

VT Downing European Unconstrained Income Fund



November 2020 Commentary

November has been one of the strongest months for global and European equity returns in recent years. Positive newsflow around the emergence of Covid-19 vaccines coupled with more visibility on the outcome of the US elections triggered the sharp rally alongside an aggressive intra-market rotation as value significantly outperformed growth.

Since its launch on 6 November, the F income share class rose from 100.000p to 106.9895p. We were pleased with this performance given the large cash drag as we deployed our seed capital in the month. The main contributors were: 1. Our contrarian travel stocks ([Ryanair](#) and [Amadeus](#)) reacted strongly to positive vaccine announcements as the market began to look forward to a potential loosening of travel restrictions in 2021. [Eiffage](#), the French contractor and motorway operator, also performed strongly in anticipation of a recovery in traffic volumes. 2. Many of our other cyclical ([MOWI](#) and [BE Semiconductors](#)) and smaller companies ([Banca Farmafactoring](#), [Rubis](#) and [Befesa](#)) also rallied as investors began to rotate into other beneficiaries of a global recovery. 3. A number of our companies made positive announcements on their dividends. Our real estate investments demonstrated their resilience as [Cibus Nordic Real Estate](#) confirmed its move to monthly dividend payments, [Sirius Real Estate](#) announced an increased half year dividend and [Instone Real Estate](#) confirmed its intention to pay an [inaugural dividend](#) for 2020. After cancelling its dividend earlier in the year, [Salmar](#) reinstated its payment citing strong results and a solid financial position.

Following its launch earlier this month, the fund is now fully invested. While we expect an uneven and bumpy recovery moving into 2021, we see scope for our cyclical and smaller companies to benefit as economies gradually open up. In particular we see interesting opportunities for dividend catch up payments, with the likes of [Banca Farmafactoring](#) stating its intention to make their 2019 distributions as soon as regulators allow. We remain focused on searching for opportunities that may have lagged the recent rally but still present strong upside over the longer term.

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 to 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, Russia 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.



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.

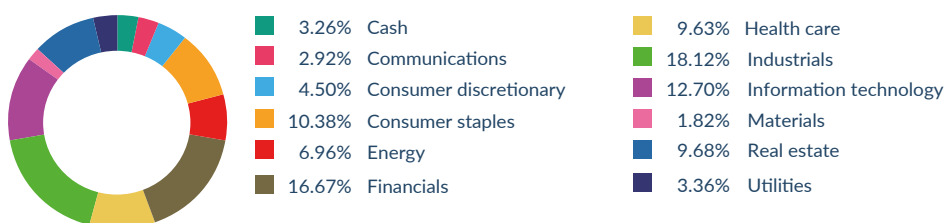
Portfolio summary

As at 30 November 2020

Top 10 holdings

	% of fund
Banca Farmafactoring SpA	3.94
Cibus Nordic Real Estate AB (publ)	3.80
Mowi ASA	3.79
BE Semiconductor Industries NV	3.78
Sirius Real Estate Ltd	3.78
Glanbia Plc	3.74
doValue SpA	3.60
Van Lanschot Kempen NV	3.54
Rubis SCA	3.36
Eiffage SA	3.29

Portfolio by sector



Source: Valu-Trac Investment Management Ltd.

Key facts As at 30 November 2020

Structure

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

Launch date

6 November 2020

Fund Size

£55.31m (A and F share classes combined)

Share price

Class A 103.0853p (Acc)

Class A 100.0000p (Inc)

Class F 100.0000p (Acc)

Class F 106.9895p (Inc)

No of holdings

35

Minimum initial investment

Class A: £1,000 lump sum

Dividends

TBC

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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Valu-Trac Investment

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Orton, Moray

IV32 7QE

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www.valu-trac.com

Fund charges

Initial charge: 0%

Annual management charge:

Class A: 0.75% per annum

Ongoing charges**:

Class A: 0.88%

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:

Aviva

Hargreaves Lansdown

Transact

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

**** Please note:** As the A share class only launched on 17 November 2020, the ongoing charges figure shown here is an estimate of the charges and 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. 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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