

SR Europe Investment Trust Investment Manager's Report June 2010

Performance
as at
30th June 2010

	NAV per Share / Index Level	One Month*	3 Months*	YTD*	1 Year*	Since Inception*
NAV (p)	210.6	-5.4%	-16.8%	-12.2%	15.4%	135.0%
MSCI Europe incl UK	3421.1	-3.6%	-13.5%	-9.7%	17.0%	33.2%

*Inception: August 2001

The above NAV performance figures are based on a total return series i.e. net of all fees with net dividends reinvested. The performance stated for the MSCI Europe incl. UK index is also based on a total return series in Sterling terms. Investors should be aware that indications of past performance will not necessarily be repeated. The value of shares in the Trust and the income derived therefrom may go down as well as up and this may be as a result of currency fluctuations. Since June 2008, following guidance from the AITC, NAV figures stated in this report now include current revenue reserves.

**Since December 2005 the Trust has adopted International Financial Reporting Standards and the NAV is now calculated on a 'bid' basis. Historic NAVs that were based on 'mid' prices have not been restated.*

Investment Strategy

June continued the recent run of disappointing monthly performance for the Trust as the NAV per share declined 5.4%, which compares to the MSCI Europe incl UK index falling 3.6%. The Trust did try to take advantage of the rally in markets during early June believing it would sustain through to, and after, the earnings season in July. This proved an incorrect assumption and a modestly loss making move as markets rapidly rolled over, and the Trust has subsequently reverted to its previous positioning leaving exposure the same at month end as at the beginning.

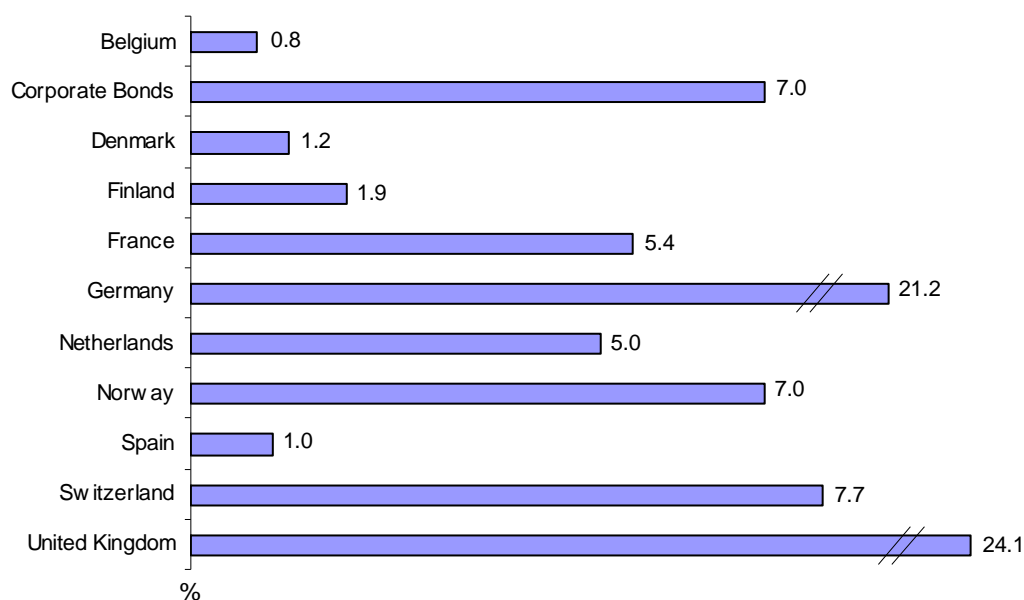
Within the Trust we have focused considerably on pharmaceuticals, healthcare, value telecom, utility and oil names which in aggregate make up a large portion of the invested position. One considerable frustration for us is that this has not proven particularly defensive through the first half of 2010 (including June) as all these sectors have underperformed the market and fallen in absolute terms. This is contrary to how we expected them to behave. In our eyes this is hard to explain in a period where global risk premiums have generally been expanding and bonds have rallied significantly. This should make these companies' high dividend yields more attractive. In the healthcare sector, the stronger US dollar would usually be expected to help given the considerable exposure to the US. It is also the case that earnings expectations haven't moved much whilst the valuations are at decade lows in many cases. For utilities, the clear problem is increased government intervention in some countries as they seek to reduce budget deficits (the sector is an obvious target) and equity premiums have expanded to reflect this. In the area of pharmaceuticals (and healthcare) the market has concerns over the risk of intensifying price pressure across Europe, however, this has been a continual feature for several years and in our eyes is not significant enough to really jeopardise these excellent earnings and cash-flow streams. Oil majors and the services sector have been dragged down by BP's woes, however, Total has very little exposure to the US and arguably ought to be a relative beneficiary, but has disappointed in this regard.

