

Aim

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

Risks & Features

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

May proved to be a difficult month for European Equity markets as the EU bail out of Greece, the leaking BP leased Deepwater Horizon Rig in the Gulf of Mexico and the sustainability of a Hung Parliament in the UK dominated news headlines. After weeks of speculation, the EU formalised and approved a bail out plan worth 110 bn Euro to prevent Greece defaulting on its sovereign debt. The EU will guarantee loans for three years and for the first time, the ECB will buy government bonds to stabilise markets, with rescue packages conditional on approved fiscal austerity measures by the countries involved. Even for those countries not currently not needing EU help, there is a fine line between reducing their budget deficit and the possibility of falling back into recession.

The Charter benchmark ended the month -9.4% with the portfolio (-9.1% NAV) performing in line with the benchmark. French satellite operator Eutelsat was the best performer in the portfolio as the company announced strong Q3 results and increased its full year guidance as revenue from Emerging markets continued to grow. Eutelsat and Qatar agreed to invest in a new high capacity satellite to serve the middle East and Africa which will further enhance the company's strong emerging market position. Fresenius Medical Care, the world's biggest provider of kidney dialysis and advertising company Publicis were also among the best performers. International Personal Finance, Buzzi Unicem were among the worst performers despite no specific negative company news as investors sought safety in the uncertain macro environment.

Key Information

Total Assets:	£58.2m
Gearing (net):	2.3%
No. of Shares (Ordinary 1p):	23,072,917
Share Price¹:	201.5p
Net Asset Value²:	236.3p
Premium/-Discount to NAV³:	-14.7%
Dividend Yield²:	1.73%
No. of Holdings:	29

All data source RCM (UK) Limited as at 28.05.10 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), Richard Bernays (Chairman of the Audit Committee and Senior Independent Director), Vicky Hastings, Dr Elizabeth Vallance, 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 28.05.10, market close mid price.

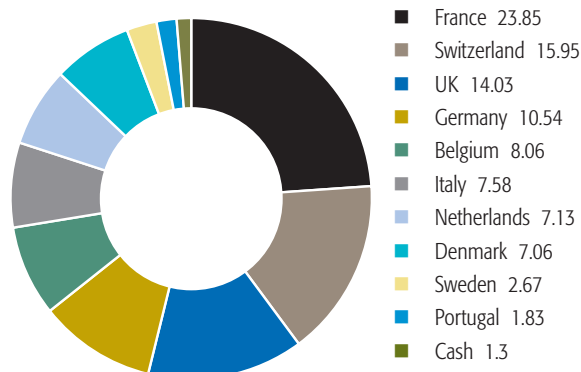
²Source: Datastream as at 28.05.10. Calculated using the latest full year dividend divided by the current share price.

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	%
Credit Suisse	5.3
Eutelsat Communications	5.2
International Personal Finance	5.0
ASM International	5.0
Flsmidth & Co	4.7
Barco	4.7
GFK	4.5
Sanofi-Aventis	4.1
BNP Paribas	4.0
Unicredit	4.0
Total	46.5

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.

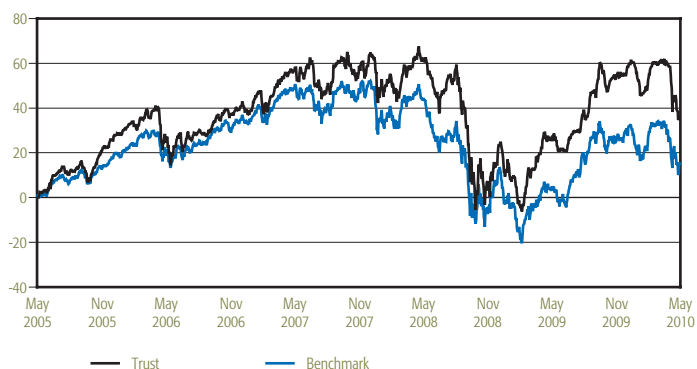
RCM is the global equity specialist within Allianz Global Investors. With offices strategically located in the US, Europe and Asia, RCM uses its global research platform to search out investment opportunities.

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Performance

Five Year Trust Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	-9.23	-11.23	7.75	-13.43	36.38
Benchmark	-7.46	-8.24	10.60	-23.50	14.65

Standardised Past Performance (%)

From	31.03.05	31.03.06	30.03.07	31.03.08	31.03.09
To	31.03.06	30.03.07	31.03.08	31.03.09	31.03.10
Share Price	37.80	7.23	4.53	-27.70	45.54

Source: Lipper, percentage growth, mid to mid, capital return, to 28.05.10
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.