

An aerial night view of a city, likely Paris, featuring a prominent domed cathedral (the Sacré-Cœur) illuminated in the center. The city is densely packed with buildings, and the streets are lit up with warm yellow lights. The overall scene is a vibrant, high-angle perspective of an urban landscape at dusk or night.

# The European Investment Trust plc

**31 MARCH 2018**

Half-Yearly  
Report



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# Objective

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**To achieve attractive investment returns over the long term from a diversified portfolio of European securities.**

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# Investment Policy

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***The Board believes that investment in the diverse markets of the region promises attractive long-term capital and income growth. It further considers that the structure of the Company as a UK listed investment trust, with an independent Board of Directors, is well suited to meeting this aim.***

The Company is invested in a diversified portfolio which is expected to consist of approximately 30 to 50 securities. The Company may not invest more than 10% of the value of the portfolio in any one individual stock at the time of investment.

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 those that have stated that they will invest no more than 15% of their total assets in other listed investment companies. In this 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 (the "AIFM").

# Highlights

as at 31 March 2018

SHARE PRICE  
TOTAL RETURN

**(1.8) %**

2017 32.2%

NAV  
TOTAL RETURN

**(4.2) %**

2017 29.9%

INDEX RETURN\*

**(4.0) %**

2017 22.6%

SHARE PRICE  
DISCOUNT TO NAV

**10.3 %**

2017 12.3%

INTERIM ORDINARY  
DIVIDEND

**9.0p**

2017 8.0p

HIGH CONVICTION  
PORTFOLIO

NUMBER OF HOLDINGS

**40**

2017 37

DIFFERENT FROM  
THE INDEX\*

ACTIVE SHARE

**80 %**

2017 79%

LONG-TERM  
FOCUS

PORTFOLIO TURNOVER

**21 %**

2017 22%

ONGOING  
CHARGES

**0.61 %**

2017 0.59%

The figures for 2017 are for the year ended 30 September 2017.

\* FTSE All-World Europe ex UK Index.

# Financial Summary

Results for the period	31 March 2018	30 September 2017	Change
Shareholders' funds	<b>£416.4m</b>	£440.2m	(5.4)%
Net asset value per ordinary share ("NAV")	<b>991.8p</b>	1047.9p	(5.4)%
Share price per ordinary share	<b>890.0p</b>	919.5p	(3.2)%
Share price discount to NAV	<b>10.3%</b>	12.3%	

	Six months to 31 March 2018	Year to 30 September 2017
Revenue return per ordinary share*	<b>8.4p</b>	25.8p
Capital return per ordinary share*	<b>(51.1)p</b>	219.7p
Total return per ordinary share*	<b>(42.7)p</b>	245.5p
Interim dividend per ordinary share**	<b>9.0p</b>	8.0p

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

\*\* In the year ended 30 September 2017, an interim special dividend of 1.5p was also paid.

High/low	Six months to 31 March 2018	Year to 30 September 2017
NAV – high	<b>1069.6p</b>	1061.8p
– low	<b>971.9p</b>	833.9p
Share price – high	<b>974.0p</b>	940.0p
– low	<b>866.0p</b>	705.0p
Share price discount to NAV – low	<b>7.1%</b>	8.3%
– high	<b>12.1%</b>	17.8%

Performance	Six months to 31 March 2018	Year to 30 September 2017
NAV Total Return*	<b>(4.2)%</b>	29.9%
FTSE All-World Europe ex UK Index Total Return*	<b>(4.0)%</b>	22.6%

\* In sterling.

The NAV Total Returns are sourced from Edinburgh Partners Limited ("Edinburgh Partners" or the "Investment Manager") and include dividends reinvested. The index performance figures are sourced from Thomson Reuters Datastream.

Cost of running the Company	Six months to 31 March 2018	Year to 30 September 2017
Ongoing charges*	<b>0.61%</b>	0.59%

\* Based on total expenses, excluding finance costs and certain non-recurring items for the period or year and average monthly net asset value.

Past performance is not a guide to future performance.



# Chairman's Statement

## PERFORMANCE

After the strong returns seen in the prior financial year, European equity markets fell back in the six months to 31 March 2018. The Company's NAV total return was -4.2%, compared to a return of -4.0% from the FTSE All-World Europe ex UK Index, adjusted to sterling. The share price total return over the period was -1.8%, helped by a reduction in the share price discount to NAV from 12.3% to 10.3%. A report from the Investment Manager covering the period under review is set out on pages 8 and 9.

## DISCOUNT AND SHARE BUY BACKS

The Board monitors the discount closely. We will buy back shares opportunistically, taking into account the level of the discount and the valuation of the portfolio. During the six months to 31 March 2018, the Company bought back 16,500 shares for cancellation at a total cost of £145,000. Subsequent to the half-year end, the Company has bought back a further 111,000 shares at a total cost of £1,004,000.

## REVENUE

Revenue per share for the six-month period to 31 March 2018 was 8.4p. While this was a reduction on the 8.9p achieved in the six months to 31 March 2017, this prior year figure included 3.2p of exceptional income relating to historic overseas withholding tax reclaims and related interest.