Investment Strategy (cont.)

Perhaps we shouldn't be too surprised that stock picking is proving difficult during a period where markets are grappling with a return of a deflation risk premium (as suggested by bond markets) and the rolling over of leading growth indicators. It is also the case that European governments are reining in their fiscal excesses and raising taxes whilst the private sector does not appear robust enough to take up the growth mantle. So far, leading indicators are signalling merely a growth slowdown, however, we fear this could easily turn into a double dip in Europe and most likely by the crucial autumn months we will have a much clearer picture of the outlook. Analysts' earnings estimates for 2011 look to us excessively high so we have the dichotomy of what could be a strong 2Q earnings picture but an increasing need to cut longer-dated estimates. We do not believe the market has yet come to grips with this. It appears increasingly likely that Q2 earnings will look more like a 'last hurrah' rather than the real growth rate that is generally expected over the next 12-18 months.

Reduction in the invested position is likely in the near term. The trend shift out of cyclicals and industrials has not yet gathered momentum in Europe and these areas have had many of the best performers year to date where the Trust has had minimum exposure, however, we are increasingly of the view that this will change in the medium term.

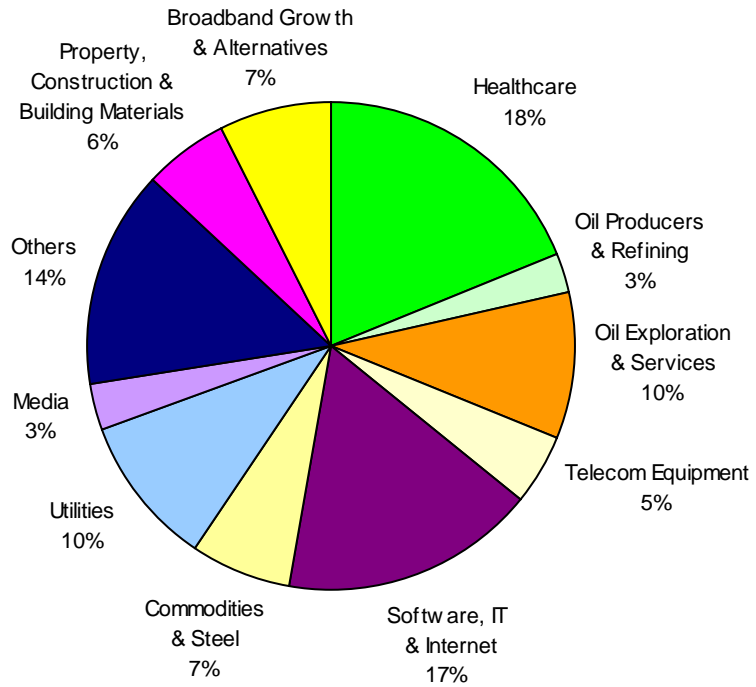
Asset Allocation



	Absolute Value* (GBP)	Percentage (%)
Equities	46,524,269	75.3%
Derivative Overlay		-34.9%
Corporate Bonds	4,335,188	7.0%
Net Exposure		47.4%
Cash	10,950,784	
Total Assets	61,810,241	

* Estimated and not based on audited figures.

