

VT Downing European Unconstrained Income Fund – June 2023

LWM FUND SPOTLIGHT VT DOWNING EUROPEAN UNCONSTRAINED INCOME FUND

INVESTMENT OBJECTIVE

The investment objective of the Fund is to generate income with the potential for long term (5 years) capital growth. The Fund will seek to achieve its objective by investing at least 75% in equities issued by companies based in developed European markets (being member states of the European Union, Norway, Switzerland or the United Kingdom). The Fund may also invest in emerging and frontier European markets including Turkey, Russia and Iceland. The Fund may also invest in government securities, fixed income, closed ended collective investment schemes/vehicles (which may include those managed and/or operated by the 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.

INCEPTION DATE	5 th November 2020
FUND FACTSHEET	https://www.trustnet.com/factsheets/o/ld3r/vt-downing-european-unconstrained-income

MANAGEMENT

Manager Name	Start Date
Mike Clements	5 th November 2020
Pras Jeyanandhan	5 th November 2020

RATIO DATA (2-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
-1.84	0.90	-21.07	10.90	-10.53	52	52	6.17

OTHER DATA

Benchmark	IA European Excluding UK
Fund Size	£44.7 million
Fees	0.85%

BULL POINTS (PRO)	BEAR POINTS (CONS)
<ul style="list-style-type: none">• Worked together for several years.• Unconstrained all-cap strategy.• Strong performance vs peers since launch.• Different approach to Europe.	<ul style="list-style-type: none">• Fund size.• Short performance track record.

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FUND PERFORMANCE

Performance from 5th November 2020 – 31st May 2023

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



05/11/2020 - 31/05/2023 Data from FEfundinfo2023

Cumulative Performance (GBX)					
	3 Months	6 Months	1 Year	3 Years	5 Years
Fund	-2.88%	6.21%	1.47%		
Sector	-2.27%	7.61%	7.67%	27.39%	30.58%
Relative to Sector	-0.62%	-1.30%	-5.75%		
Rank in Sector	70 / 108	82 / 106	88 / 104		
Fund Quartile	3	4	4	N/A	N/A

Performance by Calendar Year (GBX)					
	YTD	2022	2021	2020	2019
Fund	4.71%	-8.04%	8.09%		
Sector	6.41%	-9.56%	15.74%	10.74%	20.55%
Relative to Sector	-1.60%	1.68%	-6.61%		
Rank in Sector	83 / 107	54 / 99	85 / 90		
Fund Quartile	4	3	4	N/A	N/A

Discrete Annual Performance to Last Quarter End (GBX)					
	0-12m	12m-24m	24m-36m	36m-48m	48m-60m
Fund	0.91%	4.24%			
Sector	5.14%	4.35%	39.64%	-8.80%	-1.48%
Relative to Sector	-4.03%	-0.11%			
Rank in Sector	84 / 104	59 / 90			
Fund Quartile	4	3	N/A	N/A	N/A

Fund Price Movement (GBX)			
12 Month High	116.31 (Pence)	12 Month Low	93.68 (Pence)

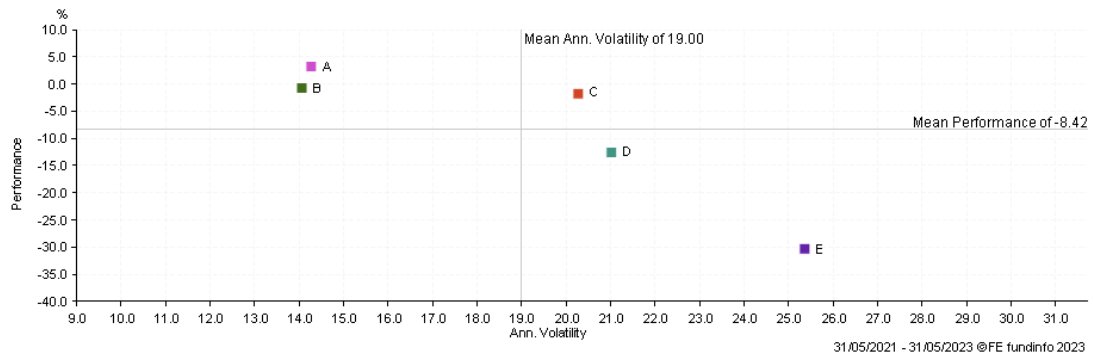
Annualised Ratios Over 12 Months					
	Alpha	Beta	Sharpe	r ²	Volatility
Fund	-4.70	0.91	0.00	0.91	15.92
Fund Quartile	4	4	4	3	1

Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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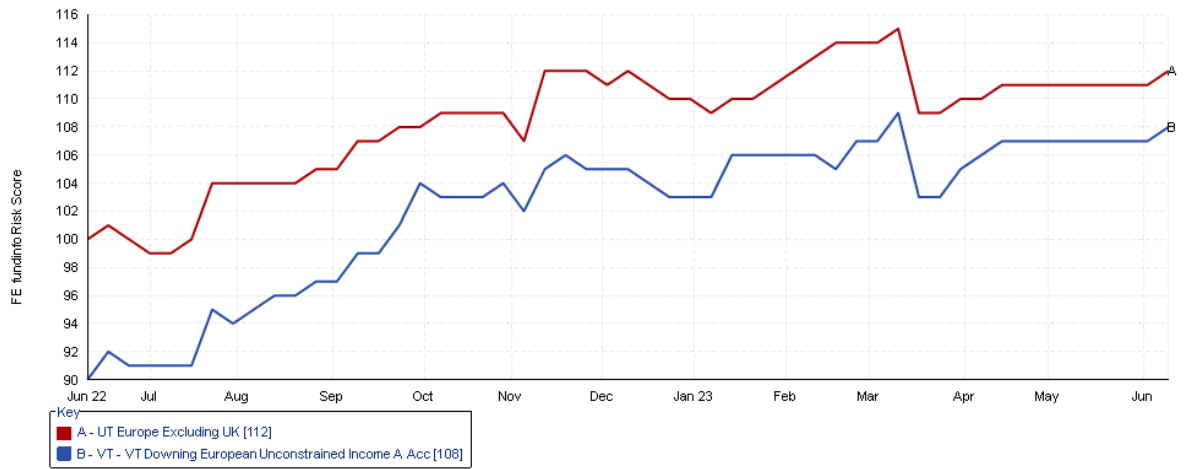
VOLATILITY / RISK SCORE

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



Key	Name	Performance	Annualised Volatility
A	IA Europe Excluding UK TR in GB	3.24	14.27
B	VT - Downing European Unconstrained Income A Acc in GB	-0.73	14.06
C	BlackRock - European Dynamic A Acc in GB	-1.77	20.27
D	Premier Miton - European Opportunities A Acc GBP in GB	-12.58	21.02
E	Baillie Gifford - European A Acc in GB	-30.26	25.36

FE fundinfo Risk Score Chart Over 1 Year



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MARKET CAP

Style Measures

Measures

Market Cap

Avg Market Cap

4.36 Bil

Category Avg Market Cap

48.80 Bil

Index Avg Market Cap

60.91 Bil

Size	Investment %	Cat. Average %	Index %
Giant	5.18	37.89	33.35
Large	19.92	37.31	48.91
Mid	30.48	18.68	17.71
Small	29.79	1.07	0.03
Micro	8.79	0.05	0.00

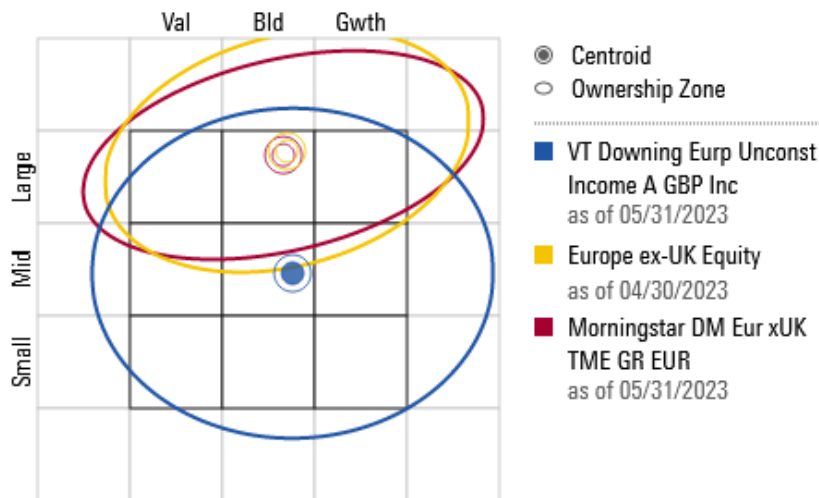
GBP | Investment as of 31 May 2023 | Category: Europe ex-UK Equity as of 30 Apr 2023 | Index: Morningstar DM Eur xUK TME GR EUR as of 31 May 2023 | Data is based on the long position of the equity holdings.