The revenue per share for the six-month period to 31 March 2018 benefitted from the change in the allocation of the management fee and finance costs relating to borrowings from 1 October 2017. Two-thirds of these costs are now charged to capital to reflect more accurately the expected future returns from capital and income. In the six-month period, income from dividends increased from £4,010,000 in 2017 to £4,664,000 in 2018, helped by a substantial dividend of £778,000 from the Company's investment in Nordea Bank.

Shareholders should be aware that the revenue return for the half year is not indicative of the full-year return. This is because 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.

## DIVIDEND

The Board has decided to pay an interim dividend in 2018 of 9.0p, compared to the 8.0p interim dividend paid last year. The dividend will be paid on 31 July 2018 to shareholders on the register at 6 July 2018. The ex-dividend date will be 5 July 2018.

## BORROWINGS

The Company has a €30m bank overdraft facility which provides our Investment Manager with flexibility to take advantage of investment opportunities when valuations are attractive. The facility was utilised to a limited extent during the period under review.

## OBJECTIVE AND INVESTMENT POLICY

At the Annual General Meeting held on 11 January 2018, shareholders approved changes to the Company's objective and investment policy. As detailed in the prior year Annual Report, the objective needed updating to reflect developments in the markets in which the Company invests. The investment policy was also revised, principally to reflect the belief that the diverse markets of the region promise attractive long-term growth and that investment returns come from a mixture of capital growth and dividends. The revised objective and investment policy are set out on pages 2 and 3.



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# Chairman's Statement continued

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## INVESTMENT MANAGER

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In January 2018, Franklin Resources, Inc. announced the acquisition of Edinburgh Partners Limited, our Investment Manager. The acquisition completed on 1 May 2018. Importantly, there will be no change in the individuals responsible for the investment management of your Company.

## MANAGEMENT FEE

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Following negotiation with the AIFM, Edinburgh Partners AIFM Limited, the Board has agreed a revised management fee structure. Currently, the management fee is 0.55% per annum of the Company's equity market capitalisation, irrespective of the level of the equity market capitalisation. With effect from 1 June 2018, the annual management fee will be calculated at 0.55% per annum of the Company's equity market capitalisation up to £500 million and will reduce to 0.50% per annum of the equity market capitalisation which exceeds this amount. The Board continues to believe that by paying the management fee calculated on a market capitalisation basis, rather than a percentage of assets basis, the interests of the AIFM are more closely aligned with those of shareholders.

## NEW ZEALAND SHARE DELISTING

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In September 2017, the Company announced the cancellation of its share listing in New Zealand. This was due to the costs outweighing the benefits, given the small and decreasing number of shareholders on the New Zealand share register and the reduced number of trades being undertaken. The cancellation occurred on 2 November 2017 and the New Zealand listed shares were transferred to the Company's UK share register.

## OUTLOOK

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Over the six months under review, numerous events have conspired to reintroduce volatility to stock markets, which had seen little for some time. Prospects for our holdings have typically varied rather less than their share prices. This creates opportunities for investment managers with a disciplined valuation framework, such as ours.

**Michael MacPhee**  
Chairman

22 May 2018



# Investment Manager's Report

## OUR INVESTMENT APPROACH

Our aim is to identify and buy companies where we believe their share prices do not capture their long-term earnings potential. The key is to focus on long-term analysis of prospective risk and reward and not to be distracted by short-term reactions and events which are transitory in nature. This is a contrarian approach and means our portfolios will be significantly different from the index.

## REVIEW OF PERFORMANCE AND ACTIVITY

During the six-month period to 31 March 2018, the NAV total return was -4.2% compared to a return of -4.0% from the FTSE All-World Europe ex UK Index, adjusted to sterling. In the previous Annual Report, I flagged that valuations were reasonably full and therefore it was not a great surprise that markets fell during the period. The gradual withdrawal of central bank stimulus is a positive development, bringing to an end the artificial suppression of interest rates and reflecting a more optimistic view on the prospects for the global economy. In a period of transition, bouts of volatility are to be expected, but they have been augmented by increasing trade tensions.

In terms of performance, I believe it is useful to look at the significant contributors and detractors, at both a sector and stock level, and this is detailed below.

Sectors	Contribution
Oil & Gas	+0.9%
Health Care	-1.6%
Financials	-1.9%

Stocks	Contribution
TDC	+0.7%
Petroleum Geo-Services	+0.6%
Gemalto	+0.5%
Bayer	-0.7%
DIA	-0.7%
Sanofi	-0.7%

The largest positive contribution from an individual sector came from oil and gas where all of our holdings delivered positive returns. Petroleum Geo-Services recovered strongly during the period, benefitting from reductions in industry capacity and increased demand for seismic data.

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# Investment Manager's Report continued

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Both the financials and health care sectors recorded negative contributions. In the financials sector, banks represent our largest exposure at 20.1% of the portfolio and this recent weaker performance should be viewed in the context of the strong performance seen in the year to 30 September 2017. The banks are beneficiaries of a rising interest rate environment and hence were impacted when the rise in bond yields, evident during 2017, stalled in early 2018. Health care was another weak sector with Bayer and Sanofi being the worst performing stocks. Bayer has been affected by the regulatory uncertainty over the Monsanto takeover while Sanofi announced a couple of significant acquisitions to boost its pipeline. We believe that the pharmaceutical companies are moving into a period of growth as new drugs, either developed or acquired, come to market. As this transition unfolds, we expect the resilience of their earnings will be recognised by equity market investors.

