

VT Downing European Unconstrained Income Fund



April 2022 Commentary

April was a difficult month for investors across many asset classes. In the face of roaring inflation, central banks continue to belatedly raise interest rates. This puts additional pressure on consumers who are faced with a triple squeeze on disposable income thanks to increased mortgage costs, higher utility bills and paying more for food and petrol. Equity investors, watching the growing losses in the bond market, are increasingly worried about the prospect of recession in the next few years and the likely impact it will have on certain sectors. This fear was reflected in market moves during April. Defensive sectors such as Consumer Staples (+4.1%), Telecoms (+3.1%) and Utilities (1.7%) outperformed GDP sensitive sectors such as Technology (-7.7%) and Consumer Discretionary (-4.0%). Other market indicators were also negative – the VIX index averaged higher, consumer confidence was generally lower, and energy prices remain high due to the ongoing uncertainty around the Russia / Ukraine war.

Against this backdrop, the A accumulation share class in the VT Downing European Unconstrained Income Fund fell by 4.2% from 110.89p to 106.22p. In risk-off markets such as these, investors often look for security in larger cap names leading to smaller companies underperforming. This was the case in April with some of our smaller cap holdings such as Talga, Exmar, Befesa, Aumann and Friedrich Vorwerk all underperforming. Conversely, stocks benefitting from strong inflation performed well, such as our salmon holdings, Mowi, Salmar and Masoval. With European electricity pool prices remaining extremely high, alternative energy provider ENCE reported strong Q1 free cashflow and flagged the potential to pay very high dividends for the next few years, lifting the shares strongly.

There were a couple of changes to the portfolio in April. Pursuing the theme of increasing exposure to food production, we initiated a position in Bayer AG. The uncertainty surrounding litigation in the US around its glyphosate product is likely to be resolved soon, allowing the company to continue to leverage its leading position in crop protection products. On the other side, we continued to reduce exposure to the consumer by exiting our position in German housebuilder, Instone Real Estate Group. The current outlook for the market is highly uncertain but this volatility is also creating long term opportunities in areas such as energy and food security as Europe adjusts to the new macro-economic and geopolitical reality.

Opinions expressed represent the views of the fund managers at the time of publication, are subject to change, and should not be interpreted as investment advice.

About the fund

The fund aims to have approximately 30-40 holdings*. The team seeks to generate returns by identifying high quality companies that have a long term sustainable competitive advantage, with potential to generate growth over time. At the point of entry, the valuation of the company is attractive to the fund managers, either because it has fallen out of favour in the short term, or because it is "off the radar" of many other investors.

Investment objective

The investment objective of the fund is to generate income and some capital growth over the long term (5 years or more), principally by investing in transferable securities of European issuers. We aim to ensure that at least 75% of the fund's assets are invested at all times in equities issued by companies based in a Member State of the EU, in Norway, Iceland, Turkey, Switzerland, or the UK. The remainder will be invested in government securities, fixed income, closed ended collective investment schemes/vehicles (which may include those managed and/or operated by the Authorised Corporate Director (ACD) and which will provide exposure to various asset classes including equities and bonds), real estate investment trusts, money market instruments, deposits, cash and near cash.

The fund will not have any particular industry or economic sector focus and as such weightings in these may vary as required.

* Please note, this is not a requirement or restriction of the fund.

Distribution information*

Period end	Ex Dividend	Payment date	A Acc (GBp)	A Inc (GBp)	F Acc (GBp)	F Inc (GBp)
Dec-20	31/12/2020	26/02/2021	0.1573	0.1255	0.0672	0.1633
Mar-21	31/03/2021	28/05/2021	0.2264	0.2197	0.2187	0.2346
Jun-21	30/06/2021	31/08/2021	1.3863	1.3400	1.3402	1.4352
Sep-21	30/09/2021	30/11/2021	0.4538	0.4333	0.4389	0.4641
Dec-21	31/12/2021	28/02/2022	0.2949	0.2805	0.2854	0.3006
Mar-22	31/03/2022	31/05/2022	0.8170	0.7751	0.7910	0.8310

Cumulative performance (%)

	1m	3m	6m	YTD	1y	Since Launch**
VT Downing European Unconstrained Income Fund A Acc	-4.21	-1.39	-6.91	-6.42	-2.81	6.23
IA Europe Excluding UK	-2.66	-4.11	-8.75	-10.19	-2.62	9.02
Quartile Ranking	4	1	2	1	3	3

Discrete performance (%)

	30/04/2021 - 30/04/2022
VT Downing European Unconstrained Income Fund A Acc	-2.81
IA Europe Excluding UK	-2.62
Quartile Ranking	3

* Distributions are subject to change and should not be utilised as a basis for an investment decision.

** 17 November 2020



Fund Manager
Mike Clements

Mike has more than 20 years' experience in the industry and over 12 years' experience managing European equity portfolios. His investment career began in 1999 as a European equity analyst at UBS Asset Management. In 2008, he moved to Franklin Templeton Investments where he managed the €3 billion Franklin European Growth Fund and related mandates. Between 2014 to 2020, he was Head of European Equities at Syz Asset Management, managing a range of Pan European and Europe ex. UK funds, including the Oyster Continental European Income Fund.



