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European Assets Trust PLC
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23 June 2025

European Assets Trust PLC ("EAT")

Combination with The European Smaller Companies Trust PLC ("ESCT")

Introduction

The board of EAT is pleased to announce that heads of terms have been agreed for a combination of EAT and ESCT (the "**Transaction**"). The combination will be undertaken through a scheme of reconstruction of EAT under section 110 of the Insolvency Act 1986 (the "**Scheme**"), under which EAT shareholders will be entitled to elect to receive new shares in ESCT or cash which on an aggregate basis will be limited to 15 per cent. of EAT's shares in issue (excluding treasury shares).

The Scheme will create a combined entity with significant scale, which is expected to deliver cost efficiencies for both continuing EAT and ESCT shareholders. Janus Henderson Investors ("**JHI**") will continue to manage the enlarged ESCT's portfolio in accordance with ESCT's existing investment objective and investment policy. Subject to completion of the Scheme, ESCT will adopt a new dividend policy.

Rationale and Benefits of the Transaction

As outlined in the EAT's latest annual report, the Board recognises EAT's longer term underperformance and has been steadfast in prioritising Shareholders' interests. The Board has therefore been considering all opportunities to deliver improved performance for Shareholders, including the Transaction, which is expected to result in the following substantial benefits for both continuing EAT and ESCT shareholders:

- **Attractive opportunity in European small and mid cap companies:** The respective boards and JHI believe that the outlook for the enlarged ESCT is compelling and provides investors with exposure to dynamic European small and medium sized businesses within a portfolio run by an experienced team, led by Ollie Beckett, whose strategy has delivered long-term outperformance over ESCT's benchmark.

- **Strong investment performance**: ESCT has generated NAV total return per share of 3.2 per cent., 26.2 per cent., 95.5 per cent., and 194.8 per cent., respectively, over the one, three, five and 10 years to 30 May 2025 with outperformance over the benchmark MSCI Europe ex UK Small Cap index over three, five and 10 years to 30 May 2025. This compares to EAT's NAV total return per share of 1.1 per cent., 11.5 per cent., 27.3 per cent., and 66.1 per cent., respectively over the same period[1].

- **Scale**: On the basis of the two companies' respective net asset values as at 30 May 2025, the enlarged ESCT would have net assets of approximately £780 million pursuant to the terms of the Scheme, making it the largest constituent of the AIC's European Smaller Companies sector. The scale of the enlarged ESCT should improve the market liquidity for both sets of shareholders.

- **Improved share rating**: EAT's shareholders are expected to benefit from an immediate uplift in value of over 3.2 per cent. given the relative ratings of the two companies, with ESCT currently trading on a discount of 7.3 per cent. and EAT currently trading on a discount of 10.2 per cent.

- **New dividend policy**: subject to completion of the Scheme, ESCT has committed to a new dividend policy with the intention of paying quarterly dividends in respect of each financial year targeting a total of at least 5 per cent. of its NAV per share as at the end of the preceding financial year.

- **Discount control mechanisms**: ESCT already has in place a mid-single digit discount target and conditional tender offers as further detailed below, which aim to provide shareholders with stability in the ESCT rating.
- **Reduced management fee**: subject to completion of the Scheme, JHI has agreed to reduce the initial tier of its base management fee from 0.55 per cent. to 0.50 per cent. of net assets; on net assets above £800 million the fee will be unchanged at 0.45 per cent. This compares favourably to the existing blended EAT management fee of 0.69 per cent, comprised of 0.75 per cent. on assets below €300 million and 0.55 per cent. above €300 million.
- **Lower ongoing charges**: Continuing EAT and ESCT shareholders will benefit from an estimated annual ongoing charge of 0.70 per cent. on a normalised basis, a 31 basis point reduction compared with EAT's latest reported ongoing charge of 1.01 per cent.
- **Cost Contributions**: Continuing EAT and ESCT shareholders will be largely insulated from the costs of the Scheme as a result of the Cost Contributions (as defined below), as a result of which any impact to NAV per share for shareholders of the enlarged ESCT is expected to be immaterial.

The Scheme

The Scheme will be effected by way of a scheme of reconstruction of EAT under section 110 of the Insolvency Act 1986, resulting in the voluntary liquidation of EAT and the transfer of certain of EAT's assets to ESCT in consideration for the issue of new ordinary shares of ESCT ("**New ESCT Shares**") to EAT shareholders who elect (or are deemed to elect) to roll over into ESCT (the "**Rollover Option**"). The number of New ESCT Shares issued to EAT shareholders will be determined on a Formula Asset Value ("**FAV**") for FAV basis.

