

VT Downing European Unconstrained Income Fund



January 2021 Commentary

The year began on a slightly softer footing in January, as the market gave up some of its gains from recent months. Ongoing lockdowns, concerns around new variants and a slow-to-start vaccination programme weighed on European markets.

In this slightly weaker market backdrop, the A accumulation shares fell from 105.0103p to 103.6558p over the month. The main detractors were in some of our companies that had seen strong recent gains. Vestas and Prysmian, which are both plays on the growth of offshore wind energy, saw some profit taking after a very strong share price performance in 2020. Amadeus was weak as lockdowns once again hit stocks exposed to travel, and Banca Farmafactoring shares fell, in part due to some political unrest in Italy as its prime minister, Giuseppe Conte, resigned following disputes over the post-pandemic recovery package.

This was partially offset by strength in our semiconductor names (BE Semiconductor and Infineon) as strong results and comments from a number of large customers gave confidence that the upswing in chip demand is gathering pace. AMS shares bounced back strongly after a weak December, as Osram (which it is in the process of acquiring) raised guidance significantly on the back of a solid recovery in the autos market. While SAP shares were broadly flat, it was an eventful month as it IPO'd a minority stake in Qualtrics, the experience management software provider. This marks a strong return on a business that SAP acquired in November 2018 for €8 billion. Following a surge in the share price in its opening days, the market value is currently now in excess of \$27 billion.

We added one new name to the fund in January. Aumann AG is a small cap German engineering company and a leading supplier of equipment into the auto industry. As a specialist provider of equipment for the production of electric motors, the company offers exposure to the explosive growth of electric vehicles (EVs) expected in the coming years.

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.

Portfolio summary

As at 31 January 2021

Top 10 holdings

	% of fund
Sirius Real Estate Ltd	4.08
Cibus Nordic Real Estate AB (publ)	4.07
doValue SpA	3.94
Glanbia PLC	3.64
Banca Farmafactoring SpA	3.63
Rubis SCA	3.44
Befesa SA	3.41
Van Lanschot Kempen NV	3.36
SalMar ASA	3.28
AMS AG	3.21

Portfolio by sector



Source: Valu-Trac Investment Management Ltd.

Key facts As at 31 January 2021

Structure

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

Launch date

6 November 2020

Fund Size

£81.51m (A and F share classes combined)

Share price

Class A 103.6558p (Acc)

Class A 100.4282p (Inc)

Class F 100.1480p (Acc)

Class F 107.4512p (Inc)

No of holdings

35

Minimum initial investment

Class A: £1,000 lump sum

Dividends

TBC

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: 0.88%

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

Transact

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

**** Please note:** As the A share class only launched on 17 November 2020, the ongoing charges figure shown here is an estimate of the charges and may vary from year to year. It excludes portfolio transaction costs.

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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