During the period, we sold our holding in financial technology company Gemalto, which accepted a takeover bid from Thales, a French industrial conglomerate. We replaced this holding with an investment in the Polish media and telecommunications business, Cyfrowy Polsat. This business has a leading market position in mobile telephones in the rural areas of Poland, where cable is uneconomic. It also operates a successful national television station. We believe this combination should allow the business to generate steady cash flows and lead to increased dividends.

We were active in the telecommunications sector during the period. Danish operator TDC accepted a cash offer from a consortium of pension and infrastructure funds and we received the proceeds in early May 2018. We decided to exit our position in Telecom Italia due to uncertainty over the direction of the business, with a disagreement over strategy between different shareholder groups. The sale of our holding was completed after the period end and we have replaced it with a position in the French telecommunications group, Orange, which has a well-structured fibre network and has recently returned to growth in its domestic mobile market. With a balance sheet which is not stretched and a starting dividend yield of just under 5%, Orange provides a solid investment case.

Shares in Spanish food retailer DIA fell following weak results and some concern over the capital investment plans of competitors. We believe that DIA's franchise model provides an important element of protection while its businesses in Latin America are underappreciated.

We have purchased holdings in Italian financial Mediobanca and Irish-based consumer business Glanbia. Italy is a low growth economy but Mediobanca operates in relatively insulated niches such as wealth management, consumer credit and investment banking. It has good asset quality and a robust capital position which should be strengthened by the ongoing reduction of equity stakes in non-core businesses. Glanbia has completed its transition from an Irish dairy business to a protein nutrition specialist, with the dairy businesses now operated as joint ventures. Glanbia is based in Ireland but its largest market is North America and demand for its whey protein in food and beverage is growing strongly, especially in sports nutrition.

## OUTLOOK

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The prospects for economic and corporate earnings growth in Europe remain positive, although trade friction between the US and China could act as a brake on growth. The withdrawal of economic stimulus and the distortion created by cheap money should bring a clearer focus on absolute valuations. In this context, the recent return of volatility in equity markets is a good sign for a valuation-conscious investor. We continue to seek out stocks with an appropriate balance of risk and reward.

**Craig Armour**  
Edinburgh Partners Limited

22 May 2018

# Portfolio of Investments

as at 31 March 2018

Rank 2018	Rank 2017	Company	Sector	Country	Valuation £'000	% of Net Assets 2018 <sup>1</sup>	% of Net Assets 2017 <sup>1</sup>
1	15	Roche*	Health Care	Switzerland	14,481	3.5	2.9
2	1	PostNL	Industrials	Netherlands	13,728	3.3	3.7
3	10	ENI	Oil & Gas	Italy	13,496	3.2	3.0
4	13	Total	Oil & Gas	France	13,162	3.2	3.0
5	11	Telefonica	Telecommunications	Spain	12,770	3.1	3.0
6	18	ING	Financials	Netherlands	12,368	3.0	2.8
7	4	Novartis	Health Care	Switzerland	12,179	2.9	3.4
8	3	Bayer	Health Care	Germany	12,084	2.9	3.5
9	6	BBVA	Financials	Spain	12,043	2.9	3.2
10	8	Royal Dutch Shell**	Oil & Gas	Netherlands	11,988	2.9	3.1
11	14	Nokia	Technology	Finland	11,379	2.7	2.9
12	5	Sanofi	Health Care	France	11,293	2.7	3.3
13	19	Leoni	Industrials	Germany	11,181	2.7	2.7
14	7	Commerzbank	Financials	Germany	10,950	2.6	3.1
15	34	Ahold Delhaize	Consumer Services	Netherlands	10,896	2.6	2.0
16	29	Petroleum Geo-Services	Oil & Gas	Norway	10,862	2.6	2.3
17	16	BB Biotech	Health Care	Switzerland	10,586	2.5	2.9
18	22	Michelin	Consumer Goods	France	10,370	2.5	2.4
19	33	Ipsos	Consumer Services	France	10,353	2.5	2.2
20	24	Rocket Internet	Financials	Germany	10,306	2.5	2.4
21	2	BNP Paribas	Financials	France	10,258	2.5	3.7
22	25	Ryanair	Consumer Services	Ireland	10,255	2.5	2.4
23	17	DNB	Financials	Norway	10,130	2.4	2.9
24	23	E.ON	Utilities	Germany	10,050	2.4	2.4
25	37	Ontex	Consumer Goods	Belgium	9,966	2.4	0.7
26	12	Nordea Bank	Financials	Sweden	9,848	2.4	3.0
27	21	Ubisoft Entertainment	Consumer Goods	France	9,795	2.4	2.4
28	28	Deutsche Post	Industrials	Germany	9,678	2.3	2.3
29	27	TDC	Telecommunications	Denmark	9,662	2.3	2.3
30	35	Siemens	Industrials	Germany	9,450	2.3	1.8
31	9	Airbus	Industrials	France	9,267	2.2	3.1
32	–	Mediobanca	Financials	Italy	9,086	2.2	–
33	–	Glanbia	Consumer Goods	Ireland	8,954	2.2	–
34	–	Cyfrowy Polsat	Consumer Services	Poland	8,933	2.1	–
35	32	Danske Bank	Financials	Denmark	8,836	2.1	2.2
36	30	Adecco	Industrials	Switzerland	8,756	2.1	2.3
37	–	Orange	Telecommunications	France	8,365	2.0	–
38	31	Outotec	Industrials	Finland	7,634	1.8	2.3
39	26	DIA	Consumer Services	Spain	7,229	1.7	2.4
40	20	Telecom Italia	Telecommunications	Italy	3,722	0.9	2.5
Prior year investments sold during the period							1.5
<b>Total equity investments</b>					416,349	100.0	98.0
<b>Cash and other net current assets</b>					2,112	0.5	2.0
<b>Borrowings</b>					(2,019)	(0.5)	0.0
<b>Net assets</b>					416,442	100.0	100.0

