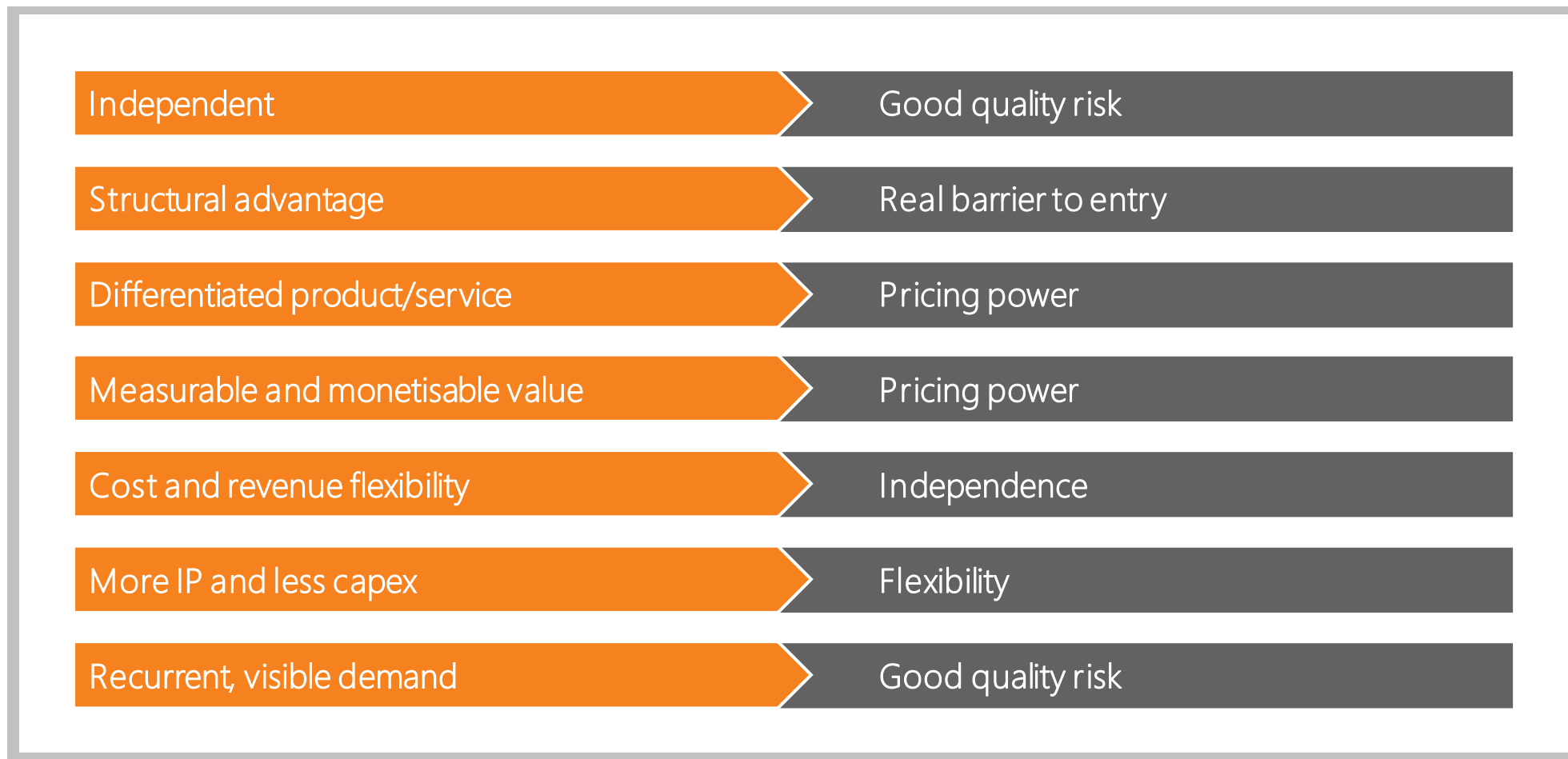
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A disciplined approach