Fund Manager
Pras Jeyanandhan

Pras has over 11 years' investment experience. He began his career in 2005 with KPMG, qualifying as a Chartered Accountant (ACA), before moving to HSBC as a strategy analyst. In 2011, Pras joined Berenberg Bank as an equity analyst, leading coverage on the Financials sector before joining Mike Clements at Syz Asset Management in 2015 as an investment analyst and then portfolio manager. From January 2019, Pras co-managed the Oyster European Opportunities Fund alongside Mike as well as providing support across the other portfolios.

Portfolio summary

As at 30 April 2022

Top 10 holdings

	% of fund
Flow Traders NV	5.41
Deutsche Boerse AG	4.47
Fagron NV	3.94
doValue SpA	3.87
Cairn Homes Plc	3.80
Ence Energia y Celulosa SA	3.60
Banca Farmafactoring SpA	3.60
Relx Plc	3.26
Cadeler A/S	3.25
Infrastrutture Wireless Italiane SpA	3.22

Portfolio by sector



6.21%	Cash	22.92%	Industrials
4.80%	Communications	9.85%	Information technology
7.05%	Consumer discretionary	7.11%	Real estate
5.05%	Consumer staples	0.50%	Utilities
4.86%	Energy		
18.89%	Financials		
12.76%	Healthcare		

Source: Valu-Trac Investment Management Ltd.

Key facts As at 30 April 2022

Structure

London listed Open Ended Investment Company (OEIC), established as a "UCITS scheme".

Launch date

A Accumulation: 17 November 2020
A Income: 30 November 2020
F Accumulation: 11 December 2020
F Income: 5 November 2020

Fund Size

£79.37m (A and F share classes combined)

Share price

Class A 106.2244p (Acc)
Class A 100.0274p (Inc)
Class F 102.8856p (Acc)
Class F 107.2920p (Inc)

No of holdings

38

Minimum initial investment

Class A: £1,000 lump sum

Liquidity

Daily pricing and daily dealing

Sector: IA Europe Ex UK Sector

ISIN Codes

Class A Accumulation: GB00BLF7YL10
Class A Income: GB00BLF7YM27

ISA eligible: Yes

Contact details

Downing LLP, St Magnus House,
3 Lower Thames Street,
London EC3R 6HD
Tel: + 44 (0) 20 7416 7780
Email: customer@downing.co.uk

Authorised Corporate Director

Valu-Trac Investment
Management Ltd
Orton, Moray
IV32 7QE
Tel: +44 (0) 1343 880 217
www.valu-trac.com

Fund charges

Initial charge: 0%
Annual management charge:
Class A: 0.75% per annum
Class F: 0.55% per annum
Ongoing charges**:
Class A: 0.84%
Class F: 0.64%

How to apply:

Telephone: +44 (0) 1343 880 217 or
visit: <https://www.valu-trac.com/administration-services/clients/downing/deui/>
Also on the following platforms:

Ascentric
AJ Bell
Aviva
Canada Life International
Hargreaves Lansdown
Hubwise
James Brearley
Raymond James
Transact

We are currently working with other platforms so please let us know if yours is not listed above.



As at 29 September 2021



defaqto, 5 Diamond rated, 2022



As at 30 August 2021

** Please note: The ongoing charges figure is based on expenses and the net asset value as at 31 December 2021. This figure may vary from year to year. It excludes portfolio transaction costs.

www.downingeurope.com

Risk warning: Your capital is at risk. Investments into this fund should be held for the long term (5+ years). The value of your investment and income derived from it can fall as well as rise and investors may not get back the full amount invested. The fund does not have any particular industry or economic sector focus and as such weightings in these may vary as required and investments may be in the same sectors. Values may be affected by fluctuations in currency exchange rates and may cause the value of your investment to go up and down. The portfolio is constructed independently of a benchmark index. Reduced liquidity may have a negative impact on the price of assets. The use of derivatives may result in gains or losses that are greater than the original amount invested. The fund may invest in smaller companies which are higher risk compared to investments in blue chip companies. Past performance is not a guide to future returns. Please refer to the latest fund Prospectus and KIID before investing; your attention is drawn to the risk, fees and taxation factors contained therein.

This document is intended for retail investors and their advisers and has been approved and issued as a financial promotion under the Financial Services and Markets Act 2000 by Downing LLP ("Downing"). This document is for information only and does not form part of a direct offer or invitation to purchase, subscribe for or dispose of securities and no reliance should be placed on it. Downing does not offer investment or tax advice or make recommendations regarding investments. Downing is authorised and regulated by the Financial Conduct Authority (Firm Reference No. 545025). Registered in England No. OC341575. Registered Office: St Magnus House, 3 Lower Thames Street, London EC3R 6HD.

DEUI0051_May (Apr) 2022