

VT Downing European Unconstrained Income Fund



March 2022 Commentary

Despite the war raging on in Ukraine, markets began to recover towards the end of March as the initial losses seen after the Russian invasion were clawed back. News that peace talks were making tentative progress triggered a rally in European markets that saw them finish up for the month. However, volatile market movements saw both value and growth styles each having extreme bouts of outperformance, which was also reflected by Basic Resources, Energy as well as Healthcare being amongst the best performing sectors in the month. As inflation continued to surge, Retail, Leisure and Autos sectors were weak as concerns mounted of a squeeze in the consumer's cost of living.

The fund's A Accumulation shares rose by 5.0%, outperforming the IA Europe ex UK sector by 1.7%. The fund's positions in Energy Transition plays (Talga, Ence, Schneider and Exmar) benefitted as Europe firmed up plans to quickly reduce reliance on Russian energy. Talga announced that it had successfully commissioned and is operating its EV anode plant in Northern Sweden which will produce large scale commercial samples of its anode material for customer qualification. This is an important step in Talga's ramp up and was taken well by the market as shares rose c20% on the announcement.

The main detractors were stocks linked to the consumer (Worldline, Glanbia and VW) where fears are beginning to mount over the impact of inflation on spending.

We believe one of the main long-term outcomes from the Russia/Ukraine conflict is a renewed and immediate focus on energy dependency in Europe and a reduced reliance on Russian oil and gas. The European Commission plans to cut Russian gas imports by two-thirds this year as part of a package to diversify gas supplies and accelerate decarbonisation efforts. This will require significant investments in infrastructure and new sources of liquefied natural gas (LNG), with the US in particular agreeing to boost supplies to the EU. We added two new positions to play this theme – Exmar and Friedrich Vorwerk. Exmar is an energy shipping company that is positioned in an important part of the global energy value chain. In particular it owns two vessels that are designed to facilitate the liquefaction, storage and regasification of LNG, thereby allowing customers to establish virtual new supply routes at short notice. Vorwerk is a German energy infrastructure and engineering company that is focused on designing and building natural gas pipeline and electricity grids. With expertise in natural gas, electricity and hydrogen, we believe Vorwerk is set to benefit from Germany's pivot away from Russian gas.

On the other side, we exited some of our consumer names (Europris, Fnac Darty and Glanbia) on concerns around challenged supply chains, input cost inflation and a squeezed consumer.

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	5.02	-2.31	-3.20	-2.31	4.24	10.89
IA Europe Excluding UK	3.33	-7.66	-4.17	-7.66	4.24	12.09
Quartile Ranking	1	1	3	1	3	3

Discrete performance (%)

	31/03/2021 - 31/03/2022
VT Downing European Unconstrained Income Fund A Acc	4.24
IA Europe Excluding UK	4.24
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.

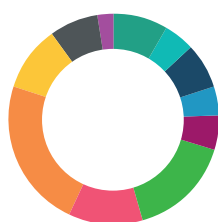
Portfolio summary

As at 31 March 2022

Top 10 holdings

	% of fund
Flow Traders NV	5.16
Deutsche Boerse AG	4.25
Cairn Homes Plc	3.96
doValue SpA	3.60
Fagron NV	3.52
Schneider Electric SE	3.27
Ence Energia y Celulosa SA	3.23
Cadeler A/S	3.16
Infrastrutture Wireless Italiane SpA	3.11
Relx Plc	3.10

Portfolio by sector



8.45%	Cash	22.84%	Industrials
4.69%	Communications	10.24%	Information technology
7.11%	Consumer discretionary	7.40%	Real estate
4.38%	Consumer staples	2.35%	Utilities
5.34%	Energy		
15.70%	Financials		
11.50%	Healthcare		

Source: Valu-Trac Investment Management Ltd.

Key facts As at 31 March 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

£83.40m (A and F share classes combined)

Share price

Class A 110.8908p (Acc)
Class A 104.4222p (Inc)
Class F 107.3882p (Acc)
Class F 111.9875p (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

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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/deu/>
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.

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