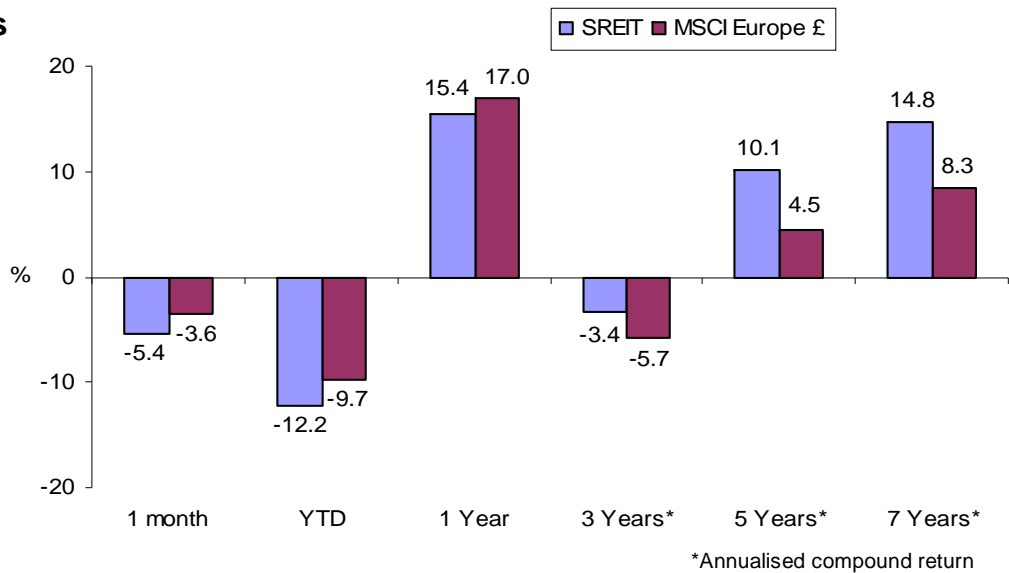
Thematic Exposure



The above exposures are based upon Sloane Robinson's thematic classifications and may not reflect general market sector classifications. These exposures do not include positions in corporate bonds.

Diluted NAV returns

- in GBP terms



The above NAV performance figures are based on a total return series i.e. net of all fees with net dividends reinvested. Investors should be aware that indications of past performance displayed on this report will not necessarily be repeated. The value of shares in the Trust and the income derived therefrom may go down as well as up and this may be as a result of currency fluctuations. Since December 2005 the Trust has adopted International Financial Reporting Standards and the NAV is now calculated on a 'bid' basis. Historic NAVs that were based on 'mid' prices have not been restated.

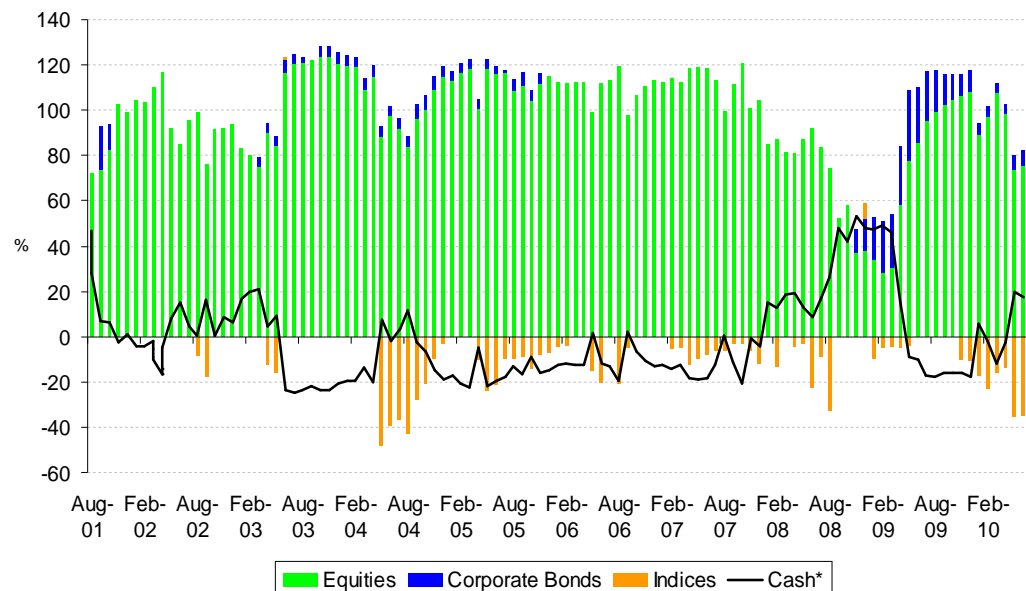
Top 10 Holdings

Company	Weight	Country	Theme
Roche	5.0%	Switzerland	Healthcare
Fresenius	4.5%	Germany	Healthcare
Wirecard	3.9%	Germany	Software, IT & Internet
Man Group 11% 29/05/49	3.8%	United Kingdom	Corporate Bond
TalkTalk Telecom	3.3%	United Kingdom	Broadband Growth & Alternatives
Microsoft	3.1%	US, German listing	Software, IT & Internet
Centrica	3.0%	United Kingdom	Utilities
HeidelbergCement	2.6%	Germany	Property, Construction & Building Materials
GlaxoSmithKline	2.5%	United Kingdom	Healthcare
Renewable Energy Corp 6.5%	2.3%	Norway	Corporate Bond
Concentration	34.0%		