Stock Style

Map

Weight

Historical



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STYLE MEASURES

Style Measures		Measures	Market Cap
Value & Growth Measures	Investment	Cat. Average	Index
Price/Earnings	10.52	14.36	13.38
Price/Book	1.54	1.99	1.87
Price/Sales	1.15	1.27	1.18
Price/Cash Flow	5.59	7.69	7.59
Dividend Yield %	4.77	3.10	3.38
Long-Term Earnings %	11.63	11.25	12.29
Historical Earnings %	17.39	15.33	16.42
Sales Growth %	10.93	10.62	10.57
Cash-Flow Growth %	22.29	9.48	8.53
Book-Value Growth %	8.96	6.60	6.87

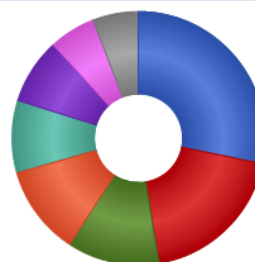
Investment as of 31 May 2023 | Category: Europe ex-UK Equity as of 30 Apr 2023 | Index: Morningstar DM Eur xUK TME GR EUR as of 31 May 2023 | Data is based on the long position of the equity holdings.

SECTOR WEIGHTING

Sector Weightings as at May 31, 2023

Rank	Change	Name	%
1	▶	INDUSTRIALS	28.23
2	▶	FINANCIALS	19.16
3	▲	TELECOM, MEDIA & TECHNOLOGY	11.76
4	▼	BASIC MATERIALS	11.41
5	▶	CONSUMER PRODUCTS	9.29
6	▶	HEALTH CARE	8.36
7	▶	REAL ESTATE	5.97
8	▶	CASH & CASH EQUIVALENTS	5.82

▼ Faller ▲ Riser ▶ No Change ■ New Entry



GEOGRAPHIC WEIGHTING

Exposure		Sector	Region	Country	vs. Category
Country	Investment %	Category %			
Germany	21.35	15.05			
France	15.85	24.78			
Italy	14.12	4.60			
Sweden	6.84	5.30			
Belgium	6.65	1.63			
Ireland	6.00	1.51			
Netherlands	5.80	10.88			
United Kingdom	5.45	2.46			
Spain	4.37	4.34			
Poland	3.56	0.21			

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Investment as of 31 May 2023 | Category: Europe ex-UK Equity as of 30 Apr 2023 | Country data is based on the rescaled long position of the equity holdings | Source: Holdings-based calculations.