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

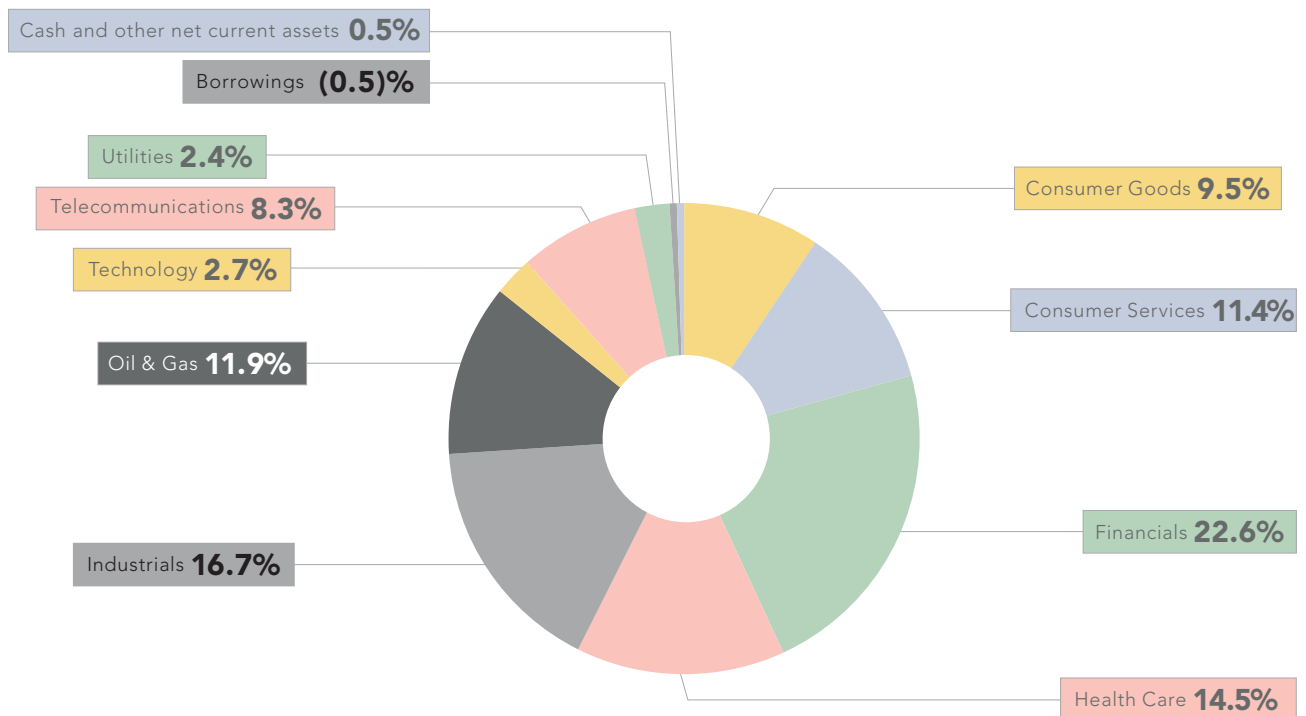
\*\* The investment is in A shares.

<sup>1</sup> The figures for 2018 represent the position as at 31 March 2018 and the figures for 2017 represent the position as at 30 September 2017.