Position Sizes

Equity Position Sizes	%
>2%	36.8
1 - 2%	28.3
0.5 - 1%	9.4
<0.5%	0.8
Total Number of Holdings	48
(including Corporate Bonds)	

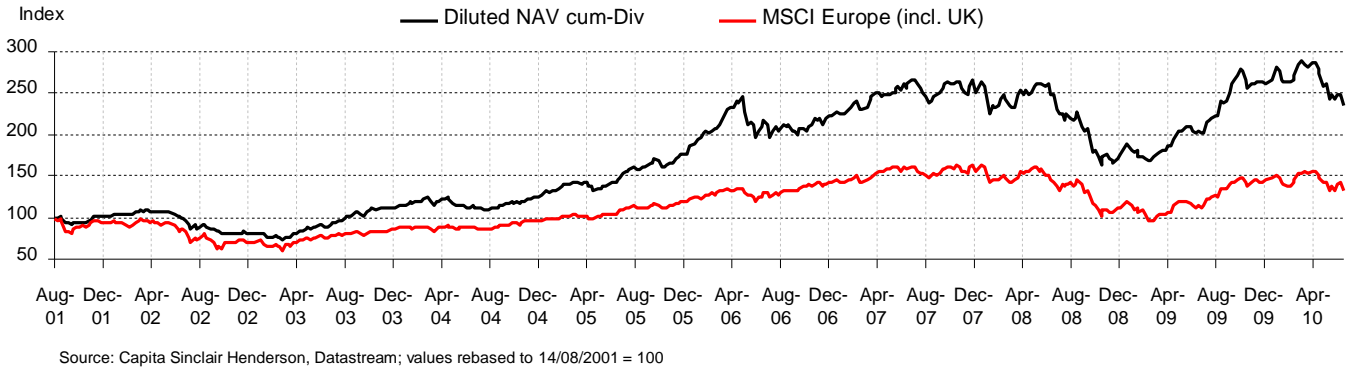
Historic Balance Sheet



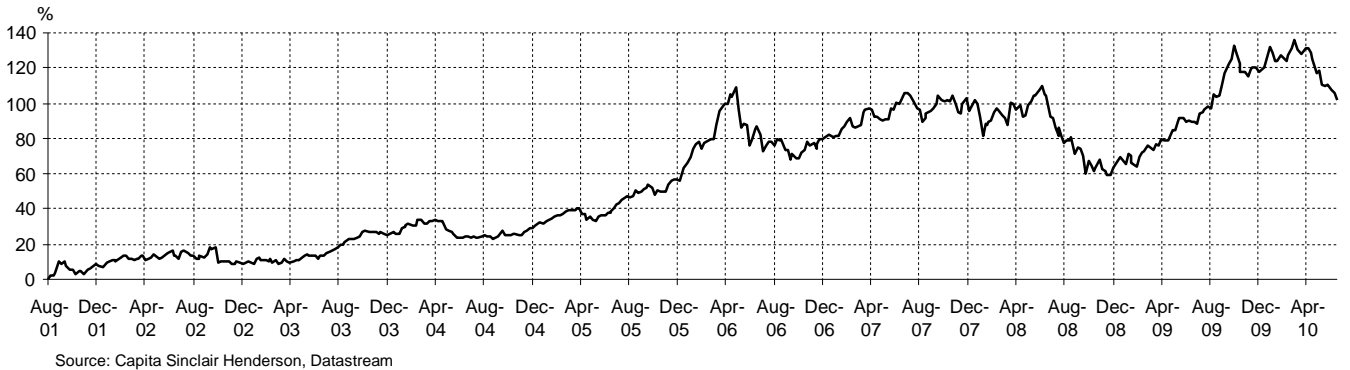
*Includes cash equivalents

Performance Charts

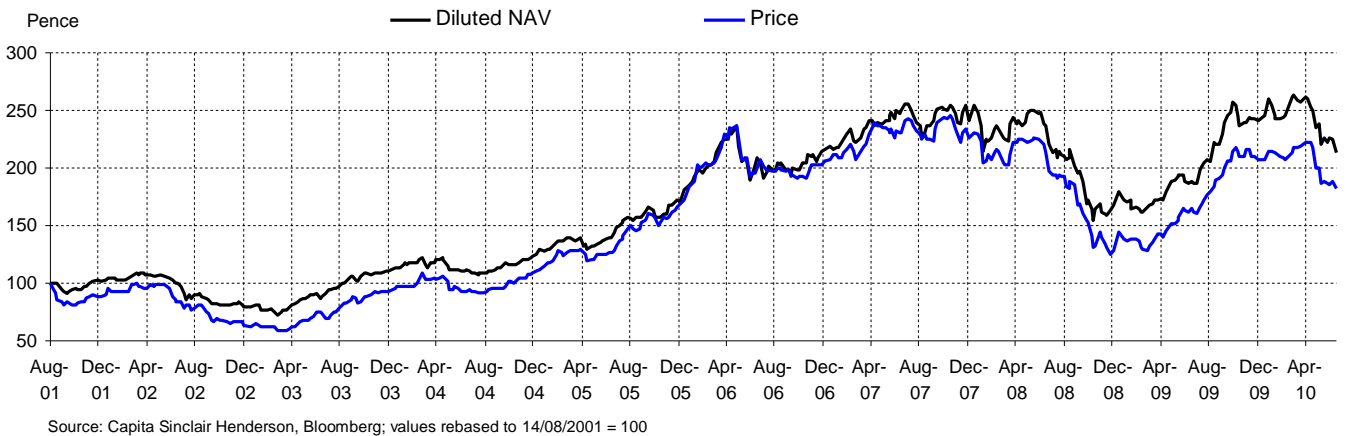
SREIT Diluted NAV



