

## Highlights



**Roger Guy**  
Senior Investment  
Manager

European equities delivered solid gains during the final quarter of 2009, consolidating their robust performance of the previous two quarters, as economic data broadly reassured investors that the global economy is well on the path to recovery. Corporate earnings surprised positively in the main, though some doubts persisted as to whether this progress can continue at the same rate into 2010 as the scope for further corporate cost-cutting dwindles and earnings growth becomes increasingly reliant on improving underlying demand. Despite rising worries over the finances of some eurozone nations, notably Greece, European equities ended the year on a high, as investors took comfort from fresh signs that the recovery among the continent's major economy is gaining traction.

With France and Germany having emerged from recession during the second quarter, November brought confirmation that the eurozone had returned to growth during the third quarter. The improving global economic backdrop was reflected in the 16-nation region's Gross Domestic Product numbers; data showed that third quarter exports rose by 2.9% compared to three months earlier.

## Fund details

<b>Total Assets</b>	£170.2 million
<b>Number of Holdings</b>	79
<b>Net Yield</b>	2.4% p.a.
<b>Management Fee</b>	0.75% p.a. of Total Assets; plus a performance-related fee (capped at 0.5%) in specific circumstances
<b>Year End</b>	30 September
<b>AGM</b>	January
<b>Results Announced</b>	May, December
<b>Dividend Paid</b>	January (Final)
<b>Listed</b>	1947, The London Stock Exchange
<b>Broker</b>	Winterflood Investment Trusts
<b>Directors</b>	Rodney Dennis (Chairman), Jean Claude Banon, Alec Comba, Michael Firth
<b>Capital Structure</b>	26,394,075 Ordinary Shares in issue and 2,810,074 Ordinary Shares held in treasury

### SAVEit & ISAit

The Ordinary Shares of the Company are included in both Gartmore SAVEit (minimum £1,000 lump sum, minimum £50 monthly savings) and Gartmore Investment ISAit (minimum £1,000 lump sum, minimum £50 monthly savings, maximum of £7,200 for the current tax year).

For further information on the Trust, please visit our website [www.gartmoreeuropeaninvtrust.com](http://www.gartmoreeuropeaninvtrust.com).

### Investment objective

The Company seeks capital growth over the longer term from investment in Continental Europe.

### Investment policy

**Asset allocation:** The Managers will focus on stock selection, primarily investing in larger companies with strong balance sheets and above average growth prospects. Less emphasis will be given to adding value through country allocation, although the portfolio will maintain a broad geographical diversification. Up to 5% of gross assets may be invested in companies, which, although not listed in Continental Europe, derive the greater part of their earnings from its markets.

**Risk diversification:** Portfolio risk is mitigated by investing in a diversified spread of investments, with holdings in any one company representing, on investment, no more than 10% by market value of the total assets of the Company. However, this limitation does not apply to gilts or investment company holdings. The Company will not invest more than 15% of its gross assets in other listed invested companies (including investment trusts). All of the Company's investments are listed on recognised exchanges and are realisable within a short period.

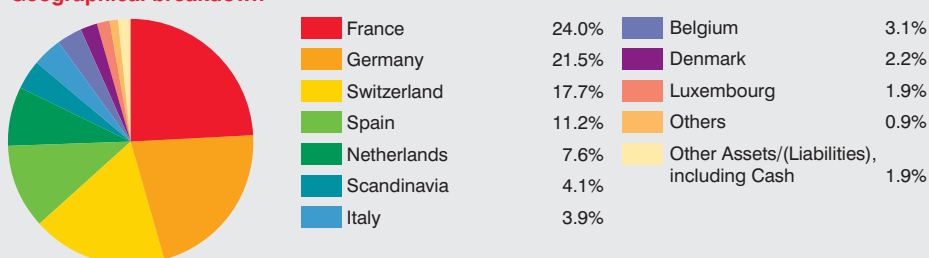
**Gearing:** The Company has the power to borrow money ("gearing") and does so when the Manager is confident that market conditions and opportunities exist to enhance investment returns. The Manager has discretion to borrow within limits set by the Board from time to time.

### Important information

The value of investments and the income from them may go down as well as up and you may not get back your original investment. Investment trusts can borrow money to make additional investments on top of shareholders' funds (gearing). If the value of these investments falls in value, gearing will magnify the negative impact on performance. If an investment trust incorporates a large amount of gearing the value of its shares may be subject to sudden and large falls in value and you could get back nothing at all. The level of yield may be subject to fluctuation and is not guaranteed. Funds investing in overseas securities are exposed to and can hold currencies other than Sterling. As a result, exchange rate movements may cause the value of investments to decrease or increase. Some or all of the annual management fee is currently charged to the capital of the Fund. Whilst this increases the yield, it will restrict the potential for capital growth. Net Asset Value ("NAV") performance is not the same as share price performance and investors' returns may not equate to NAV performance.

## Fund holdings as at 31.01.10

### Geographical breakdown<sup>†</sup>



### Ten largest holdings<sup>†</sup>

Company	Total Assets (%)
Nestlé	4.3
Telefónica	3.7
Total	3.1
Novartis	3.0
Roche	2.9
Sanofi-Aventis	2.7
Banco Santander	2.7
E.ON	2.6
Société Générale	2.5
Bayer	2.4

### Sector breakdown<sup>†</sup>

Sector	Total Assets (%)
Financials	24.4
Consumer Goods	18.4
Industrials	11.6
Health Care	9.4
Telecommunications	7.5
Oil & Gas	7.5
Basic Materials	6.9
Utilities	6.5
Consumer Services	3.0
Technology	2.9
Other Assets/(Liabilities), including Cash	1.9

<sup>†</sup> Source: Gartmore

## Fund commentary

### Investment Strategy for the fourth quarter of 2009

With markets continuing their upward trajectory towards the year end, we found the case for investing in cyclical stocks to be very strong. However, we also believed that there were gains to be made in investing in defensive stocks thanks to their compelling valuations and attractive dividend yields. We therefore neutralised our marginal cyclical bias held over the quarter and shifted to a broadly equal balance between cyclical and defensive stocks.