In accordance with customary practice for such transactions involving investment trusts, the City Code on Takeovers and Mergers is not expected to apply to the Scheme. The Scheme will be subject to, *inter alia*, the approval of both EAT and ESCT shareholders, in addition to tax clearances and regulatory approvals. Subject to, and conditional on, the Scheme becoming unconditional, qualifying EAT shareholders will be entitled to elect to receive in respect of some, or all, of their EAT shares:

i. new ESCT Shares; and/or

ii. cash, which option will be limited, on an aggregate basis, to 15 per cent. of EAT's shares in issue (excluding treasury shares) (the "**Cash Option**").

Should total elections for the Cash Option exceed 15 per cent. of EAT's shares in issue (excluding treasury shares), excess elections for the Cash Option will be scaled back on a pro rata basis.

New ESCT Shares will be issued as the default option under the Scheme in the event that EAT shareholders do not make a valid election under the Scheme or only elect for the Cash Option in respect of a proportion of their shares, or to the extent elections for the Cash Option are scaled back as a result of the Cash Option being oversubscribed. The Cash Option will be offered at a discount of 2 per cent. to the EAT FAV per Share (the "**Cash Discount**").

The "EAT FAV" will be the EAT NAV (including current year income) as at the calculation date, adjusted for:

(i) the costs of the Scheme not accrued in the EAT NAV;

(ii) any dividends declared but not paid (including any final pre-liquidation dividend required to be paid to maintain Investment Trust status); and

(iii) the liquidator's retention (to meet unknown and unascertained liabilities of EAT).

The "**ESCT FAV**" will be the ESCT NAV (including current year income) as at the calculation date, adjusted for: (i) the costs of the Scheme not accrued in the ESCT NAV; (ii) any dividends declared but not paid, if appropriate; and (iii) an adjustment necessary to reflect the benefit of the Cost Contributions (as defined below). The "**EAT Rollover FAV**" will be the EAT FAV as at the calculation date, adjusted to reflect the benefit of the Cost Contributions.

The New ESCT Shares will be issued on the basis of the ratio between the ESCT FAV per share and the EAT Rollover FAV per share.

The Cost Contributions

JHI has agreed to make a contribution to the costs of the Scheme for an amount equal to nine months of its revised management fee on the value of the assets, as at the calculation date, to be transferred to ESCT pursuant to the Scheme (the "**JHI Cost Contribution**"). The JHI Cost Contribution may, at JHI's discretion, be effected by way of an offset against management fees.

Each company will bear its own costs relating to the Scheme. The benefit of the JHI Cost Contribution and the Cash Discount (together the "**Cost Contributions**") shall be apportioned between the EAT Rollover FAV and the ESCT FAV such that the impact of the total costs of the Scheme, net of the Cost Contributions, on the value of the holdings of the ESCT shareholders and the continuing EAT shareholders, will be equivalent, or very nearly equivalent.

ESCT's New Dividend Policy

ESCT proposes to adopt a new dividend policy to target an annual distribution equal to at least 5 per

ESCT proposes to adopt a new dividend policy to target an annual distribution equal to at least 5 per cent. of its prior year end NAV on a quarterly basis (four dividends of 1.25 per cent.), to be paid out of revenue and, to the extent necessary, capital reserves. It is important for EAT and ESCT shareholders to note that there is no proposed change to ESCT's investment objective or investment policy, nor to JHI's approach to investment or to the current benchmark. It is intended that ESCT's new target dividend policy would provide a material uplift to its current yield, more in line with EAT's current annual distribution policy of paying 6 per cent. of its prior year end NAV.

ESCT's Reduced Base Management Fee

As part of the Transaction, and conditional upon the Scheme being implemented, the ESCT Board and JHI have agreed a new competitive management fee structure pursuant to which JHI will be paid an annual fee for its management services to the enlarged ESCT, calculated as follows:

i. 0.50 per cent. on the first £800 million of ESCT's net asset value (reduced from 0.55 per cent.); and

ii. 0.45 per cent. on ESCT's net asset value over £800 million.

The new management fee structure will apply immediately upon completion of the Scheme. There will be no change made to the performance fee arrangements, payment frequency or other payment terms in respect of the management fee payable to JHI under its investment management agreement with ESCT.

ESCT's performance fee is measured over a rolling three-year period, calculated as 15 per cent. of the positive difference between the average annual NAV total return (with gross income reinvested) and the average annual total return of the MSCI Europe ex UK Small Cap Index benchmark, subject to a 1 per cent. hurdle. The management fee and performance fee are capped at 2.0 per cent. of the NAV at the last day of the relevant calculation period.

ESCT's Share Buyback Policy

ESCT has previously stated its intention to use share repurchases to target a mid-single digit discount in normal market conditions. As a result of this policy continuing EAT shareholders are expected to benefit from continued stability of the ESCT share rating, as well as an uplift in the absolute rating of their shareholding.

