

VT Downing European Unconstrained Income Fund



July 2023 Commentary

July was another strong month and European markets rose by 1.6% as the influx of half-year results were generally quite resilient and well-received. The Value style outperformed Growth, with sector leadership most notable in Real Estate and Financials, as well as in cyclical sectors like Materials and Chemicals. Defensive sectors such as Utilities and Telecoms lagged the upswing. Sentiment has been strong as investors look to cooling inflation, interest rates peaking, and robust earnings as reasons to be positive.

The Accumulation shares rose by 1.3%, slightly underperforming the sector. Our holdings in semiconductor companies were strong in the month, led by Soitec which reported relatively soft revenues but reaffirmed its guidance on the expectation of a strong rebound in the second half of the year. BE Semiconductors continued its strong run this year (up c.90% YTD) on investor excitement around its opportunity in hybrid bonding, and this was reaffirmed by management in its results. InPost, the last mile logistics provider of automated parcel lockers, announced that it acquired a 30% stake in the UK logistics business, Menzies. An exclusive partnership allows InPost to scale at speed in the UK to match consumer demand. Given the size of the opportunity in the UK, this is a very encouraging development.

On the negative side, shares in Teleperformance and Eramet were weak on the back of results. Teleperformance shares have been under pressure on concerns around the threats posed by AI. A slight downgrade in revenue guidance coupled with reduced visibility triggered a sell-off in the shares. The shares have derated considerably over the last two years, and we believe concerns are overly discounted at current levels. Eramet's results came in below expectations as lower nickel and manganese prices impacted revenues, as well as some non-recurring events (such as a landslide in Gabon which interrupted deliveries). However, the company continues to make good progress with the development of its lithium unit and it signed a joint marketing agreement with Glencore for lithium carbonate from 2025, enabling it to secure an advance payment of \$400m. The lithium mine is due to ramp up next year and is not reflected in the valuation in our view.

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, 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 Inc (GBP)
Mar-22	31/03/2022	31/05/2022	0.8170	0.7751	0.8310
Jun-22	30/06/2022	31/08/2022	2.4299	2.1452	2.3415
Sep-22	30/09/2022	30/11/2022	0.8776	0.7976	0.8661
Dec-22	31/12/2022	28/02/2023	0.4725	0.4304	0.4621
Mar-23	31/03/2023	31/05/2023	0.6490	0.5885	0.6323
Jun-23**	30/06/2023	31/08/2023	2.4497	2.2082	2.3735

Cumulative performance (%)						
	1m	3m	6m	YTD	1y	Since Launch***
VT Downing European Unconstrained Income Fund A Acc	1.27	-3.43	0.26	5.40	7.99	10.02
IA Europe Excluding UK	2.11	0.61	4.00	10.12	14.45	21.61
Quartile Ranking	4	4	4	4	4	4

Discrete performance (%)		
	31/07/2022 - 31/07/2023	31/07/2021 - 31/07/2022
VT Downing European Unconstrained Income Fund A Acc	7.99	-11.03
IA Europe Excluding UK	14.45	-9.16
Quartile Ranking	4	3

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

** Estimated

*** 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 July 2023

Top 10 holdings

	% of fund
InPost SA	3.57
Munters Group AB	3.40
Fagron NV	3.23
Banca Farmafactoring SpA	3.21
Soitec SA	3.19
Schneider Electric SE	3.18
AlB Group plc	3.13
Prysmian SpA	3.05
Cairn Homes Plc	2.96
Cadeler A/S	2.96

Portfolio by sector



Source: Valu-Trac Investment Management Ltd.

Key facts As at 31 July 2023

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 Income: 5 November 2020

Fund Size

£43.81m (A and F share classes combined)

Share price

Class A 110.0181p (Acc)
Class A 97.0808p (Inc)
Class F 104.3936p (Inc)

No of holdings

39

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
Class F Income: GB00BLF7ZZ294

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: 0.90%
Class F: 0.70%

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:

7IM	Hubwise
Aegon Institutional	J Brearley
AJ Bell (Investcentre)	M&G Wealth (Ascentric)
AJ Bell (Youinvest)	Nucleus
Aviva	Praemium
Canada Life	Raymond James
Fidelity	Transact
Hargreaves Lansdown	

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

www.downingeurope.com



As at 30 September 2022



Awarded date 1 February 2023



Awarded on 30 August 2021

**** Please note:** The ongoing charges figure is based on expenses and the net asset value as at 28 April 2023. 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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