

VT Downing European Unconstrained Income Fund



July 2021 Commentary

Market conditions were more volatile in July, as growth concerns and a sell-off in the reflation/reopening trade were eventually reassured by strong company updates, and an apparent broken link between Covid-19 infections and hospitalisations. We expect markets to remain choppy as investors grapple with Delta variant angst, peak valuations, and the inflation debate. However, positive updates from many companies suggest that the second half of the year will see benefits from the ongoing reopening of European economies.

In a busy month for company results, the fund rose with the A accumulation NAV per share increasing from 112.9041p to 114.5162p. Some of our housing and reopening plays issued positive earnings releases. Cairn Homes and Aedas Homes are both seeing a pick-up in activity as housing markets continue to recover. Sales pipelines are strong and improving house prices are supportive for the second half and beyond. Fnac Darty, the French retailer, saw sales growth of c20% year-over-year despite ongoing lockdowns continuing to impact operations. Siemens Healthineers and Relx both posted solid numbers, and doValue reported that they have been awarded c€5 billion of new mandates in the first half of the year, which are an early indication of the expected growth in the non-performing loans stock triggered by the pandemic.

On the negative side, Fresenius Medical Care continues to struggle in the current environment. Encouragingly, conditions are stabilising as Covid-19 related excess mortality continues to decline and c70% of patients have now had at least one vaccine. Fagron shares were also weak in the month although we believe it should benefit from a pick-up in elective care in the second half of the year.

We initiated a new position in offshore wind turbine installation company, Cadeler, during the month. Cadeler operates in a part of the fast growing wind industry where there is likely to be a bottleneck over the medium term, and has some of the most technologically advanced installation vessels. As a result, we expect its utilisation rates to be high over the next decade and for it to generate substantial amounts of free cash flow.

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) |
| December-20 | 31/12/2020 | 26/02/2021 | 0.1573 | 0.1255 | 0.0672 | 0.1633 |
| March-21 | 31/03/2021 | 28/05/2021 | 0.2264 | 0.2197 | 0.2187 | 0.2346 |
| June-21 | 30/06/2021 | 31/08/2021 | 1.3863 | 1.3400 | 1.3402 | 1.4352 |

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



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 July 2021

Top 10 holdings

| | % of fund |
|------------------------------------|-----------|
| Cibus Nordic Real Estate AB (publ) | 4.73 |
| Banca Farmafactoring SpA | 4.57 |
| Cairn Homes plc | 4.00 |
| doValue SpA | 3.92 |
| Aumann AG | 3.59 |
| Siemens Healthineers AG | 3.31 |
| Befesa SA | 3.29 |
| Fnac Darty SA | 3.26 |
| AMS AG | 3.15 |
| Glanbia plc | 3.08 |

Portfolio by sector



Source: Valu-Trac Investment Management Ltd.

Key facts As at 31 July 2021

Structure

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

Launch date

6 November 2020

Fund Size

£85.84m (A and F share classes combined)

Share price

Class A 114.5162p (Acc)

Class A 109.3524p (Inc)

Class F 110.7501p (Acc)

Class F 117.1170p (Inc)

No of holdings

35

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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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/administra-](https://www.valu-trac.com/administration-services/clients/downing/deui/)

[tion-services/clients/downing/deui/](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.



defaqto, 5 Diamond rated, 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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