We made a few new purchases over the quarter including AXA, the French life insurer and utility provider Veolia Environnement. We took the opportunity to enter AXA at the end of its rights issue. With the rights issue going some way to restoring the company's balance sheet, we felt that this was a good entry point into the stock. To finance this purchase, we released some of our holdings in Zurich Financial, Munich Re and Allianz.

We introduced waste management specialist Veolia Environnement into the portfolio, following our

positive meeting with its management. After a long cycle of earnings downgrades, we anticipate a change in the direction of the stock's performance. The company has also named a new chief executive officer, adding to its attraction.

We also disposed of car manufacturer BMW, a relatively small holding in the portfolio. We preferred to focus on other stocks in the sector such as Daimler and Renault. Volkswagen represents another one of our favourite stocks in the sector. We believe that Volkswagen is a leading brand and able to benefit in growth markets such as China, India and Brazil. The company also has a strong franchise in Europe.

### Investment Outlook

Following the worst recession in 60 years, we expect 2010 to mark a further period of recovery in Europe, albeit a modest one. The economic environment continues to be supportive of a positive outlook, illustrated by a stronger than expected December US ISM (Institute for Supply Management) Manufacturing Survey – a leading indicator of economic

turnarounds, and positive GDP (Gross Domestic Product) expectations. Although we are maintaining our positive outlook for European equities over the next quarter, we remain cautious. For instance, the global economy is still exposed to the threat of sovereign risk and we are reminded of the massive debt still outstanding after the Dubai World debt default and Greek fiscal crisis. Other risks to Europe's recovery include the withdrawal of emergency liquidity by major central banks and government institutions and rising bond yields.

## Fund performance

### Annual performance to 31.01.10 (%)

	31.01.05 – 31.01.06	31.01.06 – 31.01.07	31.01.07 – 31.01.08	31.01.08 – 31.01.09	31.01.09 – 31.01.10
Share Price	43.0	17.5	0.4	-16.4	19.8

Source: Thomson Reuters Datastream. Basis: Capital performance only, mid price, in sterling terms.

### Cumulative track record to 31.01.10 (%)

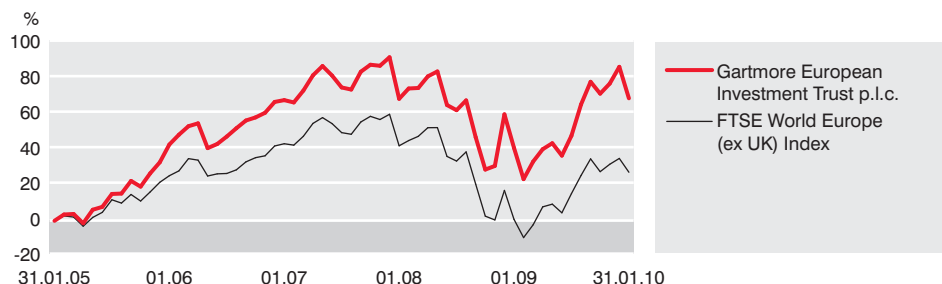
		1 month	3 months	1 year	3 years	5 years	10 years
Net Asset Value per share*	605.4p	-9.7	-2.9	21.8	0.7	54.9	34.4
FTSE World Europe (ex UK) Index**	352.2	-5.8	-0.3	26.3	-11.2	27.4	6.8
Share Price - Ordinary Shares	581.0p	-9.5	-1.5	19.8	0.6	69.0	24.8
Discount	4%						
Gearing***	107%						

Source for all data: Gartmore as at 31.01.10, capital performance only in sterling terms. From 31.12.05 (inclusive) Net Asset Value (NAV) reflects the portfolio stated at bid prices. Performance has been calculated using unadjusted historical published NAVs which were based on mid valuations prior to 31.12.05. Share price quoted at mid price.

\* Inclusive of current year revenue. Please note that comparative NAVs older than three years exclude undistributed revenue.

\*\* Source: Thomson Reuters Datastream \*\*\* A gearing factor of 100% means the Company has no gearing.

### Share Price percentage change over a five year period



Source: Thomson Reuters Datastream. Basis: Capital performance only, mid price, in sterling terms.

Past performance is not a guide to future performance.

**Important information.** ISAs were introduced on 6 April 1999. They are subject to government legislation and as such their tax treatment may be changed in the future. The value of current tax relief depends on individual circumstances. If you have doubts about your tax position, you should seek professional advice. Investment trust shares may trade at a discount or premium to the value of the investment trust's assets. Telephone calls may be recorded for monitoring and training purposes. If you have any doubt whether this product is suitable for you and you wish to obtain personal advice, please contact an independent financial adviser. Issued by Gartmore Investment Limited, which is authorised and regulated by the Financial Services Authority. Gartmore House, 8 Fenchurch Place, London EC3M 4PB.

## How to contact us

### BrokerLine Freephone

0800 212 433

### Investor HelpLine Freephone

0800 289 336

[www.gartmore.com](http://www.gartmore.com)  
[brokerline@gartmore.com](mailto:brokerline@gartmore.com)  
[helpline@gartmore.com](mailto:helpline@gartmore.com)

**Price quote:** Financial Times

**Reuters:** GEO.L

**Sedol No:** 0526885

**TrustNet:** [www.trustnet.com](http://www.trustnet.com)