# Key business characteristics – the 'right' company and pattern

## Timeless defensive characteristics

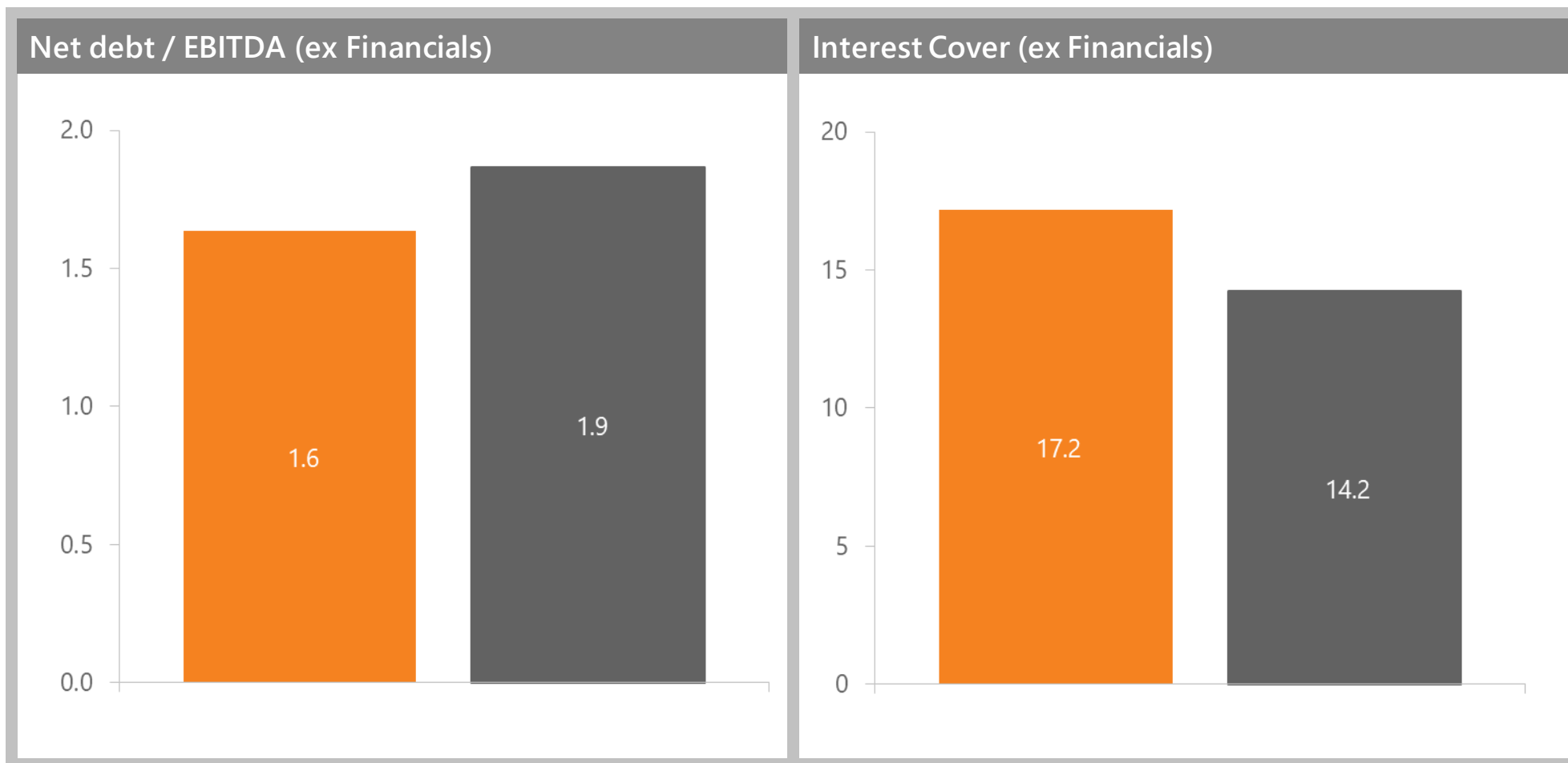


- Covid
- Debt
- Expanding role of the state
- EU Green Deal



# Strong balance sheets

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Past performance is no guide to the future.

Source: Devon, Bloomberg, in GBP, 31.01.21

Net debt / EBITDA Ex Financials. Interest Cover: EBITDA to Interest Expense ex Financials.

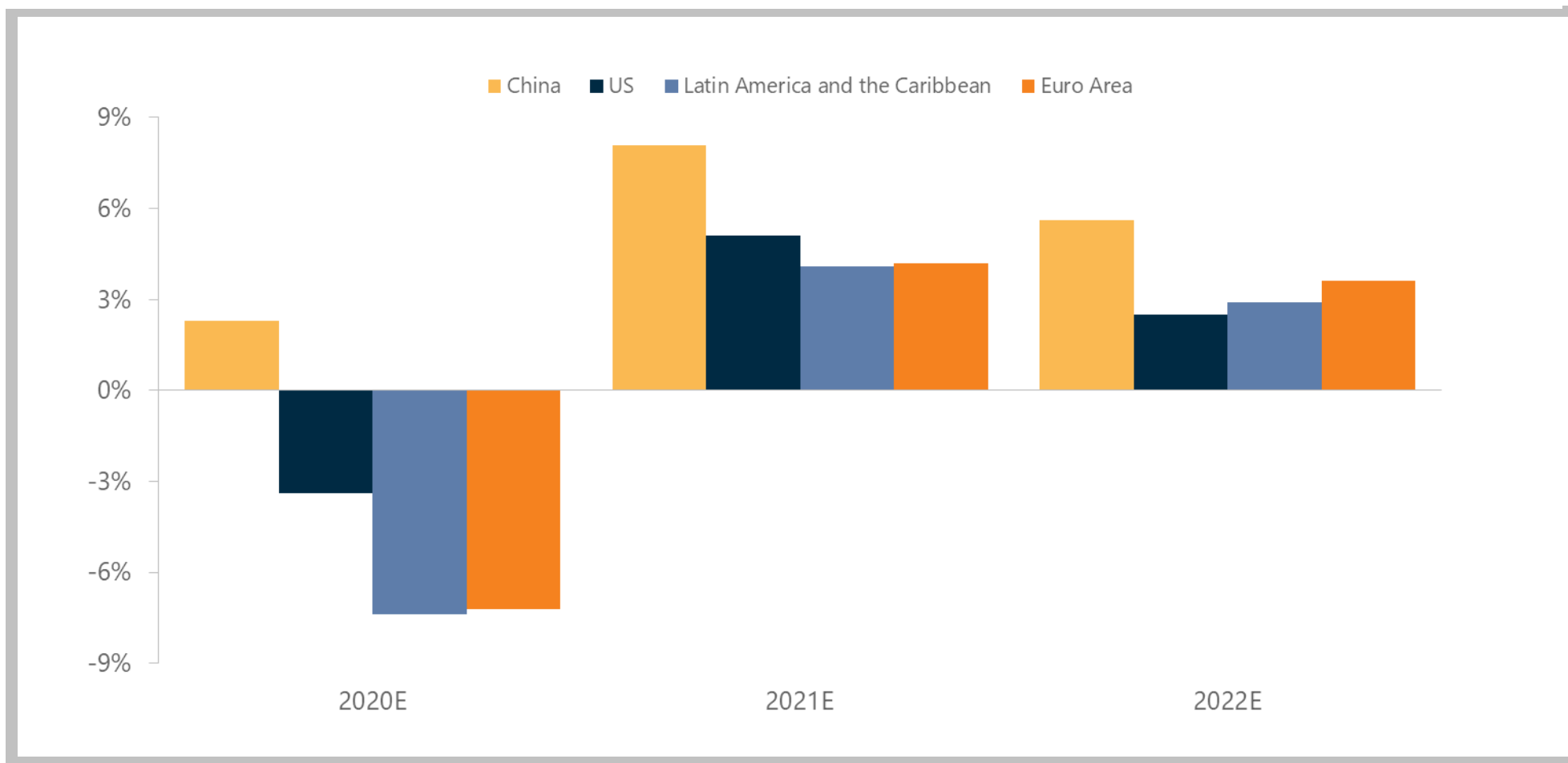
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Equity Management