Diluted NAV (cum-div) performance relative to MSCI Europe (incl. UK) since inception



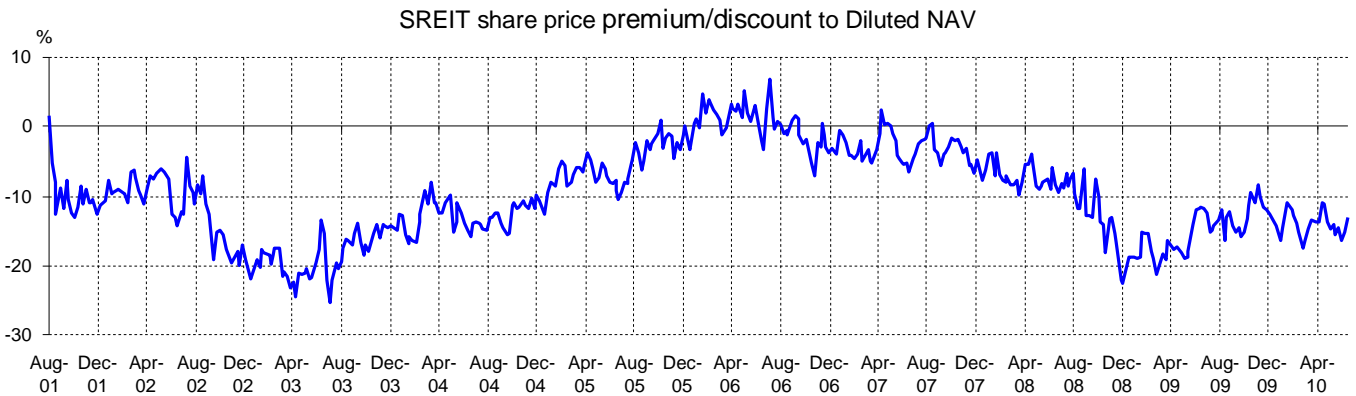
SREIT Price vs. Diluted NAV



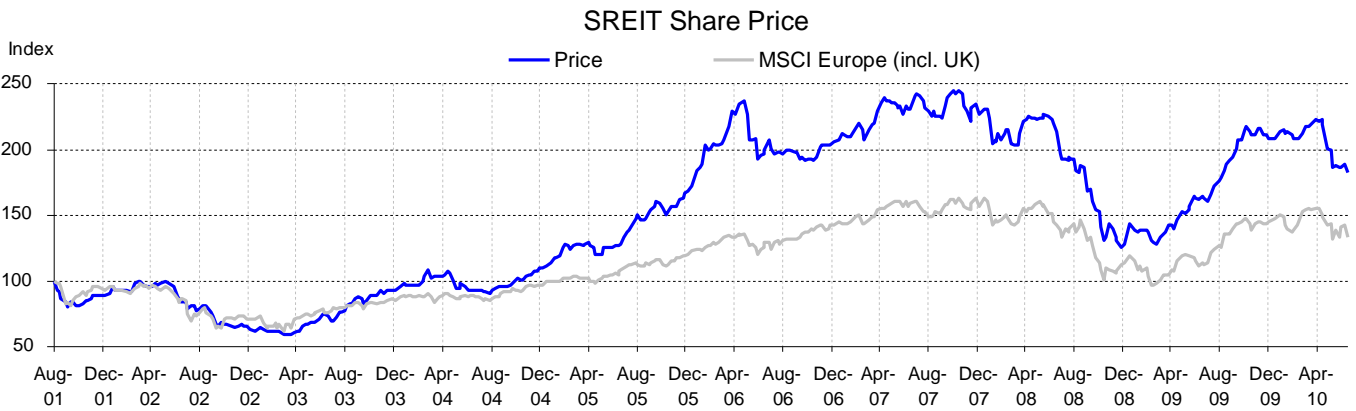
Investors should be aware that indications of past performance will not necessarily be repeated. The value of shares in the Trust and the income derived therefrom may go down as well as up and this may be as a result of currency fluctuations.