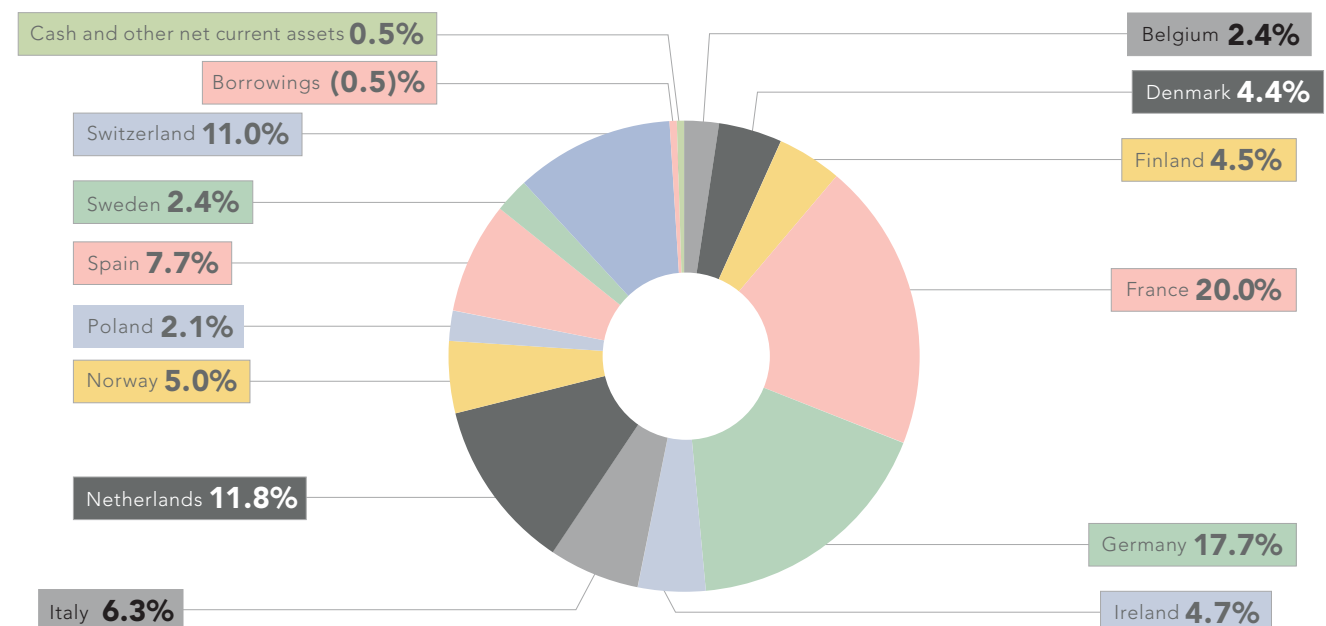
# Distribution of Investments

as at 31 March 2018 (% of net assets)

## SECTOR DISTRIBUTION



## GEOGRAPHICAL DISTRIBUTION



As at 31 March 2018, the net assets of the Company were £416,442,000.

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# Directors' Responsibility Statement

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The Directors confirm that to the best of their knowledge:

- The condensed set of Financial Statements has been prepared in accordance with Financial Reporting Standard 104: "Interim Financial Reporting" and gives a true and fair view of the assets, liabilities, financial position and loss of the Company.
- This Half-Yearly Report includes a fair review of the information required by:
  - a) 4.2.7R of the Disclosure Guidance 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 Guidance 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 and the above responsibility statement was signed on its behalf by:

**Michael MacPhee**  
Chairman

22 May 2018

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# Directors' Statement of Principal Risks and Uncertainties

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The important events that have occurred during the period under review and the key factors influencing the Financial Statements are set out in the Chairman's Statement and the Investment Manager's Report on pages 6 to 9. The principal factors that could impact the remaining six months of the financial year are also detailed in the Chairman's Statement and Investment Manager's Report.

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 risks. 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 2017. The Company's principal risks and uncertainties are unchanged since the date of that report.

# Income Statement (unaudited)

for the six months to 31 March 2018

Notes	Six months to 31 March 2018			Six months to 31 March 2017			Year to 30 September 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments at fair value	-	(20,838)	(20,838)	-	61,729	61,729	-	92,580	92,580
Foreign exchange (losses)/gains	(42)	71	29	(11)	(266)	(277)	35	(307)	(272)
Income	4,664	-	4,664	4,289	-	4,289	12,591	-	12,591
Management fee	(357)	(714)	(1,071)	(904)	-	(904)	(1,958)	-	(1,958)
Other expenses	(252)	-	(252)	(231)	-	(231)	(430)	-	(430)
<b>Net return before finance costs and taxation</b>	<b>4,013</b>	<b>(21,481)</b>	<b>(17,468)</b>	<b>3,143</b>	<b>61,463</b>	<b>64,606</b>	<b>10,238</b>	<b>92,273</b>	<b>102,511</b>
Finance costs	(8)	(5)	(13)	(38)	-	(38)	(50)	-	(50)
<b>Net return on ordinary activities before taxation</b>	<b>4,005</b>	<b>(21,486)</b>	<b>(17,481)</b>	<b>3,105</b>	<b>61,463</b>	<b>64,568</b>	<b>10,188</b>	<b>92,273</b>	<b>102,461</b>
Tax on ordinary activities	(461)	-	(461)	639	-	639	665	-	665
<b>Net return after taxation</b>	<b>3,544</b>	<b>(21,486)</b>	<b>(17,942)</b>	<b>3,744</b>	<b>61,463</b>	<b>65,207</b>	<b>10,853</b>	<b>92,273</b>	<b>103,126</b>
<b>Return per ordinary share*</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
	<b>8.4</b>	<b>(51.1)</b>	<b>(42.7)</b>	<b>8.9</b>	<b>146.3</b>	<b>155.2</b>	<b>25.8</b>	<b>219.7</b>	<b>245.5</b>

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

The total column of this statement is the Profit and Loss Account of the Company. The revenue and capital columns are prepared in accordance with guidance published by the Association of Investment Companies ("AIC").