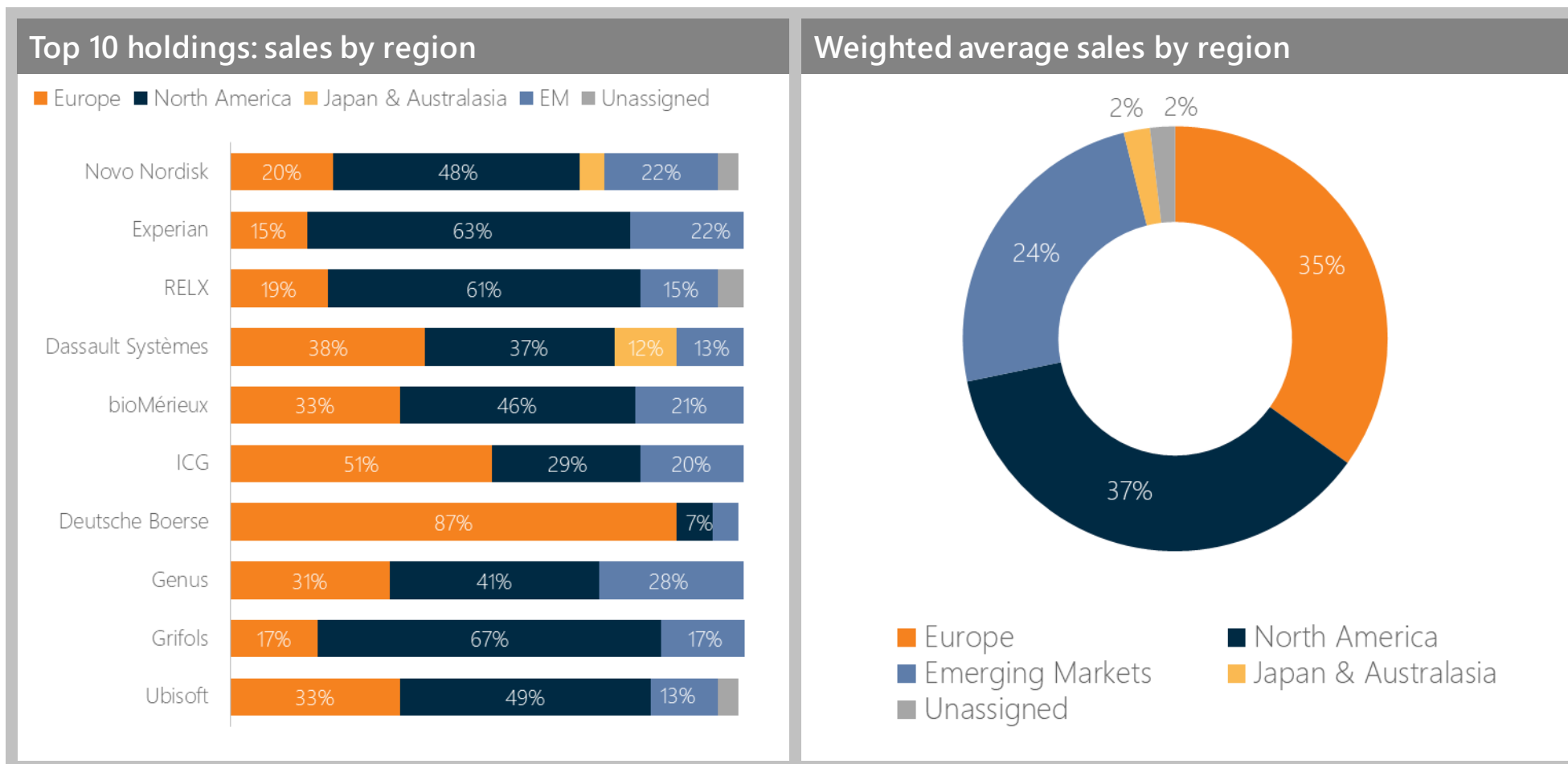
# Europe lags the world

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## GDP growth expectations



Source: IMF, GDP, constant prices, Percent change, January 2021.