Since December 2005 the Trust has adopted International Financial Reporting Standards and the NAV is now calculated on a 'bid' basis. Historic NAVs that were based on 'mid' prices have not been restated. The above NAV charts are based on a total return series. Since June 2008, following guidance from the AITC, NAV figures stated in this report now include current revenue reserves.

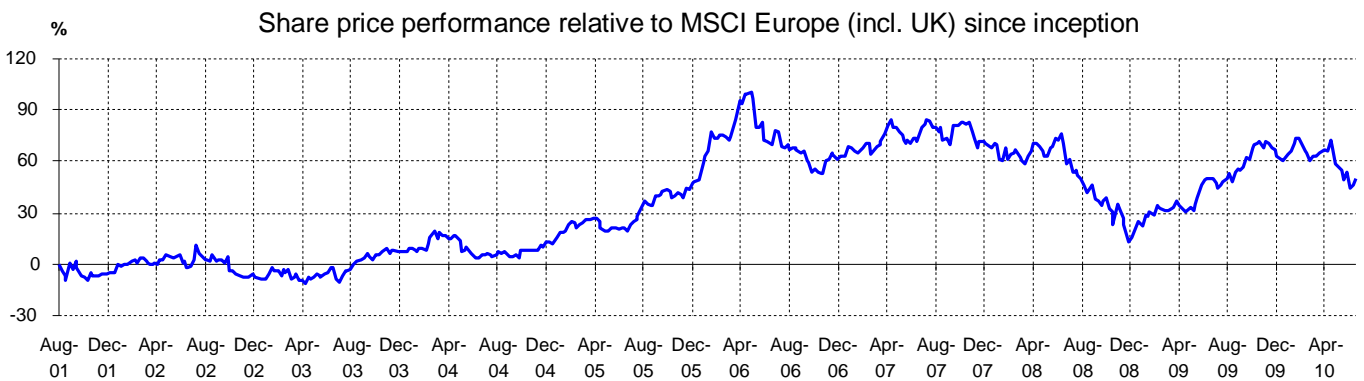
Performance Charts (cont.)



Source: Capita Sinclair Henderson, Bloomberg



Source: Capita Sinclair Henderson, Datastream; values rebased to 14/08/2001 = 100



Source: Capita Sinclair Henderson, Datastream

Investors should be aware that indications of past performance will not necessarily be repeated. The value of shares in the Trust and the income derived therefrom may go down as well as up and this may be as a result of currency fluctuations.

Since December 2005 the Trust has adopted International Financial Reporting Standards and the NAV is now calculated on a 'bid' basis. Historic NAVs that were based on 'mid' prices have not been restated. The above NAV charts are based on a total return series. Since June 2008, following guidance from the AITC, NAV figures stated in this report now include current revenue reserves.

This update is issued by Sloane Robinson LLP ("Sloane Robinson") on behalf of SR Europe Investment Trust plc (the "Trust") for the information of Trust shareholders and other eligible recipients. It is for information purposes only and does not constitute an offer, invitation or advice to buy any investments and should not be relied on in making any investment decision. No representation is given that any statements made in this update are correct or that objectives will be achieved. Any investment made must be on the basis of the Trust's prospectus alone and this update may only be distributed to those eligible to receive that prospectus. The Trust's prospectus should be referred to for further information on the Trust and for disclosure of the risks associated with investment into the Trust. Investors are shareholders in the Trust and not clients of Sloane Robinson. Unless otherwise stated, all charts and data tables are sourced from Sloane Robinson.

© Sloane Robinson LLP 2010. All rights reserved. The information contained in this update is strictly confidential and is intended only for use of the person to whom Sloane Robinson has provided the update. No part of this update may be divulged to any other person, distributed, resold and/or reproduced without the prior written permission of Sloane Robinson.