



Review

Markets were generally resilient in June despite significant geopolitical turbulence over the period. US equities outperformed with the S&P gaining 5%, supported by stronger earnings momentum and economic data, while European markets were up marginally. Within Europe, small caps outpaced large caps, benefitting from their greater sensitivity to domestic macro improvements. Sector dispersion was pronounced, with Energy and Technology leading gains, helped by higher oil prices and ongoing digital investment, while Consumer Staples, Media, and Retail underperformed.

The outbreak of full-scale conflict between Israel and Iran drove a sharp spike in oil prices and triggered a period of equity market volatility. US military intervention brought the conflict to a relatively swift conclusion, easing immediate fears, though the region remains unstable and risks are far from resolved.

In Europe, political tensions were partially eased at the NATO summit, where all member nations except Spain agreed to meet the 5% defence spending target. This move placated President Trump, who subsequently offered a qualified endorsement of NATO.

Macroeconomic data in Europe showed modest signs of improvement. Inflation remained benign enough to allow the ECB to deliver a rate cut, while PMIs pointed to a tentative recovery in Germany, even as activity in France continued to trend lower.

Fund performance / Activity

The fund extended its recent run of outperformance versus both the broader market and sector peers. The A Accumulation shares rose by 1.92%, ahead of the iShares MSCI Europe ex-UK ETF (which gained 0.60% in sterling terms) and the peer group (which rose 0.80%). Since Germany's chancellor, Friedrich Merz's "whatever it takes" declaration on 4 March - marking the announcement of an unprecedented defence and infrastructure package - the fund has benefitted meaningfully. Several holdings have responded positively to the shift in European policy, as the continent moves to strengthen itself both economically and strategically in the face of growing geopolitical pressures.

Key contributors during the month included Allfunds, doValue and BE Semiconductor. Allfunds announced a CEO change with founder Juan Alcaraz being replaced by Annabel Spring who will join as CEO in June. She was most recently CEO of HSBC Global Private Banking and Wealth. On the other hand, Worldline, Stillfront and InPost weighed on performance. Worldline suffered following the release of media investigations alleging compliance failures and ties to high-risk merchants. The revelations triggered a sharp sell-off, despite most of the allegations referring to a period before the company implemented tighter controls and had exited a number of high-risk client relationships. Worldline remains a small position for us as we continue to assess the risk against the cheap valuation and potential upside if the business is successfully restructured under the new CEO.

We made several portfolio adjustments during the month. Two German defence holdings, Renk and Hensoldt, were sold on valuation grounds after sharp gains driven by Germany's renewed defence commitments. These stocks are now richly valued, and we opted to rotate into Indra, a Spanish technology company which is trading at more attractive levels and is positioning itself as a national defence champion. We started a new position in Novo Nordisk during the month. Once a market



darling, the stock has become a more contrarian opportunity in our view. Current valuations appear to assign little, if any value to the company's pipeline, with much of the recent concern already reflected in the share price. We believe the long-term structural growth opportunity in obesity remains compelling, and Novo Nordisk is well positioned to benefit from this trend. We also switched from Amundi into DWS Group, believing Germany's leading asset manager is better placed to capture improved domestic flows. Lastly, we rotated from Mowi into SalMar, reflecting a more compelling valuation opportunity in the Norwegian salmon sector.

Market Outlook

Markets remain upbeat despite ongoing geopolitical and trade tensions. While risk events continue to flare up, markets have so far taken these in its stride. That said, investors should remain cautious, particularly with the outcome of US tariff negotiations on 9 July looming as a potential source of volatility. A constructive resolution is critical to sustaining market confidence. Meanwhile, Russia continues to intensify its attacks on Ukraine, perhaps with a view to negotiating a ceasefire from a position of strength. However, any such outcome still appears distant.

Beyond that, Europe is showing further encouraging signs. Sentiment is improving, and Germany, the region's economic engine is moving in a more positive direction. The recently announced fiscal stimulus could be transformational not only for Germany but also for its European neighbours. After years of underperformance and investor scepticism, flows into European assets have started to recover. While some question the durability of the current rally, we believe it is the beginning of a more sustained re-rating. Valuations remain attractive, and Germany's fiscal pivot marks a meaningful catalyst. We have positioned the fund to benefit from this improving backdrop.

Pras Jeyanandhan, Fund Manager
Mike Clements, Fund Manager

2 July 2025

Data source (unless otherwise stated): Bloomberg, FE Analytics

Contact Details:

Fund Manager: Pras Jeyanandhan – pjeyanandhan@tyndallim.co.uk

Fund Manager: Mike Clements – mclements@tyndallim.co.uk

Head of Distribution: Theresa Russell – trussell@tyndallim.co.uk



Capital at Risk – the value of investments can fall as well as rise and you may not get back what you invested

Past performance is not a reliable indicator of future results.

Disclaimer

WARNING:

All information about the VT Downing European Unconstrained Income Fund ('The Fund') is available in The Fund's prospectus and Key Investor Information Document which are available free of charge (in English) from Valu-Trac Investment Management Limited (www.valu-trac.com). Any investment in the fund should be made on the basis of the terms governing the fund and not on the basis of any information provided herein.

The information in this Report is presented using all reasonable skill, care and diligence and has been obtained from or is based on third party sources believed to be reliable but is not guaranteed as to its accuracy, completeness, or timeliness, nor is it a complete statement or summary of any securities, markets or developments referred to. The information within this Report should not be regarded by recipients as a substitute for the exercise of their own judgement.

The information in this Report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. In the absence of detailed information about you, your circumstances or your investment portfolio, the information does not in any way constitute investment advice. If you have any doubt about any of the information presented, please consult your stockbroker, accountant, bank manager or other independent financial advisor.

Capital at Risk- Value of investments can fall as well as rise and you may not get back the amount you have invested. Income from an investment may fluctuate in money terms. If the investment involves exposure to a currency other than that in which acquisitions of the investments are invited, changes in the rates of exchange may cause the value of the investment to go up or down. Past performance is not necessarily a guide to future performance.

Any opinions expressed in this Report are subject to change without notice and Tyndall Investment Management is not under any obligation to update or keep current the information contained herein. Sources for all tables and graphs herein are Valu-Trac Investment Management Limited unless otherwise indicated.

The information provided is "as is" without any express or implied warranty of any kind including warranties of merchantability, non-infringement of intellectual property, or fitness for any purpose. Because some jurisdictions prohibit the exclusion or limitation of liability for consequential or incidental damages, the above limitation may not apply to you.

Users are therefore warned not to rely exclusively on the comments or conclusions within the Report but to carry out their own due diligence before making their own decisions.

Employees of Tyndall Investment Management, or individuals connected to them, may have or have had interests of long or short positions in, and may at any time make purchases and/or sales as principal or agent in, the relevant securities or related financial instruments discussed in this Report.

© 2025 Tyndall Investment Management.

Tyndall Investment Management is a trading name of Odd Asset Management. Authorised and regulated by the Financial Conduct Authority (UK), registration number 660915. This status can be checked with the FCA on 0845 730 0104 or on the FCA website (UK). All rights reserved. No part of this Report may be reproduced or distributed in any manner without the written permission of Tyndall Investment Management.

Investment Manager: 5-8 The Sanctuary, London, SW1P 3JS.



Capital at Risk – the value of investments can fall as well as rise and you may not get back what you invested

Past performance is not a reliable indicator of future results.