

Aim

The Trust's objective is to deliver capital and income growth through investment in a focused portfolio of European securities.

Risks & Features

The Trust has been awarded Investment Trust of the Year Award 2008 (Europe). The judges praised the manager's success in adopting a focused stock picking approach in recent years.

Investment trusts are quoted companies listed on the London Stock Exchange. Their share prices are determined by factors including the balance of supply and demand in the market, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

Investment trusts can enhance returns through gearing. This can boost a Trust's returns when investments perform well, though losses can be magnified when investments lose value.

History

The Trust was formed as part of the reorganisation of its predecessor, Charter European Trust plc in 2002. It was launched primarily to enable existing shareholders to rollover their investment and it follows a similar investment strategy. On 5th January 2007 shareholders voted to adopt a new benchmark index, the FTSE World Europe (ex UK), and to change the Trust's name from Charter Pan-European Trust plc to Charter European Trust plc.

Fund Manager's Review



Mark Lovett

European Equity markets finished the year on a high with the FTSE World Europe ex UK benchmark returning over 2.5% for December. The news in November that Dubai World was seeking to defer payment on its debt brought into focus that despite an impressive equity market rally since March, the real world economy remains in a delicate state. Financial shares struggled early on in the month on this news, before recovering slightly after Abu Dhabi agreed to provide \$10bn to Dubai World to service their debt. Sovereign debt was also in the spotlight during December as Ireland announced €3.8bn of budget cuts and the credit outlooks for Greece, Portugal and Spain were all changed to negative by rating agency S&P.

The portfolio outperformed its benchmark in December, helped by its overweight positions in the Media and Healthcare sectors. The best performers within the portfolio were ASM International, a Dutch manufacturer of machines used to make semiconductors, UK property investment company Unite Group and French advertising services group Publicis. ASM advanced strongly as two of the world's biggest makers of semiconductors reported stronger than expected sales estimates for Q1. Unite Group successfully raised £167m in capital for its new student accommodation fund, while Publicis advanced after winning advertising contracts for Chevrolet, Chrysler and Unilever. The worst performers within the portfolio were the French banks BNP Paribas and Unicredit, which underperformed compared to the broader banking sector.

Key Information

Total Assets:	£63.4m
Gearing (net):	1.2%
No. of Shares (Ordinary 1p):	23,695,917
Share Price¹:	234.0p
Net Asset Value²:	255.3p
Premium/-Discount to NAV²:	-8.3%
Dividend Yield²:	1.73%
No. of Holdings:	29

All data source RCM (UK) Limited as at 31.12.09 unless otherwise stated.

Launch Date:	April 2002
Continuation Vote:	2014
AIC Sector:	Europe
Benchmark:	FTSE World Europe (ex UK) Index
Year end:	30 November
Annual Financial Report:	Final posted in February, Half-yearly posted in July
AGM:	March
Dividends:	April, August
Price Information:	Financial Times, The Daily Telegraph, www.rcm.com/investmenttrusts
Board of Directors:	Giles Weaver (Chairman), Dr Elizabeth Vallance, Richard Bernays, Vicky Hastings, Nigel Simon
Investment Manager:	Mark Lovett, CIO, UK & European Equity RCM A company of Allianz Global Investors
Investor Services:	020 7065 1407

¹Source: Lipper as at 31.12.09, market close mid price.

²Source: Datastream as at 31.12.09. Calculated using the latest full year dividend divided by the current share price.

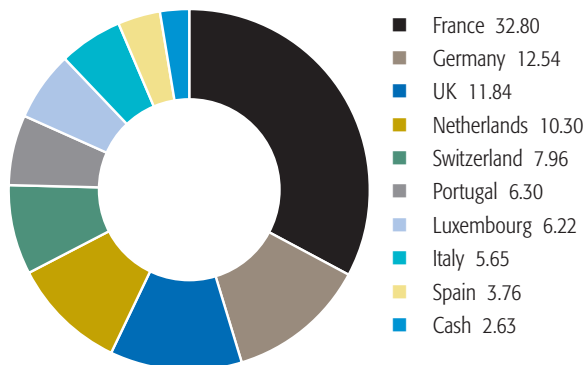
³A trust's net asset value (NAV) is calculated as available shareholders' funds divided by the number of shares in issue, with shareholders' funds taken to be the net value of all the company's assets after deducting liabilities. It is the capital NAV that is shown, which excludes any income.



