

VT Downing Small & Mid Cap Income Fund



November 2021 Commentary

In November, the fund was down 1.51% while the IA UK Equity Income Total Return Index was down 2.00%. Key contributors were Lok'nStore (up 16.22%) and Drax (up 14.23%). Key detractors included Volex (down 18.31%) and CareTech (down 8.17%).

Lok'nStore, a self-storage company, announced results for the year ended 31 July 2021 and reported excellent trading, significant asset value growth, an ambitious store opening programme, and accelerated dividend policy. The business has moved ahead significantly, with revenue up 21.3% on last year. The strategy remains to open more landmark stores while maintaining a conservative balance sheet.

Drax, a renewable energy company, issued a trading statement and reported that it expected annual core earnings to be at the top end of current forecasts as it looked to double sustainable biomass production capacity and sales by 2030. The group now expect adjusted EBITDA to be at the upper end of analyst expectations of £374m-£391m subject to good December performance.

Volex, supplier of integrated manufacturing services and power products, issued half year results. Despite reporting strong trading and strategic progress with investment in growth, the share price fell. The group reported sales growth in consumer electronics, electric vehicles and industrial technology and medical markets, however margins were squeezed on continuing supply chain challenges.

CareTech, a specialist social care provider, saw its shares lose ground on no news during the month. There was some recovery in the stock on the announcement that its group company, Smartbox, is acquiring REHAVISTA, Germany's largest provider of augmentative and alternative communication products and services. The acquisition is expected to be immediately earnings enhancing for CareTech.

As of the 1st November 2021 the fund moved from monthly distributions to quarterly distributions.

Opinions expressed represent the views of the fund manager at the time of publication, are subject to change, and should not be interpreted as investment advice.

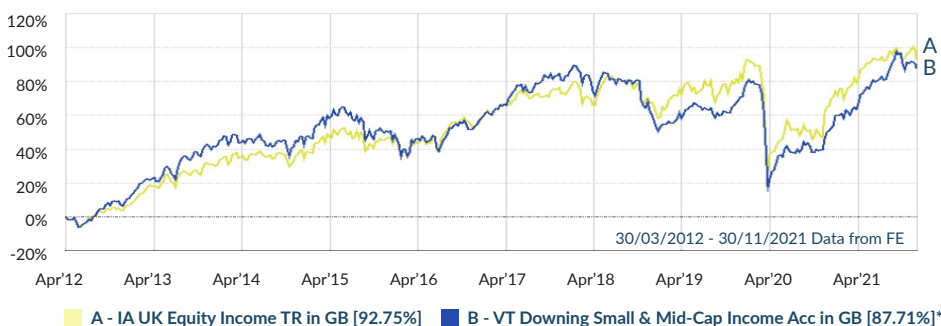
About the fund

The fund aims to have a portfolio of 30-50 holdings, with no exposure to the FTSE 100. Josh seeks to invest in equities with unique assets or a sustainable competitive advantage. These businesses have the potential to generate excess returns on invested capital over the long term which can compound both capital and shareholder distributions.

Investment objective

The investment objective of the Fund is to achieve a quarterly income, together with capital growth over the long term (5 years).

Performance



*VT Downing Small & Mid Cap Income Fund is formerly known as the VT Downing Monthly Income Fund.

	Cumulative performance (%)				
	1m	6m	1y	3y	5y
VT Downing Small & Mid Cap Income Fund	-1.51	5.02	24.42	17.12	21.62
IA UK Equity Income TR index	-2.00	0.21	17.11	15.82	24.91
Quartile ranking	2	1	1	2	3

	Discrete performance (%)				
	30/11/2020 - 30/11/2021	30/11/2019 - 30/11/2020	30/11/2018 - 30/11/2019	30/11/2017 - 30/11/2018	30/11/2016 - 30/11/2017
VT Downing Small & Mid Cap Income Fund	24.42	-11.71	6.63	-12.27	18.37
IA UK Equity Income TR index	17.11	-10.49	10.49	-4.20	12.58
Quartile ranking	1	3	4	4	1

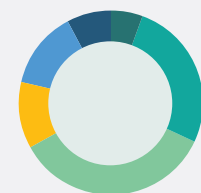
Past performance is not a reliable indicator of future results. Performance figures source: FE Analytics.