Any stock examples are used for illustrative purposes only and should not be viewed as investment advice.

Source: Devon, 31.01.21. Most recent annual reports and estimates. Excludes cash. Not all percentages will add up to 100%.

- 2000      Lisbon Strategy for 2010
- 2010      Europe 2020
- 2020      EU Green Deal
  - Europe estimate €10 trillion spending by 2050E (market estimates)
  - Global estimate €40 trillion spending to 2050E (market estimates)

- Debt      Stronger balance sheets
- Energy      Low energy exposure and efficiency
- Global      Mitigating regional risks

# Corporate Governance – a vital element to investment success

Vital: As part of company culture

Integral: To understanding the investment

Sole: Investment success is our aim

***Avoid confusing best practice with best outcome***

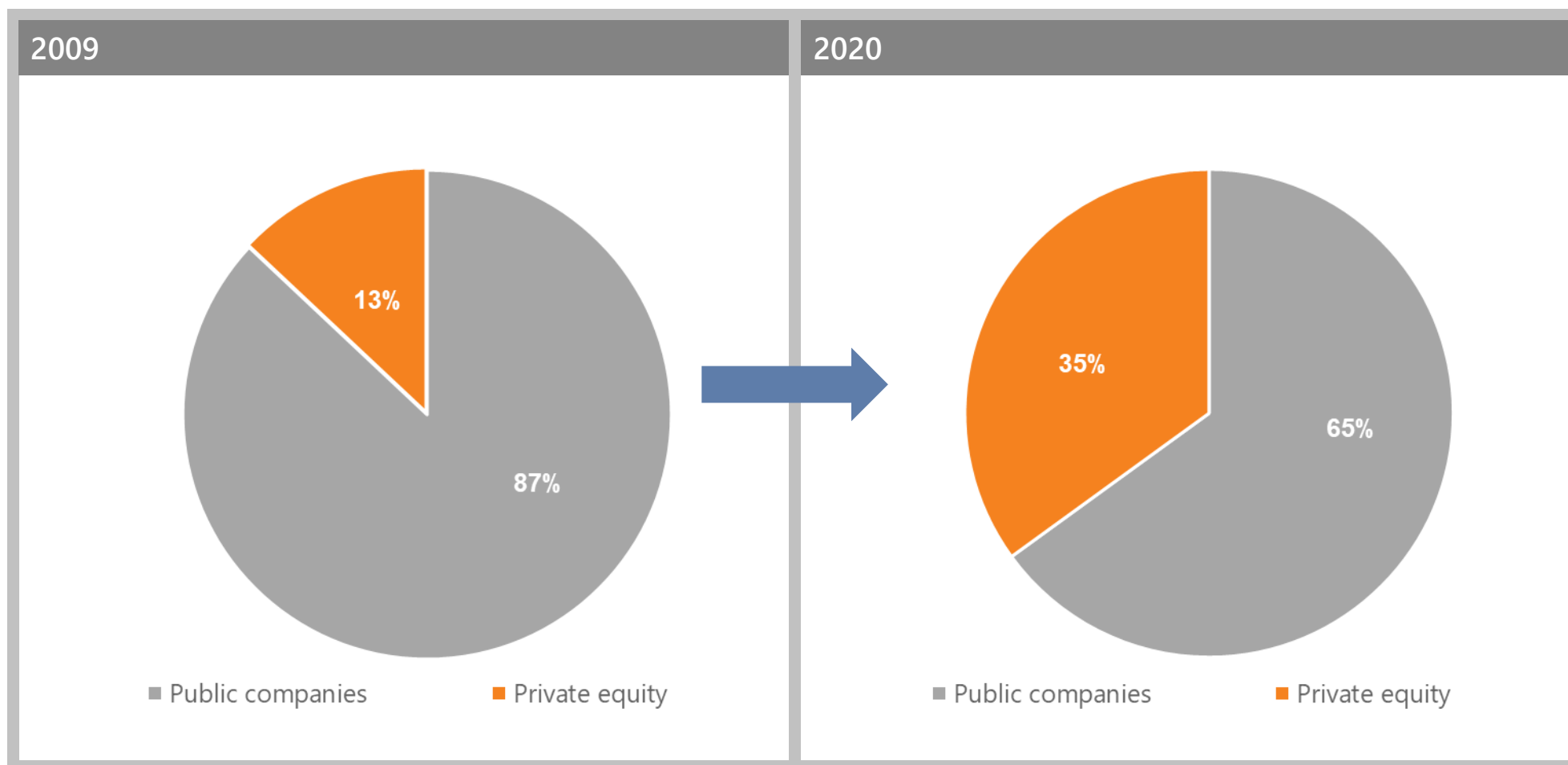
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- Integrated into the investment process
- Act in 'collective interest': maximising investment returns
- Working with 3<sup>rd</sup> party research
- Investment committee oversight
- Voting sanctions where investee company progress unsatisfactory
- Reported in a transparent and consistent manner