Top Ten Holdings (%)

Name	%
ASM International	4.8
Société Générale	4.7
Eutelsat Communications	4.6
BNP Paribas	4.5
Publicis Groupe	4.4
Sanofi-Aventis	4.4
Zurich Financial Services	4.1
Ses Sa Fiduciary	4.1
Telefonica	3.7
Julius Baer Gruppe	3.7
Total	43.0

Geographic Breakdown (%)



The Trust may also buy and sell currencies, which means that the value of the Trust may fall as well as rise if sterling changes in value relative to the currencies held or in which investments are made.

How to Invest?

The Trust is a UK public limited company traded openly on the stock market. You can purchase shares through a stock broker.

RIC: CPE SEDOL: 3148639 ISIN: GB0031486391

Shares in the Trust can be held within an ISA and/or savings scheme and a number of providers offer this facility. A list of suppliers is available on our website www.rcm.com/investmenttrusts or from the AIC at www.theaic.co.uk

Please note: Our Investment Trust Savings Plan was closed and transferred to Alliance Trust Savings on 29 February 2008. Alliance Trust can be contacted on 01382 573 737 or contact@alliancetrust.co.uk

RCM Advantage

RCM and its predecessors have been managing investment trusts since 1889, providing investors with access to investment markets around the world through professionally managed portfolios. Each trust benefits from the expertise of the RCM fund managers yet, as a company listed on the London Stock Exchange, it is independent and is overseen by its own Board of Directors.

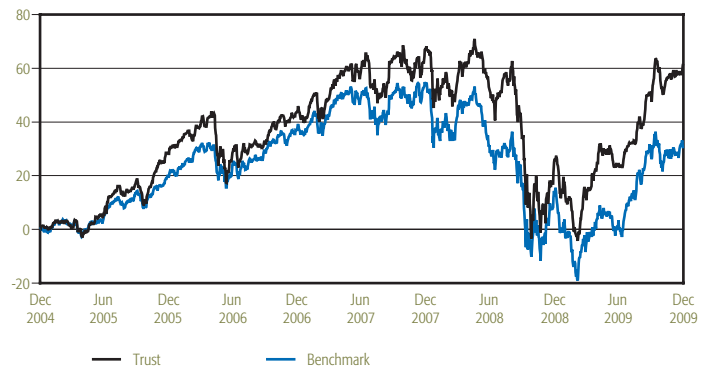
RCM is the global equity specialist within Allianz Global Investors. With offices strategically located in the US, Europe and Asia, RCM uses its global research platform to search out investment opportunities.

All data source RCM (UK) Limited as at 31.12.09 unless otherwise stated.

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Performance

Five Year Trust Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	7.09	30.73	28.40	12.50	61.66
Benchmark	0.18	29.32	15.38	-5.03	30.22

Standardised Past Performance (%)

From	31.12.04	30.12.05	29.12.06	31.12.07	31.12.08
To	30.12.05	29.12.06	31.12.07	31.12.08	31.12.09
Share Price	28.15	12.13	16.35	-24.69	28.40

Source: Lipper, percentage growth, mid to mid, capital return, to 31.12.09
Benchmark: FTSE World Europe (ex UK) Index. Note the benchmark was FTSE World Europe up to 8th January 2007.

Standardised past performance figures comply with the Financial Services Authority's regulations to enable investors to compare different products from different providers.

Past performance is not a reliable indicator of future performance. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount originally invested.

This investment trust charges 75% of its annual management fee to the capital account and 25% to revenue. This could lead to a higher level of income but capital growth will be constrained as a result. Your capital could also decrease if income paid out of capital exceeds the growth rate of the trust.