

# VT Downing European Unconstrained Income Fund



## January 2022 Commentary

2022 got off to a very difficult start, with most developed indexes down significantly amidst much higher volatility. The tone was driven by central banks as hawkish expectations drove bond yields higher. In a risk-off month, markets were characterised by extreme rotations as value substantially outperformed growth styles. The European Energy and Banks sectors were up 9% and 7% respectively, compared with Technology which was down 12%.

Against this difficult backdrop, the A Accumulation shares fell [5.1%] but outperformed the IA Europe ex UK Index which was down by [6.3%] in January. As bond yields rose, the fund's investments in infrastructure-like companies (Cibus and Inwit) and technology (Worldline, Infineon and AMS-Osram) struggled. Both Cibus (Nordic real estate) and Inwit (an Italian mobile towers operator) have resilient, growing cashflows, and remain well positioned to grow their dividends in the coming years.

On the positive side, Cairn Homes' shares rose 10% on the back of a very encouraging trading update where it materially upgraded guidance and initiated a larger than expected share buyback. We expect a very significant capital return in the coming years as Cairn continues to develop its large and high-quality land bank. Other positive contributors were Flow Traders and Deutsche Boerse which are both beneficiaries of the elevated volatility in the market. Deutsche Boerse also looks set to combine structural growth (pre and post trading) with cyclical tailwinds if volatility persists and interest rates rise.

During the month we bought a new position in AIB Group and sold Sirius Real Estates and Vestas Wind Systems. AIB is Ireland's leading bank in an increasingly consolidated banking system. With two of its competitors exiting the market last year (KBC and Natwest), AIB is well positioned to benefit from its solid balance sheet and a recovering housing market. Vestas has struggled recently as supply chain issues have weighed on margins. We sold our position on fears that this could remain the case for some time given the complexity of its supply chain. We redeployed some of the capital into Cadeler (offshore wind installation) which we believe is better positioned in the value chain. We sold Sirius Real Estate for valuation reasons as it re-rated strongly throughout the course of 2020.

*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, 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.

### 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

### Cumulative performance (%)

	1m	3m	6m	YTD	1y	Since Launch**
VT Downing European Unconstrained Income Fund A Acc	-5.10	-5.60	-5.94	-5.10	3.92	7.72
IA Europe Excluding UK	-6.34	-4.83	-2.80	-6.34	10.57	13.69
Quartile Ranking	1	3	3	1	4	4

### Discrete performance (%)

	31/01/2021 - 31/01/2022
VT Downing European Unconstrained Income Fund A Acc	3.92
IA Europe Excluding UK	10.57
Quartile Ranking	4

\* 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 January 2022

## Top 10 holdings

	% of fund
Flow Traders NV	4.07
Cairn Homes Plc	4.06
Cibus Nordic Real Estate AB (publ)	3.73
Deutsche Boerse AG	3.72
KBC Ancora CVA	3.68
Volkswagen AG	3.52
doValue SpA	3.13
Aedas Homes SA	3.08
Julius Baer Gruppe AG	3.01
AIB Group Plc	3.00

## Portfolio by sector



Source: Valu-Trac Investment Management Ltd.

## Key facts As at 31 January 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

£80.56m (A and F share classes combined)

### Share price

Class A 107.7185p (Acc)  
Class A 102.1878p (Inc)  
Class F 104.2812p (Acc)  
Class F 109.5542p (Inc)

### No of holdings

37

### 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/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, 2021



As at 30 August 2021

\*\* Please note: The ongoing charges figure is based on expenses and the net asset value as at 16 April 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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