***Inextricably linked to the broader investment process – better practices, better outcomes***

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# Increase of private investments - share of global M&A transactions 15



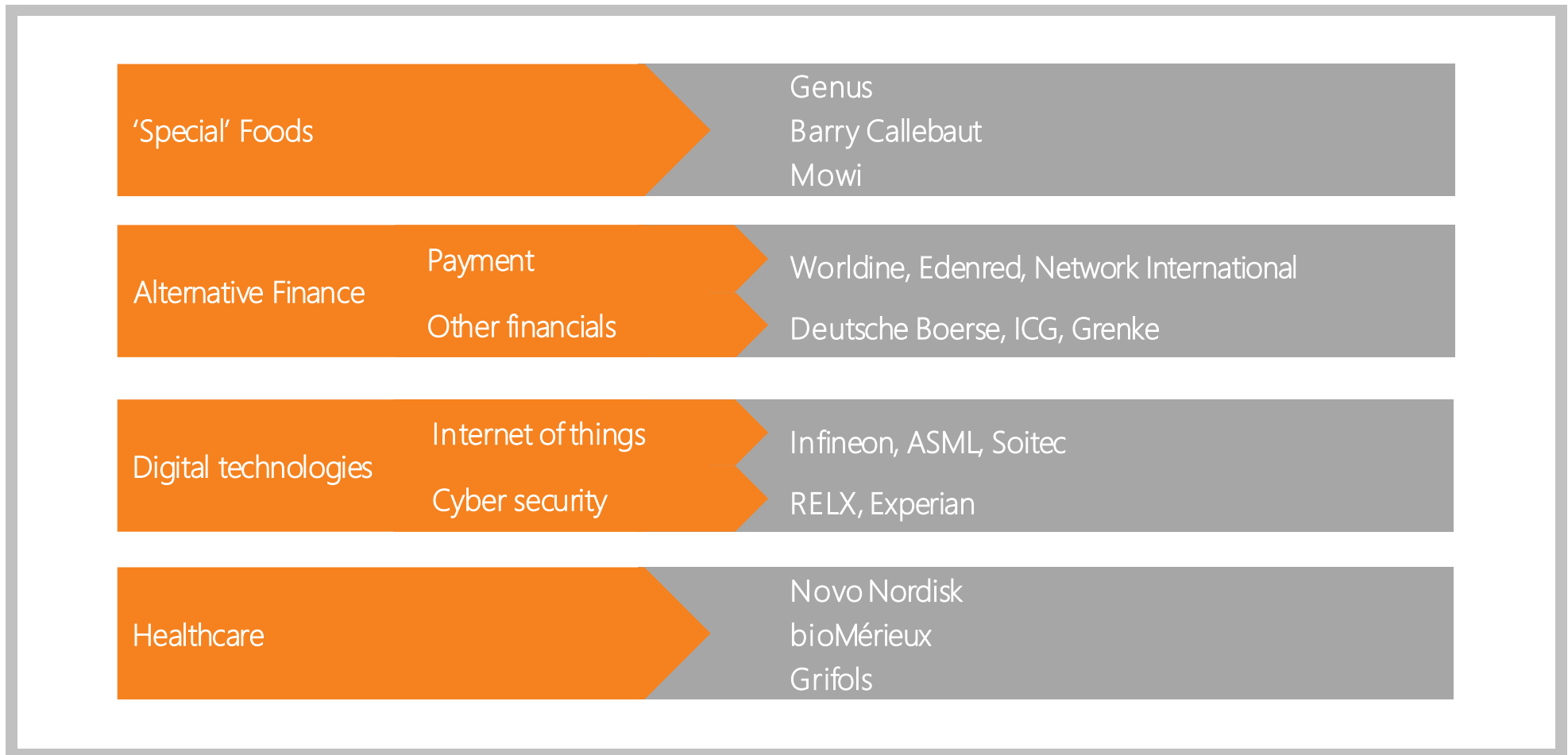
Source: Bloomberg.



# Investment themes

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Change → opportunities



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Source: Devon, 31.01.21. Some stocks are not included in these categories.

