TR European Growth Trust PLC

Managed by

Henderson GLOBAL INVESTORS

Update for the half year ended 31 December 2013

Policy, Objective and Benchmark

Policy

to invest predominantly in smaller and medium sized companies in Europe (excluding the UK).

Objective

to achieve capital growth, aiming for a net asset value total return greater than our benchmark index.

Benchmark

The return of the HSBC Smaller Europe (ex UK) Index (expressed in sterling).

Financial highlights

31 December 2012 (Unaudited)		31 December 2013 (Unaudited)	30 June 2013 (Audited)	% change
427.09p	Net asset value per ordinary share	**606.32p**	492.49p	+23.1
	Net asset value total return[1]			**+24.8**
340.00p	Ordinary share price	**543.50p**	409.25p	+32.8
	Share price total return[1]			**+34.9**
523.10	**Benchmark**	**719.03p**	604.57	**+18.9**
	HSBC Smaller Europe (ex UK) Index[2]			
£'000		**£'000**	**£'000**	**% change**
234,683	Total assets	**340,606**	282,761	+20.5
213,441	Net assets	**303,012**	246,124	+23.1
%	**divided between:**	**%**	**%**	
103.4	Quoted equities	**107.6**	106.0	
6.0	Unquoted equities	**4.5**	6.0	
(9.4)	Net current liabilities	**(12.1)**	(12.0)	
100.0		**100.0**	100.0	

[1] Source: Morningstar for the AIC. These figures are preliminary estimates made by the AIC, which is the industry recognised source for performance data, and do not reflect any subsequent change in the period end NAVs reflected in this update.

[2] Source: Datastream (expressed in sterling terms on a total return basis).

Cover picture: Atomium, Brussels, Belgium

Chairman's Statement

Performance

Over the six months to 31 December 2013 the NAV per share total return was 24.8% compared to a total return of 18.9% from our benchmark, the HSBC Smaller Europe (ex UK) Index (in sterling terms). Our share price total return was 34.9% as our discount narrowed to 10.2% over the period.

Gearing

During the period gearing averaged 10.7% (calculated as total assets before prior charges as a percentage of net assets) to benefit from the improved market sentiment. Gearing finished the period at 11.9% (as at 31 December 2013).

Share buy-backs

We have not carried out any buy-backs over the last six months. We will intervene if we believe it is in the interests of our long term shareholders. However, the key to the reduction of the discount to net asset value is good performance and an improving sentiment towards European equities.

Prospects

We are confident that European equities should make further progress in 2014, supported by the abundant liquidity provided by central banks. Valuation multiples do look quite stretched though the European smaller companies' space is still down from the highs of 2007. We should also benefit disproportionately from the shoots of recovery we are starting to witness across Europe. Our Manager continues to find a number of attractive opportunities and I look forward to reporting on our progress in our annual report.

Audley Twiston-Davies
Chairman
26 February 2014

Manager's Report

The Company performed well in the six months to the end of December 2013 with strong net asset value appreciation and a further narrowing of the discount. Leading economic indicators continued to point in a positive direction and asset allocators increased their weighting to equities, especially smaller companies. Despite this the European Central Bank ("ECB") chose to cut interest rates to 0.25%. Employment and inflation has remained stubbornly low and we find it encouraging that the ECB has shown good intent in aiming to prevent a deflationary scenario becoming established. Towards the end of the review period the US Federal Reserve ("Fed") decided to start 'tapering' (reducing) the amount of its open market bond purchases. At the end of 2013, investors took this decision as good news, choosing to focus on the Fed's flexible rhetoric and the strength of the global economy rather than the withdrawal of liquidity. At the time of writing, however, the same tapering has led to volatility across global equity markets, particularly in those emerging markets that have become dependent on foreign capital.

The largest contributors to the Company's performance over the review period were from

Manager's Report
(continued)

stock picking rather than from following any 'macro' theme. **Gowex**, the provider of wireless (Wi-Fi) networks for municipalities, was a particularly strong contributor; it is gaining increasing investor attention from moving into new cities. The business model is not entirely proven, but the potential is immense. A relatively recent purchase, **Comet Holding**, the provider of systems, components and services in x-ray, e-beam, and radio frequency technologies, was very strong. Investors have become increasingly aware of its Tetra-Pak contract to provide e-beam sterilisation technology. Another technology company, **Manz**, was very strong primarily from becoming an increasingly important supplier in the smartphone space. **Yoox**, the online luxury retailer that we have held since its initial public offering in 2008, continued to see its share price advance. The company now trades at very high multiples. However, it has a unique business model and considerable growth prospects as the white label e-tailor for a number of high-end luxury brands.

During the period we completed some of the last steps in restructuring the portfolio. We sold our position in Ukrainian egg producer **Avangardco**. The Company will continue to focus on developed markets in Europe going forward. We sold our holding in **Cafom**, which provides furniture to the French territories. We also disposed of our position in **Aixtron**, the provider of machinery for manufacturing light emitting diodes (LEDs). At some point demand should return, but for the time being it is our belief that the market remains saturated.

New additions to the portfolio included **AMS AG** and **CA Immobilien Anlagen AG**. The former provides chips, including those for near field communication and sensors for gesture recognition within the smartphone/tablet ecosystem. The latter manages and develops real estate predominantly in Germany and Eastern Europe; despite concerns about some of its markets the company trades at a substantial discount to the net asset value of the portfolio, which we believe to be unwarranted.

In 2014, as confidence returns to the market, we expect to see a pick-up in mergers and acquisitions. These have historically disproportionately benefited the European smaller companies' space. We believe the acquirers will come from other corporate areas – the Chinese trying to move up the value chain and the private equity sector, which has significant cash to invest.

