

## ***Downturn in equity markets has left many robust and well capitalised European companies undervalued***

### ***- Active Stockpicking will be a key driver to deliver investment returns***

“European equity markets currently look attractive in valuation terms for investors prepared to look over a medium- to long-term horizon” said Mark Lovett, Co-CIO European Equities, RCM, and Fund Manager of the award-winning\* Charter European Trust. “Core European countries are not suffering from many of the structural deficit and leverage issues that are being experienced elsewhere in the world” he continued “and, whilst there are specific issues that need addressing, as a bottom up stockpicker there are some very exciting individual investment opportunities arising across markets.”

The key theme underlying these opportunities, which Mark has focussed on over the last few months, is finding core growth companies with strong underlying business models combined with a robust and sustainable dividend yield. Charter European is a focused, high conviction trust typically investing in 30 – 40 blue chip, large cap and specific mid-cap stocks across Europe, an approach which has delivered consistent outperformance of its benchmark\*\*. The Trust is managed by RCM, the specialist global equity company of Allianz Global Investors.

#### **Mark Lovett, Manager of Charter European Trust, commented on current themes within the portfolio:**

##### **Positive on Satellite Companies**

“Satellite companies are a prime example of the sort of companies that currently look very attractive. First, they are high growth companies with a highly visible business model, strong cash flow and a starting dividend yield with the prospect to grow. Secondly, they are likely to be key beneficiaries of capital scarcity. Charter currently has exposure to two companies: Eutelsat Communications and SES Group, both of which are world leaders in a fairly consolidated industry. Their business model is visible and low risk but with good underlying growth potential primarily from emerging markets and government agencies. They are also committed to shareholder return not just in terms of capital growth but in terms of dividend yield and income growth going forward.

##### **Positive on Oil**

“We believe certain oil stocks will potentially be a strong driver of performance throughout 2009, and over the last few months we have been adding exposure to companies in the sector that specifically have either strong production growth profiles, such as Total and BG, or companies with very solid order books such as Saipem. We think these sort of companies will be re-rated as the market appreciates the importance of their strengths.

##### **Positive on Consumer Staples**

“We are retaining the Trust’s overweight position in consumer staples for example in the healthcare industry through Fresenius Medical and in the personal goods sector with an overweight position in Unilever, which not only has a good stable earnings stream but also a restructuring story going forward. The Trust is, however, heavily underweight in

consumer discretionary areas as a period of retrenchment in terms of consumer disposable income growth is likely to result in subdued consumer spending.

**Negative on Banks**

“The Trust has benefited from an underweight position in banks since 2006 and we will retain this position. We think that the balance sheet risks plus the change in the business models which is occurring means that the sector will be significantly less profitable than it has been historically.

**Negative on Telecoms**

“Charter does not own any positions in telecoms. Telecoms is perceived as a defensive sector but we see it as a structurally challenged industry and a value trap in terms of the investment opportunity.

**Mark Lovett concluded:** “In Europe there are some great opportunities in the large- and mid-cap sector to pick up global leaders in attractive growth industries, which should put us in a strong position to continue the trend of outperformance for our investors.”

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\* Charter European Trust was named winner of Investment Week’s “Investment Trust of the Year Award” (Europe) 2008, awarded November 2008.

\*\* Source: RCM (UK) Ltd/ Lipper, mid to mid, capital return, one-year periods ending dates given. Benchmark was FTSE W Europe up to 08.01.07 thereafter FTSE W Europe ex UK. The sector is the AIC Europe Sector.

	31.12.03 to 31.12.04	31.12.04 to 31.12.05	31.12.05 to 31.12.06	31.12.06 to 31.12.07	31.12.07 to 31.12.08
Trust	16.73%	28.15%	12.13%	16.35%	-24.69%

Benchmark	9.89%	19.35%	14.88%	12.44%	-26.80%
Sector average	19.00%	31.69%	18.11%	8.43%	-30.29%

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get back the amount originally invested. An investment trust's shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

**About RCM (all data source: RCM as at 31/12/08; latest available)**

RCM is a global asset manager operating from six international offices - San Francisco, London, Frankfurt, Hong Kong, Tokyo and Sydney - with assets under management of over €60 billion/\$83 billion worldwide. The firm provides a range of investment management solutions to institutions and individual clients. At RCM we believe that by generating and exploiting an information advantage, we will be able to deliver superior and consistent investment results for the benefit of our clients - a philosophy we call RCM informed. RCM is a company of Allianz Global Investors, a pre-eminent global asset management group committed to helping clients achieve sustainable success. As a company of Allianz Global Investors, RCM offers a distinctive investment philosophy and culture, while benefiting from the scale and substantial resources of our parent; including business support, industry best-practices and financial investment. This enhances our ability to attract and retain talent, and provide superior insight and investment performance.

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