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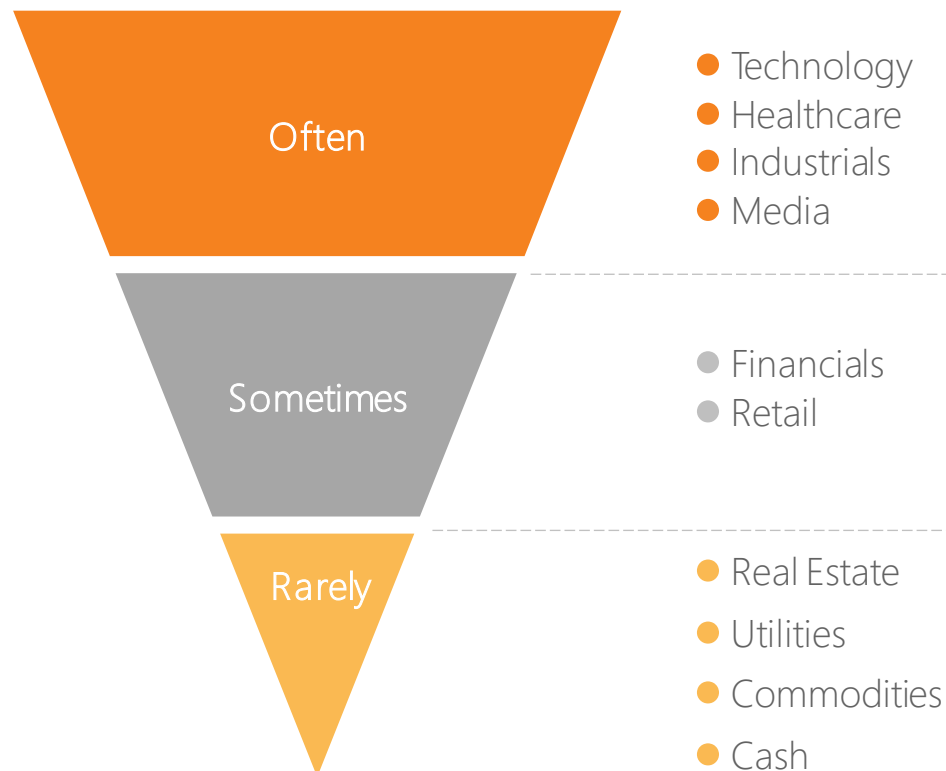
- Positioned to meet new challenges
- Consistent: identifying Europe's global winners
- Mitigating risks

*Always great opportunities*

# Appendix

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- 33 stocks
- Low gearing
- Intellectual property not capital intensity
- Global exposure
- 'No' commodities, banks, utilities



## *Consistent investing*

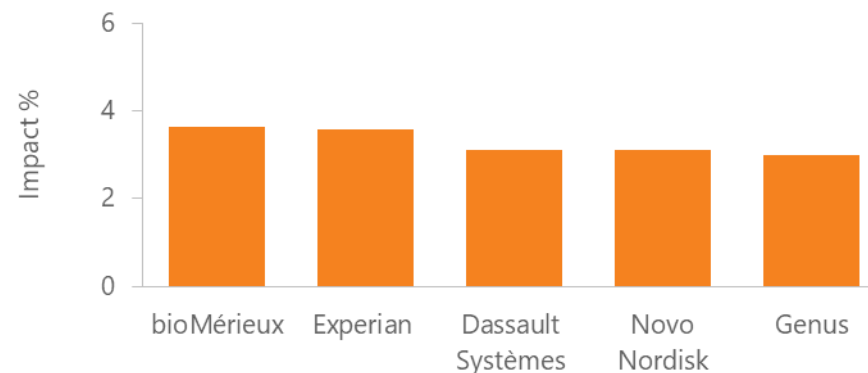
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Source: Devon, as at 31.01.21.

# Three-year stock contribution to return

20

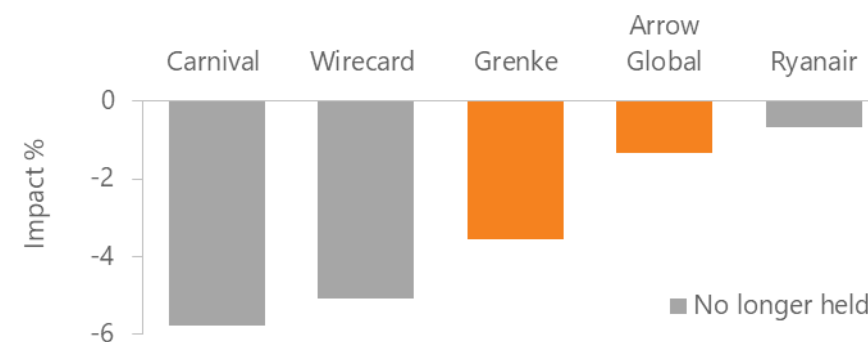
## Top 5 positive contributors

- bioMérieux (clinical diagnostics)
- Experian (credit bureau)
- Dassault Systèmes (CAD/CAM software)
- Novo Nordisk (diabetes and obesity care)
- Genus (porcine and bovine genetics)



## Top 5 negative contributors

- Carnival (cruise line)
- Wirecard (digital payments)
- Grenke (small ticket leasing)
- Arrow Global (debt collection)
- Ryanair (airline)



Stock examples are for illustrative purposes only and are not a recommendation to buy or sell.

Source: Devon, Bloomberg, from 31.01.18 to 31.01.21. Stock contribution to return on a holdings basis and excluding cash.

Note: Stocks highlighted in grey were no longer held as at 31.01.21.

