

VT Downing Global Investors Fund



January 2022 Commentary

January 2022 was a negative month which was up there with the January 2000 tech wreck, and the August 2008 Global Financial Crisis.

So, where are we now? In our view, the global economy is in the early stages of a strong upcycle due to a combination of economic traction in the large populations outside the West, and the price of economic activity being affordable as judged by the 30-year US treasury rate (currently standing around 2.10%). Both of those scenarios are novel in their own right. Combined as an economic force they have not been seen before.

Covid was, or is, a major disruptor event, (from which a leap in productivity will follow thanks to digitalisation in our view). First out of the recovery box was the price put on technology and digitalisation in particular. As that was the only game in town for a while, valuations went up (a combination of growth, and the value placed on that growth). Roughly speaking, we moved from a world in which a price to earnings ratio of 30 times was quite lively, to one in which 30 times sales was. That situation was always likely to end in tears when sentiment changed/multiple expansion ceased, but we do not know when this will be until it happens. In our experience, around November last year there were canaries about as price rises in multiple sectors of the economy signalled vigorous demand challenging supply capacities. Since then, we have leaned pretty aggressively into those trends, replacing many technology positions with suppliers of conventional recurring demand goods/services where prices are rising. But we did not move at a fast enough rate to offset the implosion in 'digi-tech' when it happened in January. Lessons learned. Again. With widespread 30% valuation declines, that phase may be concluding.

We believe that phase two will be more durable in that a much wider range of asset classes are wanted again by markets in recognition of the expanding global economy. Our exposure to the energy, food and materials industries and to consumer brands and healthcare has risen dramatically over the last quarter. We also believe that higher returns on equity will be rewarded going forwards and this is our preferred metric for phase two.

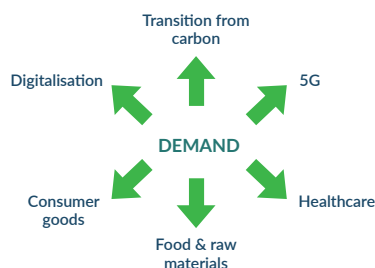
What are the visible risks from here? The economic cycle is driven by the cost of inputs. However, higher prices should stimulate a supply response and to that extent 'inflation' should be transitory. Perhaps the greatest risk is that that scenario does not play out for whatever reason. The costs of most inputs are rising now. This is a good sign in that it reflects vigorous activity. Wages are rising and that puts more cash in the pockets of the lower paid sections of society, who have the greatest propensity to spend it. Materials prices are rising as are food and energy prices. We are focused on owning businesses producing all of those inputs for which prices are rising. That includes, for the first time since 2008, the banks, who supply money.

In summary, a pretty engaging scenario, we believe, notwithstanding a Super Mario style stumble, and the horses have been changed.

Opinions expressed represent the views of the fund manager at the time of publication, are subject to change, and should not be interpreted as investment advice.

About the fund

The VT Downing Global Investors Fund is a thematically invested fund focused on the needs and wants of the growing middle-class population. We believe this population is a homogeneous borderless group, showing a single set of demands and aspirations. Currently numbering around 3.3 billion, we believe the global middle-class will be closer to 5.3 billion at the end of this decade. That is a needle-moving demographic to be engaged with that will drive our six key themes:



Distribution information*						
Period end	Ex Dividend	Payment date	A Acc (GBP)	A Inc (GBP)	F Acc (GBP)	F Inc (GBP)
Jun-20	30/06/2020	28/08/2020	0.0000	0.0000	0.3645	0.1479
Dec-20	31/12/2020	26/02/2021	0.0000	0.0000	0.5239	0.4315
Jun-21	30/06/2021	31/08/2021	0.5432	0.0000	0.8949	0.7910
Dec-21	31/12/2021	28/02/2022	0.4518	0.0000	0.6681	0.5872

	Cumulative performance (%)					
	1m	3m	6m	YTD	1y	Since Launch**
VT Downing Global Investors F Acc	-11.90	-10.38	-7.08	-11.90	-0.94	54.34
IA Global TR Index	-7.16	-5.10	-1.51	-7.16	9.41	54.87
Quartile Ranking	4	4	4	4	4	3

Discrete performance (%)	
	31/01/2021 - 31/01/2022
VT Downing Global Investors F Acc	-0.94
IA Global TR Index	9.41
Quartile Ranking	4

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

** 24 March 2020

Please note that past performance is not a reliable indicator of future results.