There were no items of other comprehensive income in the period and therefore the return for the period is also the total comprehensive income for the period.

\* The return per ordinary share for the six months to 31 March 2018 is based on the net revenue return after taxation of £3,544,000 (six months to 31 March 2017: £3,744,000; year to 30 September 2017: £10,853,000) and the net capital loss after taxation of £21,486,000 (six months to 31 March 2017: net capital return of £61,463,000; year to 30 September 2017: net capital return of £92,273,000) and on 42,006,189 (six months to 31 March 2017: 42,015,349; year to 30 September 2017: 42,011,049) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

# Balance Sheet (unaudited)

as at 31 March 2018

	Notes	31 March 2018 £'000	31 March 2017 £'000	30 September 2017 £'000
<b>Fixed asset investments:</b>				
Investments at fair value through profit or loss		416,349	412,719	431,537
<b>Current assets:</b>				
Debtors		2,422	4,462	1,720
Cash at bank and short-term deposits		62	62	10,129
		<b>2,484</b>	<b>4,524</b>	<b>11,849</b>
<b>Current liabilities:</b>				
Creditors		372	314	3,186
Bank overdraft	4	2,019	10,657	–
		<b>2,391</b>	<b>10,971</b>	<b>3,186</b>
<b>Net current assets/(liabilities)</b>		<b>93</b>	<b>(6,447)</b>	<b>8,663</b>
<b>Net assets</b>		<b>416,442</b>	<b>406,272</b>	<b>440,200</b>
<b>Capital and reserves:</b>				
Called-up share capital	5	10,497	10,502	10,501
Share premium account		123,749	123,749	123,749
Capital redemption reserve		8,314	8,309	8,310
Capital reserve		266,127	256,948	287,758
Revenue reserve		7,755	6,764	9,882
<b>Total shareholders' funds</b>		<b>416,442</b>	<b>406,272</b>	<b>440,200</b>
<b>Net asset value per ordinary share</b>	6	<b>pence 991.8</b>	pence 967.2	pence 1,047.9



# Statement of Changes in Equity (unaudited)

for the six months to 31 March 2018

	Notes	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>Six months to 31 March 2018</b>							
At 1 October 2017		10,501	123,749	8,310	287,758	9,882	440,200
Net return after taxation		-	-	-	(21,486)	3,544	(17,942)
Dividends paid	7	-	-	-	-	(5,671)	(5,671)
Shares purchased for cancellation	5	(4)	-	4	(145)	-	(145)
At 31 March 2018		10,497	123,749	8,314	266,127	7,755	416,442
<b>Six months to 31 March 2017</b>							
At 1 October 2016		10,513	123,749	8,298	195,838	12,261	350,659
Net return after taxation		-	-	-	61,463	3,744	65,207
Dividends paid	7	-	-	-	-	(9,241)	(9,241)
Shares purchased for cancellation	5	(12)	-	12	(353)	-	(353)
At 31 March 2017		10,501	123,749	8,310	256,948	6,764	406,272
<b>Year ended 30 September 2017</b>							
At 1 October 2016		10,513	123,749	8,298	195,838	12,261	350,659
Net return after taxation		-	-	-	92,273	10,853	103,126
Dividends paid	7	-	-	-	-	(13,232)	(13,232)
Shares purchased for cancellation	5	(12)	-	12	(353)	-	(353)
At 30 September 2017		10,501	123,749	8,310	287,758	9,882	440,200

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# Notes to the Financial Statements

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at 31 March 2018

## 1. FINANCIAL INFORMATION

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The financial information for the six months to 31 March 2018 and for the six months to 31 March 2017 has not been audited or reviewed by the Company's Auditor 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 the Annual Report and Financial Statements for the year ended 30 September 2017; the report of the independent Auditor 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 2017 is an extract from that Annual Report and Financial Statements.

### **Basis of accounting**

The Company applies Financial Reporting Standard ("FRS") 102: "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice as issued by the AIC. The Company has prepared the Financial Statements for the six months to 31 March 2018 in accordance with FRS 104: "Interim Financial Reporting". As permitted by FRS 102, the Company has elected to remove the Cash Flow Statement from the Half-Yearly Report.

The accounting policies are set out in the Company's Annual Report and Financial Statements for the year ended 30 September 2017 and remain unchanged, with the exception of the Company's policy on expenses and finance costs. From 1 October 2017, two-thirds of management fees and finance costs relating to borrowings are charged to capital, with one-third of these costs charged to revenue, as detailed in the Income Statement on page 13 and the Chairman's Statement on page 6. Prior to that date, management fees and finance costs relating to borrowings were all charged to revenue.

### **Investments**

The valuation techniques used by the Company remain unchanged from those disclosed in the Company's Annual Report and Financial Statements for the year ended 30 September 2017.