# Selling discipline

## Intertwined

1

The business model is failing

Identify if there is a short-term market reaction or some structural long-term issues

2

Source of funding for new ideas

Always fully invested

3

Valuation grounds

The asymmetric risk/reward profile identified becomes less appealing

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# Favourable selling process

## European Opportunities Trust PLC

	Since complete disposal (%)
Positive sell	54
Negative sell	46
Average performance vs. Index	-3

**Since complete disposal, 21 out of 39 companies sold underperformed the benchmark**

## Examples

**Fresenius**

**Bayer**

**Aixtron**

**Fugro**

**Quadient (Neopost)**

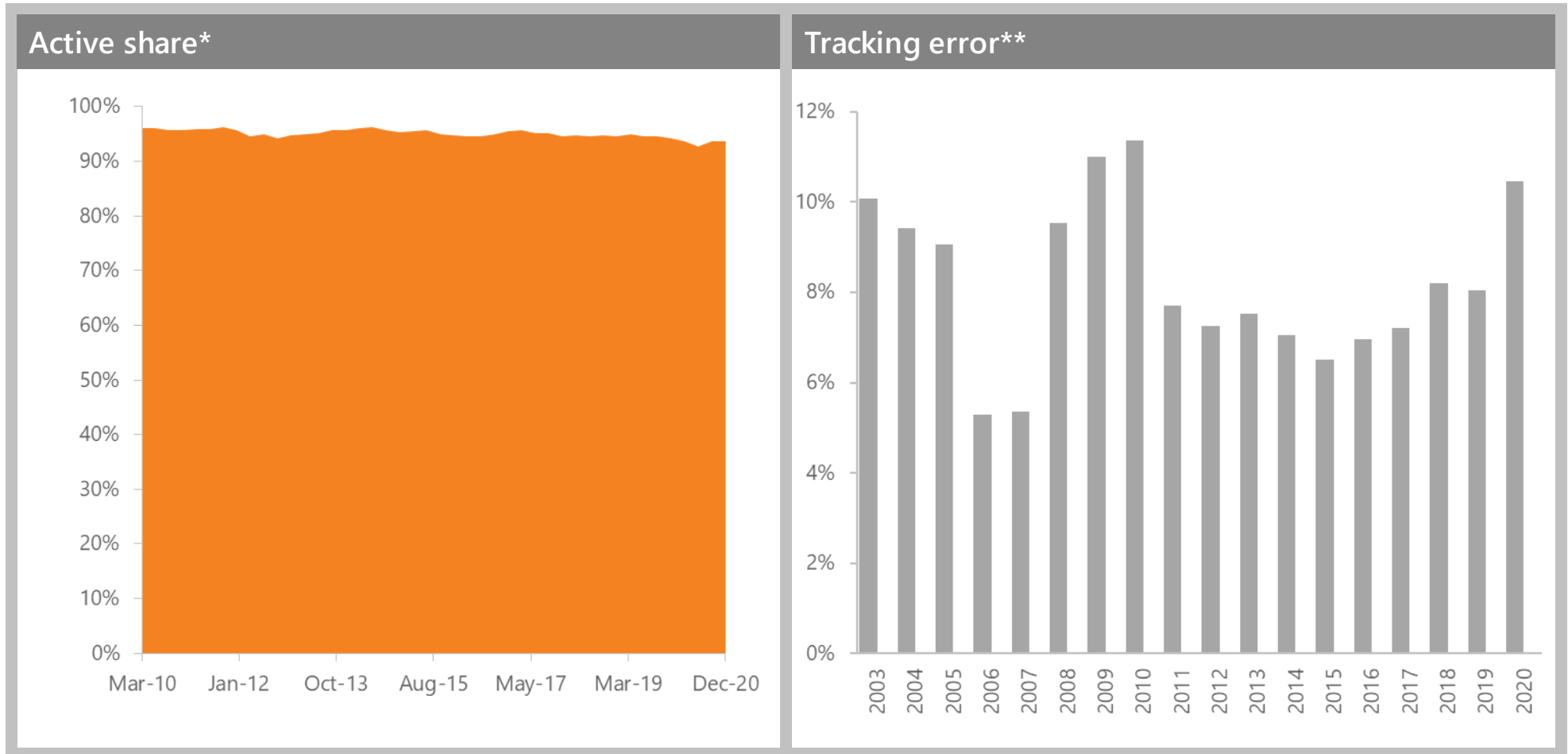
**Pearson**

**Biotest**

**Leonteq**

Past performance is no indication of current or future performance. Stock examples are for illustrative purposes only and are not a recommendation to buy or sell.  
Source: Devon, from 31.12.10 to 31.01.21. Based on GBP TR.  
Data is based on companies that have been above 1% of the portfolio during that period and that have been sold completely. Delisted companies excluded. Calculation does not take into account commissions and costs incurred on the purchase and sales of shares.

## Undiminished appetite for risk



\*Source: European Opportunities Trust PLC, Bloomberg, Quarterly 31.03.10 to 31.12.20.

Active share is defined as the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index divided by two.

\*\*Source: FE, Morningstar 31.12.20. Rolling 3 year annualised tracking error.