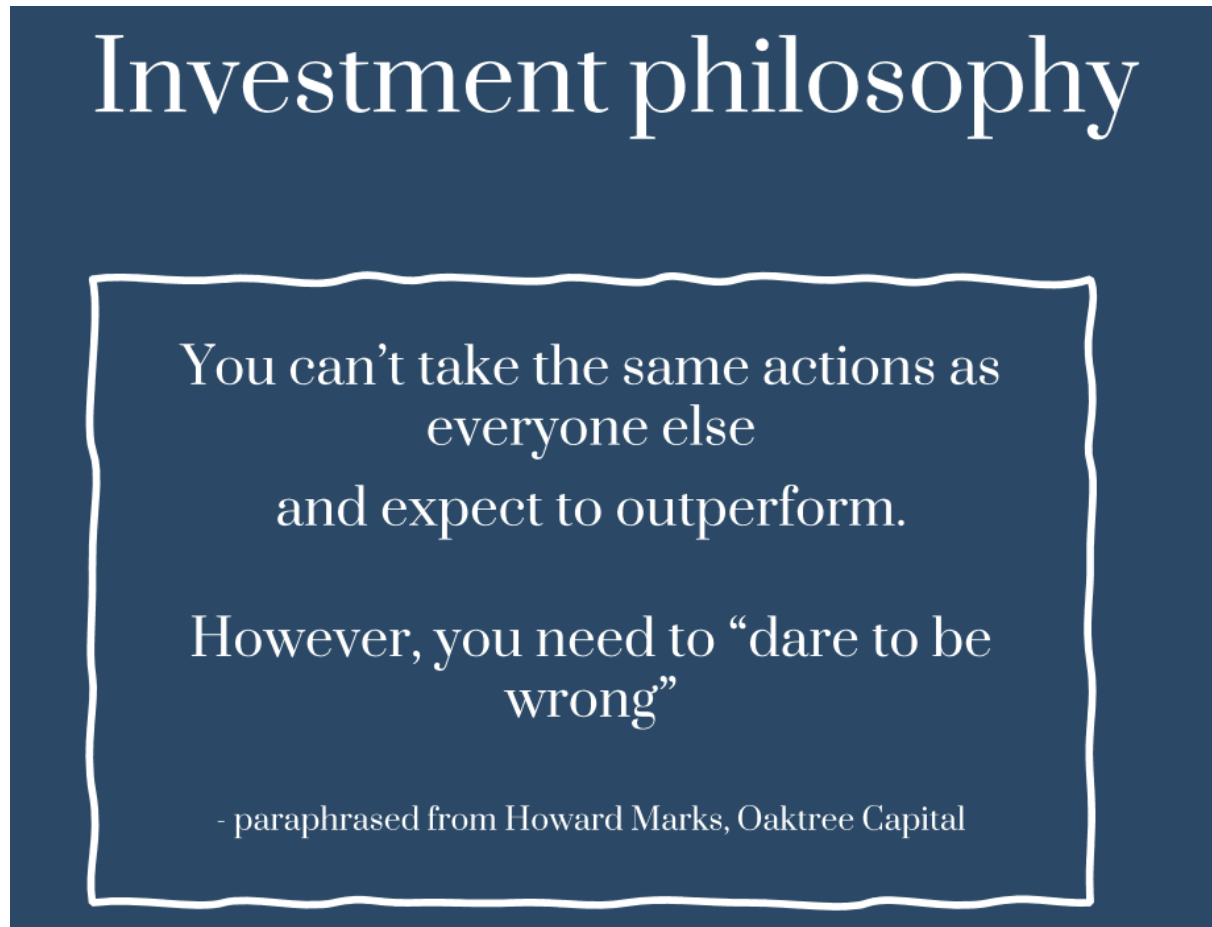
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HOLDINGS

Top 10 holdings		
Stock	Weight	Industry
Banca Farmafactoring SpA	4.37%	Financials
Cadeler A/S	3.79%	Consumer Discretionary
Prysmian SpA	3.33%	Industrials
Sanofi SA	3.29%	Industrials
Talga Group Ltd	3.28%	Materials
Schneider Electric SE	3.19%	Industrials
Deutsche Boerse AG	3.17%	Real Estate
Flow Traders NV	3.08%	Financials
Ence Energia y Celulosa SA	3.05%	Materials
Mowi ASA	3.03%	Consumer Staples

LWM FUND ANALYSIS

This was our first meeting with the team. Their philosophy is summarised below.



Before drilling down into the fund, one of our concerns was that this was the third fund management company for Mike Clements, and we wanted to understand why Downing was different. In 2008 he ran the Franklin European Growth Fund and left when he felt the direction of travel of Franklin differed from his approach to managing money. He moved to Syz Asset Management to run a Swiss based fund; the asset management side of this business closed in 2020.

At Syz he was working with Pras, and in 2020 they had a strategy and clients but no home. They approached Downing and they feel this is a natural fit where they can run the fund in the way they had always wanted to do.