ESCT Conditional Tender Offer

ESCT has also previously stated its intention to make a three-yearly performance conditional tender offer to shareholders for up to 15 per cent. of ESCT's issued share capital (excluding shares held in treasury), at a price equal to the prevailing NAV per share less 2 per cent. less costs, in the event ESCT's NAV total return does not exceed the benchmark total return over each performance period. The initial performance period commenced on 5 February 2025 and shall continue to the financial year-end on 30 June 2028, with subsequent performance periods being every three years thereafter. This additional liquidity mechanism will offer shareholders of the enlarged ESCT with a partial exit at close to NAV should there be future periods of underperformance.

The CT Savings Plans

Shareholders in EAT who have invested through the CT Savings Plans, who are eligible to participate in the Scheme, will be treated the same as all other eligible EAT shareholders and will be entitled to elect for the Cash Option on the same terms. Following completion of the Scheme, Columbia Threadneedle Investments is expected to write to all CT Savings Plans members setting out their options in relation to their holding of any New ESCT Shares. For those members of the CT Savings Plans that are holding New ESCT Shares and wish to remain within the CT Savings Plans, the New ESCT Shares held by these shareholders may be sold in the market. As part of the Scheme, ESCT will continue to target a mid-single digit discount, in normal market conditions, in line with its discount management policy, and to the extent required will seek additional shareholder authorities to do so.

Board Structure

Following completion of the Scheme, it is expected that the Board of ESCT will comprise a combination of the ESCT and EAT Directors, with up to two EAT Directors joining the ESCT Board.

Expected Timetable

It is intended that the documentation in connection with the Scheme will be posted to each of ESCT's and EAT's shareholders in September 2025 with a view to convening general meetings thereafter. The Scheme is expected to conclude by the end of October 2025.

EAT Dividends

EAT has, today, declared its third quarterly dividend of 1.38 pence per share which will be paid on 31 July 2025. Any pre-liquidation dividend, if required, will be declared and paid prior to the completion of the Scheme.

EAT Annual General Meeting

EAT's Annual General Meeting is being held at 3.00 pm on 24 June 2025 at the offices of Columbia Threadneedle Investments, Cannon Place, 78 Cannon Street, London EC4N 6AG. As a consequence of this announcement, this meeting will now be procedural, dealing only with the resolutions being put to the meeting and will no longer include a presentation by the investment manager. In addition, the Annual General Meeting will no longer be broadcast live on the Investor Meet Company platform.

Stuart Paterson, Chairman of European Assets Trust PLC, said:

"The EAT Board have considered a variety of options in order to address the performance issues of EAT and believes the proposed combination of EAT with ESCT will provide shareholders with access to a larger, more liquid, lower cost vehicle with a strong long term performance track record. The strategy remains focussed on the attractive European Smaller Companies sector and ESCT's new dividend policy is intended to provide EAT shareholders with an attractive yield. We have consulted a number of our largest shareholders who have indicated their support and we believe the combination is very attractive for shareholders as a whole.

We would like to thank Columbia Threadneedle Investments for their professionalism and longstanding support they have provided to the Company and the Board."

James Williams, Chairman of The European Smaller Companies Trust PLC, said:

"The ESCT Board is delighted to announce the proposed combination of ESCT and EAT. ESCT has seen a significant change in the composition of its share register following its recent tender offer. This has provided a stable platform which, alongside the strong long term performance delivered by JHI, has enabled the ESCT Board to agree the terms of a combination with EAT. The ESCT Board would like to thank ESCT shareholders for their support, and believe the combination is the first step towards the future growth of ESCT for the benefit of all shareholders."

Notes:
1 - based on the respective published net asset values of ESCT and EAT as at and up to 30 May 2025.

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This announcement contains information that is inside information for the purposes of Article 7 of the UK version of Regulation (EU) No. 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended (the Market Abuse Regulation). The person responsible for arranging for the release of this announcement on behalf of European Assets Trust PLC is Columbia Threadneedle Investment Business Limited. Upon the publication of this announcement, this information is considered to be in the public domain.

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The New ESCT Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 (as amended) (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons absent registration or an exemption from registration under the Securities Act. Moreover, the New ESCT Shares have not been, nor will they be, registered under the applicable securities laws of Australia, Canada, Japan, New Zealand, the Republic of South Africa, or any member state of the EEA (other than any member state of the EEA where the shares are lawfully marketed). Further, ESCT is not, and will not be, registered under the US Investment Company Act of 1940, as amended.

The value of shares and the income from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested. Figures refer to past performance and past performance should not be considered a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations.

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "might", "will" or "should" or, in each case, their negative or other variations or similar expressions. All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding EAT's or ESCT's respective financial positions, strategies, plans, proposed acquisitions and objectives, are forward-looking statements.

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