

## 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



Neil Dwane

July was a positive month for the markets with Europe outperforming the US. The majority of companies reported Q2 numbers which beat expectations and although the outlook for H2 2010 was often muted the market reacted positively. The best performing sector was financials and more specifically banks on better than expected loan loss provisions. Overall the month was characterised by outperformance of cyclical sectors with defensives lagging. On a macro level the news flow was less downbeat and fears concerning peripheral Europe subsided allowing recent underperformance versus the US to be somewhat reversed. Stock market valuations in Europe continue to be attractive both in relative and absolute terms and also offer a good level of exposure to emerging market growth.

During the month the Charter portfolio rose 6.57% while the benchmark rose 6.72% leading to underperformance of 0.15%. This was primarily attributed to a high cash weighting and sector strategy. The underweighting of banks was the key sector detractor and we continue to struggle to be comfortable in reducing this position despite the month to month volatility it contributes. Stock selection was very positive mainly driven by a new position in Bwin which has agreed a merger with Partygaming. We continue to hold the stock as we see a number of catalysts which should lead to a rerating. International Personal Finance contributed positively and we are comfortable that they will be able to secure the additional funding near term to remove financing uncertainty from their business. Yara was a strong performer given bad crop yields driving higher agricultural commodity prices and a renewed focus on the need for fertilisers to enhance yields. On the negative side our Sanofi and Fresenius healthcare holdings dented performance yet defensive valuations are historically attractive and should provide support.

## Key Information

<b>Total Assets:</b>	£58.3m
<b>Gearing (net):</b>	-2.0%
<b>No. of Shares (Ordinary 1p):</b>	22,867,917
<b>Share Price<sup>1</sup>:</b>	207.8p
<b>Net Asset Value<sup>2</sup>:</b>	240.4p
<b>Premium/-Discount to NAV<sup>2</sup>:</b>	-13.6%
<b>Dividend Yield<sup>2</sup>:</b>	1.95%
<b>No. of Holdings:</b>	28

All data source RCM (UK) Limited as at 30.07.10 unless otherwise stated.

<b>Launch Date:</b>	April 2002
<b>Continuation Vote:</b>	2014
<b>AIC Sector:</b>	Europe
<b>Benchmark:</b>	FTSE World Europe (ex UK) Index
<b>Year end:</b>	30 November
<b>Annual Financial Report:</b>	Final posted in February, Half-yearly posted in July
<b>AGM:</b>	March
<b>Dividends:</b>	April, August
<b>Price Information:</b>	Financial Times, The Daily Telegraph, <a href="http://www.rcm.com/investmenttrusts">www.rcm.com/investmenttrusts</a>
<b>Board of Directors:</b>	Giles Weaver (Chairman), Richard Bernays (Chairman of the Audit Committee and Senior Independent Director), Vicky Hastings, Dr Elizabeth Vallance, Nigel Simon
<b>Investment Manager:</b>	Neil Dwane, CIO for RCM Europe RCM A company of Allianz Global Investors
<b>Investor Services:</b>	020 7065 1407

<sup>1</sup>Source: Lipper as at 30.07.10, market close mid price.

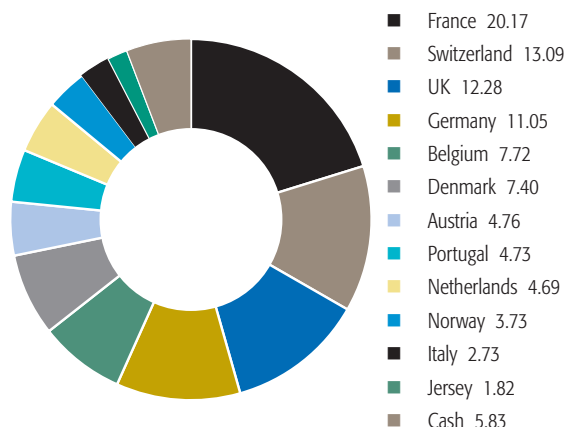
<sup>2</sup>Source: Datastream as at 30.07.10. Calculated using the latest full year dividend divided by the current share price.

<sup>3</sup>A 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	5.6
Eutelsat Communications	5.1
Flsmidth & Co	4.9
Bwin Interactive	4.7
GFK	4.7
Roche Holdings	4.4
Barco	4.3
Total	4.0
Yara International	3.7
Sodexo	3.6
<b>Total</b>	<b>45.0</b>

## 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](http://www.rcm.com/investmenttrusts) or from the AIC at [www.theaic.co.uk](http://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](mailto: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.

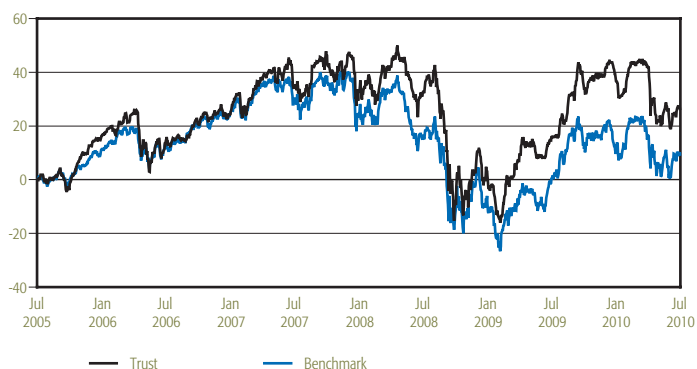
RCM is the global equity specialist within Allianz Global Investors. With offices strategically located in the US, Europe and Asia, RCM uses its global research platform to search out investment opportunities.

All data source RCM (UK) Limited as at 30.07.10 unless otherwise stated.

Issued by RCM (UK) Limited. Authorised and regulated by the Financial Services Authority. The information contained herein including any expression of opinion is for information purposes only and is given on the understanding that it is not a recommendation and anyone who acts on it, or changes their opinion thereon, does so entirely at their own risk. The opinions expressed are based on information which we believe to be accurate and reliable, however, these opinions may change without notice.

## Performance

### Five Year Trust Performance (%)



### Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	-11.22	-7.87	8.49	-6.73	25.91
Benchmark	-6.56	-2.06	8.17	-16.66	8.87

### Standardised Past Performance (%)

From	30.06.05	30.06.06	29.06.07	30.06.08	30.06.09
To	30.06.06	29.06.07	30.06.08	30.06.09	30.06.10
Share Price	21.37	23.39	-4.03	-18.73	12.99

Source: Lipper, percentage growth, mid to mid, capital return, to 30.07.10  
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.