

# VT Downing European Unconstrained Income Fund



## September 2021 Commentary

September was an unusual month that saw the European market break the long upwards trajectory seen since October last year. Overall, the European index fell approximately 3.5% in sterling terms but there was a strong rotation from growth to value stocks, with sectors such as Oil & Gas (+9.8%), Banks (+3.7%) and Travel & Leisure (+2.6%) outperforming more growth-oriented sectors such as Technology (-6.6%) and Healthcare (-4.2%).

The VT Downing European Unconstrained Income fund fell during the month, with the A accumulation NAV per share moving from 119.0611p to 114.5548p. In terms of stock level contribution, BFF Bank was the most positive, increasing in value by 8.7% during the month. The recent results from the company were a little weak, highlighting that the injections of liquidity into the Italian and Spanish economies to help combat the impact of Covid-19 was temporarily reducing companies desire to sell their receivables to improve cashflow. However, the shares rose on the announcement from the ECB and Italian regulator that the ban on financial companies paying dividends was to be lifted. This paves the way for BFF to pay out the accrued 2019 and 2020 dividends, equating to a dividend yield of approximately 11%.

Cairn Homes, the Irish house builder, also performed well, rising almost 3%. The company reported very strong H1 results and their target of generating €350m to €400m of operating cashflow by 2023 looks to be very achievable. This should allow them to pay investors at least €40m in dividends each year, supporting a very attractive 4.7% dividend yield.

It has been well flagged in the press that the auto companies are struggling to hit their current production volumes due to a shortage of semi-conductor chips. This is actually having little impact from a profitability point of view as the OEM's have simply redirected those chips towards its higher margin premium cars. However, investor sentiment toward the sector has weakened. This caused the share price for Aumann, a German manufacturer of automotive equipment to fall almost 12% during the month. Longer term we remain very positive on the outlook and expect the strong order trends seen in Q1 and Q2 to carry through into the rest of the year.

We added one new position to the fund in September. Continuing our work on the electric vehicle value chain and assessing who we think will be the winners and losers from the shift away from internal combustion engines, we initiated a holding in Volkswagen AG. Volkswagen are aggressively pivoting their business towards hybrid and electric vehicles and are extremely well placed to be the long-term winners in the sector.

*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.



**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.

### 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

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

# Portfolio summary

As at 30 September 2021

## Top 10 holdings

	% of fund
Banca Farmafactoring SpA	4.75
Cibus Nordic Real Estate AB (publ)	4.33
Cairn Homes PLC	4.24
doValue SpA	4.16
Fnac Darty SA	3.61
Aedas Homes SA	3.16
Prysmian SpA	3.15
Glanbia PLC	3.13
AMS AG	3.13
Julius Baer Gruppe AG	3.09

## Portfolio by sector



Source: Valu-Trac Investment Management Ltd.

## Key facts As at 30 September 2021

### Structure

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

### Launch date

6 November 2020

### Fund Size

£84.76m (A and F share classes combined)

### Share price

Class A 114.5548p (Acc)  
Class A 108.9584p (Inc)  
Class F 110.8249p (Acc)  
Class F 116.7320p (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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### 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.



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.

[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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