Fund Manager
Anthony Eaton

Anthony joined Greig Middleton in 1991 and was appointed a director in 1996. He moved to JM Finn & Co in 2001 and became lead manager on the CF JM Finn Global Opportunities Fund in 2005 where he returned a 10.4%* compound annual growth rate through to August 2019 when it was sold to Thornbridge.

He has consistently applied an evolutionary strategy over the past 15 years as the global middle-class phenomenon has gained momentum. His investment process focuses on producing compounding returns, with a view to generating growth over the long-term.

* MI Thornbridge Global Opportunities Fund August 2019 factsheet.



Awarded on 08 December 2021



Anthony's fund is 3 Diamond rated, defaqto 2021



As at 30 August 2021

Investment strategy

We use pattern hunting strategies to identify areas of economic activity attracting capital. We buy equity stakes in businesses that supply the needs and wants of the expanding global middle class population. We seek to invest in the leading companies within any business grouping we identify.

Liquidity

Our top-down conviction primarily leads to larger capitalisation businesses and aims to avoid undue exposure to any single factor. We balance defensive and cyclical stocks and sectors depending on where we are in the business cycle.

Investment objective

The fund aims to achieve capital growth and income over the long term (5+ years) across global markets.

It will invest at least 70% in equities globally with up to 20% invested in higher risk emerging markets.

The fund will invest in any geographic, industry or economic sector on merit and weightings in these will vary with circumstances.

Portfolio summary

As at 31 January 2022

Top 5 holdings

	% of fund
TotalEnergies SE	1.66
Ivanhoe Mines Ltd	1.62
Archer Daniels Midland Co	1.52
Wilmar International Ltd	1.39
Nintendo Co Ltd	1.33

Source: Valu-Trac Investment Management Limited.

Portfolio by sector



3.84%	Communications	15.92%	Materials
7.57%	Consumer Discretionary	6.72%	Real Estate
16.56%	Consumer Staples	3.80%	Cash
2.91%	Energy		
4.58%	Financials		
5.61%	Health Care		
14.62%	Industrials		
17.87%	Information Technology		

Key facts As at 31 January 2022

Structure

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

Launch date

24 March 2020 at 100.0000p per unit

Fund size

£38.27m (A & F share classes combined)

Share price

Class A 104.3429p (Acc)

Class A 100.0000p (Inc)

Class F 154.3427p (Acc)

Class F 135.1339p (Inc)

Number of company holdings

157

Liquidity

Daily pricing and daily dealing

Sector: IA Global

Minimum initial investment

Class A: £1,000 lump sum

Class F: £1,000,000 lump sum

ISIN & Sedol Codes:

Class A Accumulation: GB00BHNC2499 / BHNC249

Class A Income: GB00BHNC2507 / BHNC250

Class F Accumulation: GB00BHNC1N11 / BHNC1N1

Class F Income: GB00BMQ57900 / BMQ5790

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: 0.60% per annum

Ongoing charges*

Class A: 0.92%

Class F: 0.77%

How to apply:

Telephone +44 (0)1343 880 217 or

visit: www.valu-trac.com/administration-services/clients/downing/

Also on the following platforms:

7IM	Hargreaves Lansdown
Aegon	Hubwise
AJ Bell	Interactive Investor
Aviva	M&G
Canada Life	Nexus Funds Service
International	Quilter
Elevate	Raymond James
Embark	Standard Life
FNZ	Transact
Fusion	Zurich

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

* 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.

The Investment Manager of the fund has undertaken to absorb any costs that would otherwise cause the fund to have ongoing charges in excess of 1%.

www.downingglobalinvestors.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. Values may be affected by fluctuations in currency exchange rates and may cause the value of your investment to go up and down. In addition, investments in emerging markets or less developed countries may face more political, economic or structural challenges than developed countries and your money is at greater risk. Past performance is not a guide to future returns. Please refer to the latest Full Prospectus and KIID before investing; your attention is drawn to the risk, fees and taxation factors contained therein.

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