All of the Company's financial instruments are considered to be Level 1, being valued at quoted prices in active markets. Further details can be found in note 10 of the Company's Annual Report and Financial Statements for the year ended 30 September 2017.

### **Segmental reporting**

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business. The Company primarily invests in listed companies.

### **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.

### **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 Chairman's Statement on pages 6 and 7, the Investment Manager's Report on pages 8 and 9 and the Directors' Responsibility Statement on page 12. The Company's principal risks are listed on page 12. Its 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, being a period of at least 12 months from the date this Half-Yearly Report is approved. For this reason, they have adopted the going concern basis in preparing the Financial Statements.

# Notes to the Financial Statements continued

at 31 March 2018

## 2. INCOME

	Six months to 31 March 2018 £'000	Six months to 31 March 2017 £'000	Year to 30 September 2017 £'000
<b>Income from investments:</b>			
Overseas dividends	4,664	4,010	12,224
Interest on withholding tax reclaim	–	279	367
<b>Total income</b>	<b>4,664</b>	<b>4,289</b>	<b>12,591</b>

## 3. TAXATION

	Six months to 31 March 2018 £'000	Six months to 31 March 2017 £'000	Year to 30 September 2017 £'000
UK corporation tax	–	–	–
Overseas withholding tax	461	416	933
Overseas withholding tax reclaimed	–	(1,055)	(1,598)
<b>Net taxation charged/(reclaimed)</b>	<b>461</b>	<b>(639)</b>	<b>(665)</b>

## 4. BORROWINGS

	31 March 2018 £'000	31 March 2017 £'000	30 September 2017 £'000
Bank overdraft	2,019	10,657	–

In February 2016, the Company entered into a €30,000,000 overdraft credit facility agreement with The Northern Trust Company for the purpose of pursuing its investment objective. As at 31 March 2018, €2,299,000, equivalent to £2,019,000 (31 March 2017: €12,459,000, equivalent to £10,657,000; 30 September 2017: €nil) had been drawn down under the facility. The facility is uncommitted.

# Notes to the Financial Statements continued

at 31 March 2018

## 5. SHARE CAPITAL

	Allotted, called-up and fully paid	
	Number of shares	£'000
<b>Equity share capital</b>		
Ordinary shares of 25p each		
Balance at 30 September 2017	42,006,769	10,501
Shares issued	–	–
Shares cancelled	(16,500)	(4)
<b>Balance at 31 March 2018</b>	<b>41,990,269</b>	<b>10,497</b>

During the six months to 31 March 2018, 16,500 ordinary shares were purchased and cancelled at a total cost of £145,000 (six months to 31 March 2017: 46,781 ordinary shares were purchased and cancelled at a total cost of £353,000; year to 30 September 2017: 46,781 ordinary shares were purchased and cancelled at a total cost of £353,000).

## 6. NET ASSET VALUE PER ORDINARY SHARE

	<b>31 March 2018</b>	31 March 2017	30 September 2017
Net assets attributable at the period end	<b>£416,442,000</b>	£406,272,000	£440,200,000
Number of ordinary shares in issue at the period end	<b>41,990,269</b>	42,006,769	42,006,769
Net asset value per ordinary share	<b>991.8p</b>	967.2p	1047.9p

# Notes to the Financial Statements continued

at 31 March 2018

## 7. DIVIDENDS

	Payment date	Six months to 31 March 2018 £'000	Six months to 31 March 2017 £'000	Year to 30 September 2017 £'000
Final dividend for the year ended 30 September 2017 of 13.5p	31 January 2018	5,671	–	–
Interim dividend for the year ended 30 September 2017 of 8.0p	31 July 2017	–	–	3,361
Interim special dividend for the year ended 30 September 2017 of 1.5p	31 July 2017	–	–	630
Final dividend for the year ended 30 September 2016 of 16.0p	31 January 2017	–	6,721	6,721
Special dividend for the year ended 30 September 2016 of 6.0p	31 January 2017	–	2,520	2,520
		<b>5,671</b>	<b>9,241</b>	<b>13,232</b>

## 8. EXCHANGE RATES

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

	31 March 2018	31 March 2017	30 September 2017
Euro	1.1392	1.1691	1.1349
Swiss franc	1.3381	1.2516	1.2981
Swedish krona	11.7064	11.1644	10.9510
Norwegian krone	11.0057	10.7400	10.6800
Danish krone	8.4915	8.6941	8.4454
NZ dollar	1.9400	1.7888	1.8560

## 9. RELATED PARTY TRANSACTIONS

There were no related party transactions during the period.

## 10. POST BALANCE SHEET EVENTS

Subsequent to the period end and up to 22 May 2018, the date of signing this report, the Company bought back 111,000 ordinary shares for cancellation at a total cost of £1,004,000.

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# Shareholder Information

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## INVESTING IN THE COMPANY

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The Company's ordinary shares are traded on the London Stock Exchange and can be bought or sold through a stockbroker or financial adviser. The ordinary shares are eligible for inclusion in Individual Savings Accounts ("ISAs") and Self-Invested Personal Pensions ("SIPPs"). The Company's shares are also available on various share trading platforms.

