

# VT Downing European Unconstrained Income Fund



## June 2022 Commentary

June was a difficult month for investors, with few places across asset classes to hide. The European index fell 7% as a looming recession quickly moved to being the market's base case outlook. Cyclical sectors were hit badly, with the materials sector in particular bearing the brunt of the sell-off as commodity prices rolled over from high levels. Conversely, defensive sectors such as healthcare, personal goods, food & beverages and telecoms outperformed, although they were also down in absolute terms.

The debate in the market is now centered around whether inflation will begin to moderate despite wages starting to rise and energy prices remaining high. Earnings estimates are likely to start to soften as higher costs continue to feed into income statements and we expect more resetting of guidance from management teams over the next six months.

The fund underperformed the wider market during the month, falling c.9.7%. Our smaller capitalization stocks were hurt by investors' natural instinct to seek shelter against the macroeconomic uncertainties in larger cap names. Portfolio holdings such as Dovalue (-27%), Cibus (-28%), Talga (-31%) weighed heavily on the fund's returns despite little news flow. Conversely, companies which can demonstrate more defensive growth prospects outperformed. For example, Cadeler (-2%) won a major contract from Siemens Gamesa to install 60 state-of-the-art wind turbines at the Moray West offshore wind farm in Scotland which lifted the shares relative to the market.

We made no major changes to the portfolio in June, having repositioned the fund earlier in the year away from consumer facing stocks and more towards companies with long term structural growth prospects or which benefit from higher volatility. We expect this market volatility to persist in the near-term, but we are seeing a number of good businesses becoming more attractively priced as valuations continue to contract.

*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
Jun-22	30/06/2022	31/08/2022	2.4299	2.1452	2.2066	2.3415

### Cumulative performance (%)

	1m	3m	6m	YTD	1y	Since Launch**
VT Downing European Unconstrained Income Fund A Acc	-9.70	-11.51	-13.55	-13.55	-13.09	-1.87
IA Europe Excluding UK	-8.48	-10.19	-17.15	-17.15	-12.63	0.57
Quartile Ranking	4	3	1	1	3	3

### Discrete performance (%)

	30/06/2021 - 30/06/2022
VT Downing European Unconstrained Income Fund A Acc	-13.09
IA Europe Excluding UK	-12.63
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.

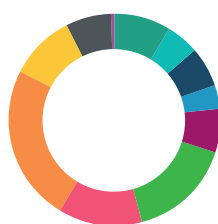
# Portfolio summary

As at 30 June 2022

## Top 10 holdings

	% of fund
Flow Traders NV	5.20
Deutsche Boerse AG	4.88
Ence Energia y Celulosa SA	3.99
Fagron NV	3.85
Infrastrutture Wireless Italiane SpA	3.47
Cadeler A/S	3.35
Relx Plc	3.32
Banca Farmaceutica SpA	3.02
Prysmian SpA	3.00
Aedas Homes SA	2.86

## Portfolio by sector



8.74%	Cash	23.89%	Industrials
5.11%	Communications	9.92%	Information technology
6.12%	Consumer discretionary	6.87%	Real estate
3.59%	Consumer staples	0.50%	Utilities
6.63%	Energy		
15.71%	Financials		
12.92%	Healthcare		

Source: Valu-Trac Investment Management Ltd.

## Key facts As at 30 June 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

£71.01m (A and F share classes combined)

### Share price

Class A 98.1280p (Acc)  
Class A 90.2587p (Inc)  
Class F 95.0759p (Acc)  
Class F 96.8466p (Inc)

### No of holdings

39

### 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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### 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

[www.downingeurope.com](http://www.downingeurope.com)

\*\* 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.

**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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