# Portfolio information - European Opportunities Trust PLC

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Top 20 holdings*	
	%
Novo Nordisk A/S-B	9.8
Experian PLC	9.3
RELX PLC	9.1
Dassault Systèmes SA	7.3
bioMérieux SA	7.0
Intermediate Capital Group PLC	6.9
Deutsche Boerse AG	6.6
Genus PLC	6.5
Grifols SA	6.3
Ubisoft Entertainment SA	4.4
Soitec SA	3.5
Infineon Technologies AG	3.4
Edenred SA	3.4
Arrow Global Group PLC	2.6
ASML Holding NV	2.2
Gaztransport et Technigaz SA	2.1
Barry Callebaut AG	1.9
Grenke AG	1.2
Worldline SA	0.9
Mowi AS	0.7

Portfolio features		
EO Trust PLC NAV		£873m
Effective gearing		2.8%
Number of holdings		33
Top 10 holdings		73.2%
Premium (discount)		(10.3)%
Market cap split		
	EO Trust PLC	Benchmark
Weighted average	€34.2bn	€69.6bn
Weighted median	€16.6bn	€42.6bn
Large	84.6%	99.5%
Mid	11.4%	0.5%
Small	3.0%	0.0%

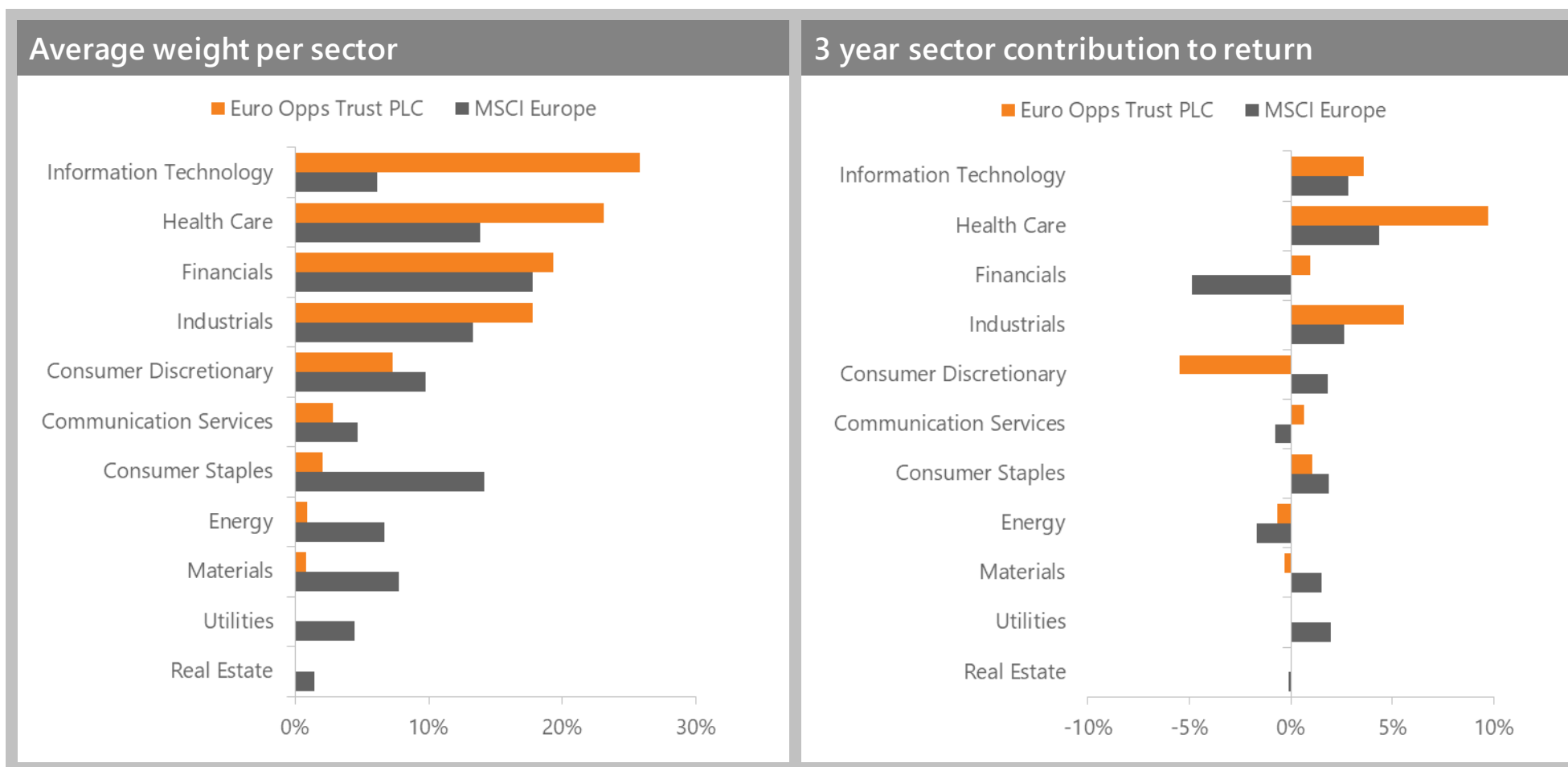
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Source: Devon/Bloomberg, 31.01.21.

AUM priced at mid-day excluding actions for the day. Small: below €1bn, Mid: €1–5bn, Large: €5bn+. Benchmark: MSCI Europe Index. Note: numbers may not add up to 100% due to rounding.

# Three-year average weight and sector contribution

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Source: Devon, Bloomberg, % of Total Assets excluding cash, 31.01.18 to 31.01.21. Sector contribution to return on a holdings basis and excluding cash. GICS Sectors.

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