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Press Release



For professional advisers only.

Charter European Trust outperforms as it hits its 100th anniversary

- Concentrated portfolio and flexible stock picking strategy proves successful
- Net Asset Value per share up 18.2% compared with benchmark return of 14.4%¹
- Top performing investment trust in AIC Europe sector for year ended 30th November 2007²
- Careful stock selection remains key in 2008 as well as emphasis on growth shares

The Charter European Trust, managed by Mark Lovett, celebrates its 100th anniversary and today also announces excellent returns in absolute terms, relative to its benchmark and competition, for the year ended 30th November 2007.

The financial year saw the fruition of a number of initiatives adopted in recent years, in particular the move to a more concentrated portfolio and the adoption of a flexible stock-picking strategy based around the new benchmark of the FTSE World Europe (ex UK) Index in January of last year.

The managers' correct thematic predictions buoyed the Trust's performance over the past 12 months; namely that emerging market economies, in particular China and India, would continue to grow fast and remain hungry for resources, as well as luxury goods and capital equipment. Also that valuations for commercial property and private housing in many developed markets were stretched and difficulties in these sectors would have knock on effects for financial institutions. The managers believe these themes will continue into 2008 and as such, the Trust is currently overweight in commodities (oil and gas), luxury goods, media and IT software, while remaining underweight in telecoms and banks.

Mark Lovett, manager of the Trust, commented: "The full impact of last summer's credit crisis, and its continuing aftershocks, is still unclear. Many more forecasters are now predicting that the United States will enter a recession – two quarters of negative economic growth – in 2008; the US housing market is a fundamental concern. In Europe, many of whose major economies depend upon exports, the likely slowdown in growth brought about by any contraction of the US economy may well be significant. Survey data is already showing a deterioration in confidence. The strength of the euro in 2007, and the impact of housing weakness in Spain, Ireland and the United Kingdom, adds to the nervousness. However, valuations in many sectors are now discounting much bad news and the likely policy response to further deterioration – cuts in interest rates – could well provide support for markets this year, as investors look beyond the immediate difficulties into the renewal of more robust growth.

"Careful stock selection will remain key in 2008 and the emphasis on quality growth shares, which served us so well last year, will be maintained in the near term."

• **Investment remit**

The Trust's objective is to deliver capital and income growth through investment in European securities. The Trust also seeks to enhance returns for its shareholders through gearing, in the form of bank borrowings. Gearing can boost the Trust's returns when investments perform well, though losses can be magnified when investments do badly.

It is a bottom-up, focused, European investment trust with a flexible mandate, currently favouring larger capitalisation 'growth' companies.

- Ends -

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Notes to Editors:

- 1- Source: Datastream/ Charter European Trust preliminary results to 30/11/07. FTSE World Europe Index (£) 1/12/06 to 8/01/07 and thereafter the FTSE World Europe (ex UK) Index (£) to 30/11/07.
- 2- Source: AIC, 12 months to 30/11/07.

This investment trust charges 75% of its annual management fee to the capital account. This could lead to a higher level of income and a lower capital return, or future growth may be constrained. Changes in rates of exchange may cause the value of investments and the income from them to fluctuate.

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