

VT Downing European Unconstrained Income Fund



November 2021 Commentary

November saw the MSCI Europe ex UK index fall 1.75% in sterling terms as the discovery of a new strain of Covid, Omicron, weighed on markets in the final few days of the month. The more cyclical parts of the market bore the brunt of the sell-off with travel, oil, banks and autos companies particularly hard hit. The A accumulation NAV per share fell from 114.1038p to 109.3782p, mainly due to the large part of the portfolio exposed to the re-opening theme. With Covid rates rising in parts of Europe, a number of these names struggled on fears that recovery would be pushed back in 2022.

The positive contributors in the month were led by Stillfront and Cibus. After a difficult year to date, Stillfront reported a slightly better than expected set of Q3 results and indicated that they expect a return to organic growth in Q4. This was supported by an investor day, where management presented the strengths of the group and studios, and an overall optimistic outlook for growth. Cibus continued to perform strongly as its resilient and growing business model were highlighted in its quarterly results. Management expect growth to continue as they look to add properties to the portfolio from around the Nordic region.

On the negative side, a number of our stocks exposed to re-opening struggled as Europe tightened restrictions in response to the new Covid variant. Fears that these restrictions would impact demand impacted our salmon farming stocks, MOWI and Salmar, as well as Glanbia, where the anticipated recovery in its brand, SlimFast, may take longer than expected. Despite posting a decent set of quarterly results, Instone the German housebuilder, guided down expectations for 2022 due to construction delays and supply chain bottle necks. The shares of our autos companies, Aumann and Volkswagen, also came under pressure in the month. Despite Aumann reporting a strong order book, lower expectations for near term margins weighed on the shares. Aumann is still in the early days of its recovery and we continue to see long-term upside as it benefits from the ramp up in electric vehicle investment spend by the OEMs.

With rising uncertainty around Omicron and the ongoing effectiveness of the vaccine programme, we expect bouts of volatility in the near term. This is opening up pockets of value in the market and we are seeing interesting investment opportunities emerge in good quality companies that are being impacted by short-term headwinds.

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	0.4300	0.4400	0.4641

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

Portfolio summary

As at 30 November 2021

Top 10 holdings

	% of fund
Cibus Nordic Real Estate AB (publ)	4.66
Cairn Homes PLC	3.65
Stillfront Group AB (publ)	3.49
Flow Traders NV	3.37
Deutsche Boerse AG	3.37
Relx PLC	3.15
Infrastrutture Wireless Italiane SpA	3.14
SAP SE	3.11
Aedas Homes SA	3.10
Snam SpA	3.09

Portfolio by sector



Source: Valu-Trac Investment Management Ltd.

Key facts As at 30 November 2021

Structure

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

Launch date

6 November 2020

Fund Size

£82.14m (A and F share classes combined)

Share price

Class A 109.3782p (Acc)
Class A 104.0329p (Inc)
Class F 105.8522p (Acc)
Class F 111.4943p (Inc)

No of holdings

37

Minimum initial investment

Class A: £1,000 lump sum



As at 29 September 2021



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.

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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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.

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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