

# VT Downing European Unconstrained Income Fund



## May 2022 Commentary

May was a volatile month that saw sharp early losses clawed back as markets rebounded towards the end of the month. Investor sentiment remained cautious on the ongoing conflict in Ukraine, China lockdowns, as well as a worrying number of consumer-driven profit warnings. Sector divergence was again very stark with the value sectors of energy (+10%) and banks (+6%) strongly outperforming the rest of the market.

Against a broadly flat market, the A accumulation shares rose 2.3% despite the headwind from not owning any energy companies. The fund's financials holdings, (BFF Bank, AIB and KBC Ancora) benefitted from strong results and newsflow. KBC Ancora announced a very large interim dividend equivalent to a c17% yield along with a buyback. Aumann's recovery is continuing as it announced a first quarter order intake that was 63% better than last year. As the transition to electric vehicles ramps up, Aumann is benefitting from the wave of capex being deployed in building new EV production lines. Additionally, Stillfront and Inpost, which have both been weak this year, posted encouraging first quarter results. After a very difficult period, Stillfront appears to be turning a corner with encouraging sales and active user trends.

Some of the stronger performing stocks year-to-date gave up some gains in May. The fund's salmon farming holdings were a bit weaker due to concerns that salmon prices could be peaking. Additionally, some of the more defensive positions (Fagron, Relx and Deutsche Boerse) were slightly down as the market rotated to more cyclical, value stocks.

During the month, we started a position in Siemens Energy, a company which covers most of the energy value chain, from power generation and transmission to storage across conventional and renewables energy. Despite strong performance in its gas and power business, the shares have been weighed down by challenges in its holding of Siemens Gamesa, the leading wind turbine manufacturer. Siemens Energy announced its intention to fully acquire Siemens Gamesa as part of a broad restructuring and growth programme. Management believe this will unlock material cost and revenue synergies, and give shareholders greater exposure to the long term growth in offshore wind via Siemens Gamesa.

*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

	Cumulative performance (%)					
	1m	3m	6m	YTD	1y	Since Launch**
VT Downing European Unconstrained Income Fund A Acc	2.30	2.91	-0.65	-4.27	-1.78	8.67
IA Europe Excluding UK	0.90	1.40	-6.33	-9.39	-3.31	9.99
Quartile Ranking	1	2	1	1	2	3

Discrete performance (%)	
	31/05/2021 - 31/05/2022
VT Downing European Unconstrained Income Fund A Acc	-1.78
IA Europe Excluding UK	-3.31
Quartile Ranking	2

\* 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.

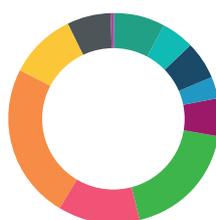
# Portfolio summary

As at 31 May 2022

## Top 10 holdings

	% of fund
Flow Traders NV	5.06
Deutsche Boerse AG	4.28
Banca Farmafactoring SpA	3.85
Ence Energia y Celulosa SA	3.77
Fagron NV	3.70
Infrastrutture Wireless Italiane SpA	3.25
Relx Plc	3.06
Prismian SpA	3.03
Cadeler A/S	3.01
Schneider Electric SE	2.93

## Portfolio by sector



7.98%	Cash	23.92%	Industrials
4.95%	Communications	10.02%	Information technology
5.81%	Consumer discretionary	6.66%	Real estate
3.37%	Consumer staples	0.55%	Utilities
5.70%	Energy		
18.44%	Financials		
12.60%	Healthcare		

Source: Valu-Trac Investment Management Ltd.

## Key facts As at 31 May 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

£80.41m (A and F share classes combined)

### Share price

Class A 108.6658p (Acc)  
Class A 102.3270p (Inc)  
Class F 105.2688p (Acc)  
Class F 109.7772p (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

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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/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

\*\* 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.

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