

VT Downing European Unconstrained Income Fund



April 2021 Commentary

April saw a further rise in the European equity market, increasing by 4.7%*. The strength of the market in 2021 has been impressive, up 10% in Euro terms since the start of the year, and almost 30% higher than the level seen last October. Where does it go from here? Many investors fear that the markets are over-extended, but this could be offset by the likely strength of the global economy over the next few years. From our point of view this uncertainty is leading to valuation anomalies in individual companies and we are happy with the collection of income generating ideas that we have in the fund.

The fund rose in April, with the A Acc NAV rising from 106.38p to 109.30p but didn't quite keep up with the pace of the overall market which was largely driven by the consumer staples and information technology sectors. From a stock point of view there were a number of positives. BFF Bank, the largest position in the fund, continued the strong rise in the share price seen since the start of the year, rising another 20% in April ahead of the Q1 results due to be released in early May.

Norwegian discount retailer Europris rose 16.7% after Q1 figures impressed investors with growth of 24% year-on-year as shoppers bought more seasonal goods. In addition, our real estate and housing related stocks also added to performance with strong rises seen at Cibus Nordic Real estate (+12%), Sirius Real Estate (+13%) and Cairn Homes (+9%).

Aumann, the small-cap German industrial company whose equipment is used in the production of electric motors, reported weak Q1 results with no sign yet of a pick-up in equipment orders. We still expect this to happen either later in 2021 or in 2022 as car manufacturers need new equipment to meet their ambitious medium-term electric vehicle production targets.

The other main detractor was AMS, a leading manufacturer of sensors used in consumer electronics and autos. The shares often trade on news flow relating to Apple and in mid-April it became clear that AMS had lost the contract to supply sensors used for Face ID in iPhones. Whilst a short-term headwind for the company, we like the fact that their sensors are used in an increasingly broad array of applications which should bring more stability to their revenue.

*Share MSCI Europe (Ex UK) UCITS ETF/Bloomberg.

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

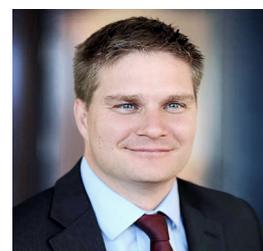
The fund aims to have approximately 30-40 holdings*. The team seeks to generate returns by identifying high quality companies that have a long term sustainable competitive advantage, with potential to generate growth over time. At the point of entry, the valuation of the company is attractive to the 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)
December-20	31/12/2020	26/02/2021	0.1572	0.1255	0.0672	0.1632
March-21	31/03/2021	31/05/2021	0.2263	0.2196	0.2186	0.2346

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

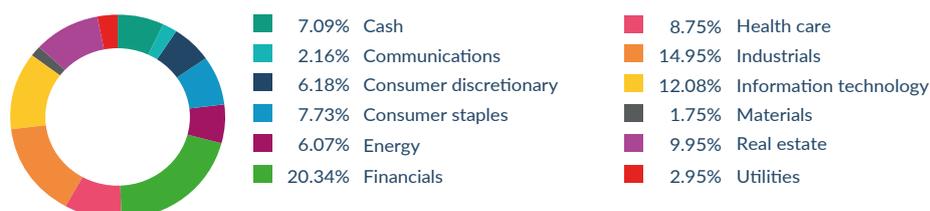
Portfolio summary

As at 30 April 2021

Top 10 holdings

	% of fund
Banca Farmaceuting SpA	6.04
doValue SpA	3.84
Cibus Nordic Real Estate AB (publ)	3.80
Gaztransport et Technigaz SA	3.46
SalMar ASA	3.26
Van Lanschot Kempen NV	3.23
Eiffage SA	3.20
Instone Real Estate Group AG	3.14
Europris ASA	3.13
BE Semiconductor Industries NV	3.05

Portfolio by sector



Source: Valu-Trac Investment Management Ltd.

Key facts As at 30 April 2021

Structure

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

Launch date

6 November 2020

Fund Size

£83.79m (A and F share classes combined)

Share price

Class A 109.2974p (Acc)

Class A 105.6660p (Inc)

Class F 105.6508p (Acc)

Class F 113.1134p (Inc)

No of holdings

34

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

Downing LLP, St Magnus House,

3 Lower Thames Street,

London EC3R 6HD

Tel: +44 (0) 20 7416 7780

Email: customer@downing.co.uk

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

Ongoing charges**:

Class A: 0.84%

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.



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** 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 transactions.

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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DEUI0022_May (Apr) 2021