## FREQUENCY OF NAV PUBLICATION

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The Company's NAV is released daily to the London 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).

## PORTFOLIO HOLDINGS

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The Company's portfolio holdings report, detailing a list of all investments, including sectoral and geographical analyses, is released monthly to the London Stock Exchange. It is also 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 FURTHER INFORMATION

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The Company's share price is quoted daily in the Financial Times, the Daily Telegraph and the Times under "Investment Companies". 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, NAVs 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

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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 0370 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 address shown on page 23. 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).

## KEY DATES

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

## KEY INFORMATION DOCUMENT

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In accordance with the Packaged Retail and Insurance-based Investment Products Regulation, a Key Information Document is available on the Company's website at [www.theeuropeaninvestmenttrust.com](http://www.theeuropeaninvestmenttrust.com).

## ASSOCIATION OF INVESTMENT COMPANIES

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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).

## ELECTRONIC COMMUNICATIONS FROM THE COMPANY

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Shareholders now have the opportunity to be notified by email when the Company's annual report, half-yearly report and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company.

If you have not already elected to receive electronic communications from the Company and wish to do so, please contact the Registrar using the details shown on page 23. Please have your Shareholder Reference Number to hand.

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# Glossary

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## ACTIVE SHARE

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Active Share is a measure of how actively the portfolio of investments is managed compared to the benchmark index. The Active Share can vary between 0% and 100%. If the portfolio is managed exactly in line with the benchmark index then the Active Share will be 0%. The higher the Active Share, the less resemblance the portfolio has to the benchmark index.

The Active Share is calculated by taking 100% less Coverage. Coverage is the total of the portfolio of investments that overlaps with the benchmark index. For the calculation of Coverage, for each stock the smaller of either its weight in the portfolio or the benchmark index weight is used and these numbers are then summed.

## CAPITAL RETURN PER ORDINARY SHARE

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The capital return per ordinary share is the total capital gain or loss of the company divided by the weighted average number of shares in issue during the year, excluding own shares held in treasury.

## DISCOUNT/PREMIUM

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If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, the shares are said to be trading at a premium.

## GEARING

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Gearing is the process whereby changes in the total assets of a company have an exaggerated effect on the net assets of that company's ordinary shares due to the presence of borrowings.

## NET ASSET VALUE PER SHARE

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The NAV per share is shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of a company's assets, at current market value, having deducted all prior charges at their par value (or at their market value).

## ONGOING CHARGES

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As recommended by the AIC in its guidance issued in May 2012, ongoing charges are the company's annualised revenue and capitalised expenses (excluding finance costs and certain non-recurring items) expressed as a percentage of the average monthly net assets of the company during the year.

## PORTFOLIO TURNOVER

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Portfolio Turnover is a measure of average investment horizon. It highlights how actively the portfolio of investments is managed. The higher the Portfolio Turnover, the shorter the average investment horizon might be considered to be. The lower the Portfolio Turnover, the longer the average investment horizon might be considered to be. The implied figure produced by the Portfolio Turnover calculation may differ from the actual investment horizon.

The Portfolio Turnover is calculated by dividing the total of purchases and sales of investments in a year by two, then dividing by the average monthly net assets of the Company in a year.

## REVENUE RETURN PER ORDINARY SHARE

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The revenue return per ordinary share is the total revenue of the company, divided by the weighted average number of shares in issue during the year, excluding own shares held in treasury.

## TOTAL ASSETS

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Total assets less current liabilities, including bank overdrafts, before deducting prior charges. Prior charges include all loans used for investment purposes.

## TOTAL RETURN

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The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. Any dividends (after tax) received by a shareholder are assumed to have been reinvested at the time the shares go ex-dividend in either additional shares of the investment trust (the share price total return) or in the assets of the investment trust at its NAV per share (the NAV total return). Total return per share statistics are calculated on the basis of the weighted average number of shares in issue.

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# Risk Factors

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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. 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.



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# Corporate Information

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## DIRECTORS (ALL NON-EXECUTIVE)

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Michael MacPhee (Chairman)  
William Eason  
Michael Moule  
Dr Michael Woodward

## COMPANY SECRETARY AND REGISTERED OFFICE

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

[www.theeuropeaninvestmenttrust.com](http://www.theeuropeaninvestmenttrust.com)

## SOLICITORS

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

## ALTERNATIVE INVESTMENT FUND MANAGER

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

## DEPOSITARY

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

## INVESTMENT MANAGER

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

Tel: 0131 270 3800  
Fax: 0131 270 3801

e-mail: [enquiries@edpam.com](mailto:enquiries@edpam.com)  
[www.edinburghpartners.com](http://www.edinburghpartners.com)

## CUSTODIAN

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

## INDEPENDENT AUDITOR

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BDO LLP  
55 Baker Street  
London W1U 7EU

## STOCKBROKER

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

## REGISTRAR

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

Tel: 0370 889 4086  
email: [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk)  
[www.investorcentre.co.uk](http://www.investorcentre.co.uk)

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# Notes

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**The European Investment Trust plc**

Registered in England and Wales Number 1055384

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