

# VT Downing European Unconstrained Income Fund



## December 2021 Commentary

The A accumulation share class increased by 3.8% in the month slightly outperforming the IA Europe ex UK Index which rose sharply in December by 3.4%. This was accompanied by a sharp rotation away from growth to value as inflation picked up alongside expectations of global interest rate rises. Sectors such as Travel & Leisure (+12.2%), Food & beverages (+7.2%), Basic Resources (+7.8%), Construction (+7.4%) and Industrials (+7.1%) outperformed sectors such as Technology (+2.9%), Retail (+2.8%) and Real Estate (+1.5%).

Reflecting the market level dynamics, the fund's technology holdings underperformed with BE Semi Conductor (-11.6%), Infineon (+0.7%), AMS (+0.6%) and Stillfront (-6.9%) all underperforming the strongly rising market.

There were strong performances from our Nordic companies. The most significant news was from Cibus Nordic Real Estate which had a busy month. The company raised SEK492m (€48m) in new capital to take advantage of strong transaction flow in the Nordic market. It also updated its medium outlook, guiding that its portfolio would double in size from the current level by the end of 2023 allowing it to gain an investment grade rating. To that end, Cibus announced three new acquisitions during the month for €45m, expanding its portfolio of grocery stores in Sweden and Norway. This was taken very well by the market and the shares rose 15.8% over the month. Europris, the Norwegian discount retailer also performed well during the month (+13.5%) as increased Covid restrictions supported trading by restricting competition across the Swedish border. Lastly, Befesa (+13.7%) rose after it indicated that it had signed contracts for the first of its new Chinese mills and gave reassurance on the likely profitability of those contracts. The rising zinc price also supported the shares as it remains at elevated levels.

We made one change to the fund during the month. Worldline is a leading European payments company whose shares have fallen by around 40% during 2021<sup>1</sup> on the back of concerns about slower transaction growth and lack of progress in selling their low growth payment terminal business that was acquired as part of the Ingenico transaction in 2020. We believe that the long-term outlook for the company is still very positive and that a derating of this former stock market favourite is unwarranted.

*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.*

<sup>1</sup> Bloomberg, worldline share price movement, 31 Dec 2021

## 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.

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
Dec-21	31/12/2021	28/02/2022	0.2949	0.2805	0.2854	0.3006

Cumulative performance (%)							
	1m	3m	6m	YTD	1y	Since Launch**	
VT Downing European Unconstrained Income Fund A Acc	3.78	-0.91	0.54	8.09	8.09	13.51	
IA Europe Excluding UK	3.35	3.79	5.45	15.76	15.76	21.39	
Quartile Ranking	2	4	4	4	4	4	

Discrete performance (%)	
	31/12/2020 - 31/12/2021
VT Downing European Unconstrained Income Fund A Acc	8.09
IA Europe Excluding UK	15.76
Quartile Ranking	4

\* 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 December 2021

## Top 10 holdings

	% of fund
Cibus Nordic Real Estate AB (publ)	5.17
Cairn Homes Plc	3.52
Deutsche Boerse AG	3.37
Flow Traders NV	3.34
SAP SE	3.20
Snam SpA	3.17
Europris ASA	3.15
Infrastrutture Wireless Italiane SpA	3.11
Relx PLC	3.10
Fnac Darty SA	3.08

## Portfolio by sector



Source: Valu-Trac Investment Management Ltd.

## Key facts As at 31 December 2021

### 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

£85.39m (A and F share classes combined)

### Share price

Class A 113.5090p (Acc)  
Class A 107.6807p (Inc)  
Class F 109.8683p (Acc)  
Class F 115.4238p (Inc)

### No of holdings

38

### 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

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  
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, 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.

**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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