In 2014 we hope improvements to the economic backdrop lead to an increase in capital investment. Despite generally strong balance sheets most corporates have been doing little more than the bare minimum of investing, which is required for a more sustainable economic recovery. There are glimmers of hope that investment will occur and, if so, many companies in our space could benefit. One positive in the Continental European smaller company space is that there are a number of family owned companies that take a longer-term view of developing the business and have strategically invested over the course of the downturn. The portfolio contains several such family companies including **Trevi** (foundations and oil equipment), **Manz**, **Krones**, (packaging machinery) and **De Longhi** (kitchen appliances).

We remain confident that positive returns can be achieved by European smaller companies in 2014. While Europe may only be returning to modest growth with many hurdles to overcome (such as a strong euro, Fed tapering, and European parliamentary elections) we ultimately feel that conditions are improving rather than becoming worse, and on a relative basis valuations are still supportive. After a period of strong share prices we do need to see a return to corporate earnings growth; we do expect this to occur. We will continue our search for what we believe to be undervalued companies and are hopeful of a good year ahead.

Ollie Beckett
Fund Manager
26 February 2014

Financial Summary

Extract from the Consolidated Statement of Comprehensive Income (unaudited)	31 Dec 2013 Revenue return £'000	31 Dec 2013 Capital return £'000	31 Dec 2013 Total £'000	31 Dec 2012 Total £'000
Investment income	1,027	138	**1,165**	829
Other income	1	-	**1**	5
Gains on investments held at fair value through profit or loss	-	61,895	**61,895**	31,861
Total income	1,028	62,033	**63,061**	32,695
Expenses, finance costs & taxation	(518)	(1,657)	**(2,175)**	(1,261)
Profit for the period	510	60,376	**60,886**	31,434
Return per ordinary share - basic and diluted	1.02p	120.81p	**121.83p**	62.90p

Extract from Consolidated Balance Sheet (unaudited except June 2013 figures)	31 Dec 2013 £'000	31 Dec 2012 £'000	30 June 2013 £'000
Investments held at fair value through profit or loss	**339,628**	233,520	275,574
Net liabilities	**(36,616)**	(20,079)	(29,450)
Net assets	**303,012**	213,441	246,124
Net asset value per ordinary share - basic and diluted	**606.32p**	427.09p	492.49p

Dividends

The Company has not declared an interim dividend (2012: nil). A final dividend of 6.00p and a special dividend of 2.00p were paid on 18 November 2013.

Share Capital

During the half year ended 31 December 2013, no shares were bought back for cancellation.

This update contains material extracted from the unaudited half year results of the Company for the six months ended 31 December 2013. The unabridged results for the half year are available on the Company's website, www.treuropeangrowth.com

Geographical Distribution
as a percentage of the portfolio

	31 December 2013	31 December 2012
Austria	**3.9**	3.3
Belgium	**2.4**	4.0
Denmark	**2.8**	1.2
Finland	**0.4**	1.6
France	**14.4**	14.1
Germany	**25.2**	28.4
Greece	**0.8**	0.6
Ireland	**2.4**	4.3
Italy	**11.2**	10.8
Netherlands	**5.1**	4.7
Norway	**4.2**	5.3
Portugal	**0.4**	0.5
Spain	**4.9**	4.0
Sweden	**6.0**	4.7
Switzerland	**15.7**	12.0
Ukraine	**-**	0.4
Other	**0.2**	0.1
	100.0	100.0

Sector Distribution
as a percentage of the portfolio

	31 December 2013	31 December 2012
Basic materials	**10.7**	10.2
Business providers	**11.9**	14.0
Consumer goods	**10.6**	15.0
Financials	**16.9**	13.9
Industrial goods	**26.4**	18.8
Natural resources	**1.3**	3.7
Retail providers	**6.2**	7.9
Technology	**16.0**	16.5
	100.0	100.0

Largest Investments
at 31 December 2013

The 50 largest investments, convertibles and all classes of equity in any one company being treated as one investment, were as follows:

	Market value 31 December 2013 £'000		Market value 31 December 2013 £'000
Brainlab*	8,426	Yoox	3,557
Inficon	6,391	Storebrand	3,520
Pandora	5,141	BE Semiconductor Industries	3,412
Aareal Bank	4,510	C&C Group	3,408
21 Centrale Partners III*	4,467	Nobia	3,400
SHW	4,432	Delta Lloyd	3,364
AMS	4,399	Television Francaise	3,344
Azimut	4,209	Dufry	3,312
OC Oerlikon	4,197	Imerys	3,307
Unibet	4,153	SAF-Holland	3,299
TKH	4,104	Tom Tailor	3,298
Stolt-Nielsen	4,040	Manz	3,257
Comet	4,020	Schoeller-Bleckmann	3,207
CA Immobilien Analgen	4,012	GFK	3,195
Clariant	3,949	SAAB	3,160
EFG International	3,939	Lindab	3,154
ASM International	3,914	United Internet	3,134
Wirecard	3,830	Lets Gowex	3,112
Faiveley Transport	3,822	Altran	3,106
Sorin	3,809	LPKF Laser & Electronics	3,078
Melia Hotels International	3,797	Industria Macchine Automatiche	3,073
Sopra	3,794	Rubis	3,039
EVS Broadcast Equipment	3,690	Uniqa Insurance	3,020
Teleperformance	3,678	Nexity	2,989
Pfeiffer Vacuum Technology	3,581	Kuoni	2,979

These investments total £189,028,000 or 55.7% of the portfolio.

*Unquoted investments

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