



Review

August is normally a quiet month for markets but this year geopolitics kept investors on their toes. Trump's reciprocal trade tariffs came into effect on 7th August with the rate for Europe set at 15% (although Switzerland was hit by an unexpected high 39% rate). The meeting between Trump and Putin in Alaska in mid-August to discuss a ceasefire in Ukraine initially brought hope of a resolution but ultimately seems to have lost momentum. Lastly, French prime minister Francois Bayrou called for a confidence vote in the government following political turmoil surrounding his controversial deficit cutting budget. Despite this, European markets rose about 1.2%, with large cap stocks leading the way.

Fund performance / Activity

The VT Downing European Unconstrained Income Fund returned 0.01% for the month, in line with the sector but behind the market.

In terms of stocks, doValue was a large positive contributor, rising 5% after a very strong set of H1 results. New business wins of €11bn in the first six months is already close to their full year target and underpinned an acceleration in revenue and profitability. Having secured its position in the Italian non-performing loans market through the acquisition of Gardant last year, the recent announcement of a major acquisition in Germany takes the company into new geographic markets and market segments, providing the platform for further growth.

Salmon producer SalMar (+24%) also reported encouraging results. Pricing has been weak so far in 2025. However, with constrained industry supply into 2026 and falling costs, profits should increase over the next few years.

Graphite anode producer Talga Group also contributed to results, rising 17% but on little news, whereas Raiffeisen Bank increased by 12% in price on hopes of a Russian Ukraine ceasefire could eventually lead to it being able to realise value from its currently frozen Russian assets.

On the negative side, despite reporting good operational results, Friedrich Vorwerk shares fell 17% as a number of brokers downgraded their recommendation following the extremely strong performance so far this year. Teleperformance fell 23% at the very start of the month as organic growth in the first half failed to see much improvement, and with management guiding investors to expect growth to be towards the bottom of its 2-4% range it set early in the year.

There were three changes to the fund in August. A new position was initiated in Steyr Motors. Steyr is a leading manufacturer of specialised diesel motors used in marine and military equipment. We view Steyr as a way to play an increase in German defence spending at a valuation well below peers.

The fund exited its position in Cairn Homes and Tenaris. Cairn has been a long standing holding in the portfolio, but the story has now played out and our price target was reached. We exited Tenaris as we found more compelling ideas elsewhere.



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.

Market Outlook

As we come into autumn, the outlook for the market is uncertain. On the one hand the US-EU trade tariffs have come into force at a rate that, legal challenges notwithstanding, should remove a source of potential negative surprise. On the other hand, it is difficult to see a resolution to the political turmoil in France and, with bond markets increasingly nervous, we are likely to see increased volatility in share prices over the coming months.

Germany's substantial fiscal package will continue to support infrastructure and defence-linked spending for the coming years and domestically focused businesses with exposure to these areas are likely to experience increased orders and interest. At the same time, the ECB could continue to ease interest rates, providing additional support.

Against this backdrop, the fund remains focused on companies with strong balance sheets, pricing power, and exposure to structural growth or fiscal-led investment themes.

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Data source (unless otherwise stated): Bloomberg, FE fundinfo 2025

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