One of the main changes was to call this "unconstrained" to reflect their style. This strategy also provides income which is currently around 3.7%, which they expect to increase year on year. However they would not say this is not a pure income fund.

One of interesting things about this fund is that it does feel different to others within the market. The style doesn't sit purely in a value or growth bucket but is a blend of ideas.

Two sources of ideas

We focus on where we can get an edge over the market

“Off the radar”

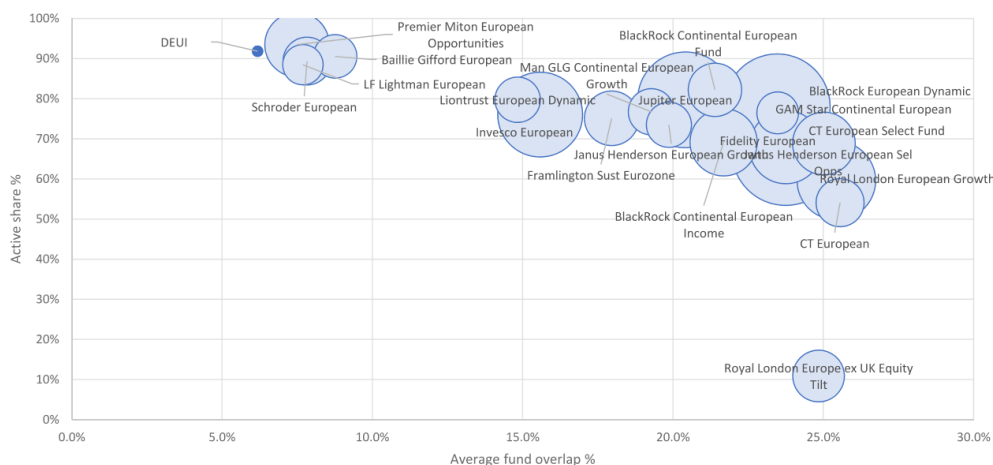
Less well-known stocks that are often a better way to play an opportunity. We often have an **informational edge** in these names.

Contrarian

Well-known stocks bought when the market has fallen out of love with them and we have a **behavioural edge**.

This is an all-cap strategy but points more towards the small and mid-cap part of the market. It has very little overlap with its peers with income coming from strong small and mid-cap income producers.

Crossover between the 20 largest European funds & VT DEUI



This is a bottom-up focused strategy, searching for high quality companies at attractive prices.

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Focus on contrarian and under the radar opportunities



Examples of holdings include Cadeler, who supply windfarm installation vehicles and are one of the leaders in this field. Talga, who are producers of low carbon graphite used in the production of the electric vehicle revolution. Sanofi is an example of a contrarian play where there has been behavioural mispricing.

The fund has around 35% in emerging transition stories. Currently around \$1 trillion is being spent. This is expected to increase to \$4.5 trillion a year. They see this as a major shift in the way the world works and so the small companies today will be those big companies of the future.

Currently the world has an overreliance on China, but this will change and Europe is perfectly placed to take up that opportunity.

European companies are leading this transition

Downing

Some key themes we are playing in the portfolio



Source: Downing Fund Managers as at 31 May 2023

Vorwerk are leading the European energy transition in natural gas, electricity, and hydrogen. Munters are a global leader in energy efficient air treatment and climate solutions. Aumann are a leading provider of special machines and automated production lines focusing on e-mobility.

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We talked about engagement, and they were honest that this is much harder with larger companies. However, with smaller companies such as Aumann and Talga, they can have much more active engagement. Just because they have less engagement with larger companies doesn't mean they don't find ways to engage. With Siemens as an example, they questioned some of the wind farms in Algeria and they are waiting to see if there is a change in strategy.

In summary, for investors this fund will look and feel different to other strategies out there. The performance since launch has been stronger than some of its competitors. What we like about the strategy is that this is truly unconstrained, with many names off the radar to both investors and other funds.

The belief of the team is that some of the smaller companies will become the big companies of the future. Fundamentally they are looking for high quality companies at the right price. They will "fish" in areas that they understand. They won't chase stocks just because everyone else is.

The source of information in this note has been provided by Downing and is correct as of June 2023. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.

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