Josh McCathie joined Downing in 2018 as an analyst and co-manager of the VT Downing Small & Mid Cap Income Fund. He took over as lead manager in April 2021.

Josh has over 8 years' experience in the industry that has been focused on UK equities. Prior to Downing he was at BRI Wealth Management focusing on UK equity research. Josh is a CFA charterholder.

Market Cap Breakdown



5.69%	<£150m
26.28%	£150m - £500m
35.11%	£500m - £1bn
11.73%	£1bn - £2bn
13.44%	£2bn - 4bn
0.00%	£4bn+
7.75%	Cash

Source: Factset

Top 10 Holdings

	% of fund
Watkin Jones PLC	4.54
Strix Group PLC	4.25
Alpha Financial Markets Consulting PLC	3.96
Lokn Store Group PLC	3.86
Caretech Holdings PLC	3.80
Volex PLC	3.31
Computacenter PLC	3.29
Drax Group PLC	3.27
Smart Metering Systems PLC	3.02
Impact Healthcare REIT PLC	2.59
Total	35.89

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 30 November 2021

Sector breakdown



7.75%	Cash	7.02%	Healthcare	2.03%	UK Equities
1.60%	Commodity and energy	13.44%	Industrials	5.12%	Utilities
1.92%	Communications	17.51%	Information technology		
8.47%	Consumer discretionary	1.89%	International fixed interest		
5.11%	Consumer staples	5.17%	Property		
2.32%	Energy	8.39%	Real Estate		
10.64%	Financials	1.62%	UK Corporate Bonds		

Source: Valu-Trac Investment Management Ltd

Key facts As at 30 November 2021

Fund Objective

To achieve a quarterly income, together with long-term capital growth

Launch date

14 June 2010

Conversion date

1 April 2012**

IMA sector

UK Equity Income

Currency

UK Sterling

Types of shares

Income & Accumulation

Fund size

(Income & Accumulation shares combined)
£46.79m

Yield

3.3%***

Income paid

Quarterly

Number of holdings

45

Prices as at 30 November 2021

Accumulation shares: 215.8428p

Income shares: 126.2536p

Charges

Initial charge: 0%

Annual Mgmt charge:

0.75%

Ongoing charges

charged to capital****:

0.87%

Minimum Investment

Lump sum: £1,000

Subsequently: £500

Monthly savings: £100

SEDOL & ISIN numbers

Accumulation shares:

SEDOL B61JRG2

ISIN GB00B61JRG28

Income shares:

SEDOL B625QM8

ISIN GB00B625QM82

Authorised Corporate Director

Valu-Trac act as ACD and manage the administration for the fund.

Valu-Trac Investment Management Ltd

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Investment Manager

Downing LLP was appointed Investment Manager to the fund on 1 June 2015.

Following the change of ACD, the fund name was changed to MI Downing Monthly Income Fund from 31 March 2017. This was changed again from 30 November 2020 and is now VT Downing Monthly Income Fund.

As from the 1 November 2021, the fund is now known as the VT Downing Mid & Small Cap Income Fund.

Investment Committee

Judith MacKenzie: Non-Independent Member

Donald Robertson: Independent Member

Darrell O'Dea: Independent Member

Quarterly distribution

Period to	Income
31/10/2021	0.3500p

Source: Valu-Trac Investment Management Ltd and Downing LLP

Platforms and wraps

Aegon	James Hay
AJ Bell	Novia
All Funds	Nucleus
Ascentric	Old Mutual Wealth
Aviva	Raymond James
Canada Life International	Standard life
Elevate	Transact
Fidelity (Inst)	Zurich
Fidelity (FFN)	
Hargreaves Lansdown	

** The conversion date refers to the date the investment objective and policy were changed.

*** The historic yield reflects distributions declared over the previous 12 months net of tax as a percentage of the share price, as at the first business day of the current month. The yield will vary and investors may be subject to tax on their distributions. Fund charges and expenses are charged to capital, effectively increasing the distribution(s) for the year by the amount of the charges and constraining capital performance by the same amount.

**** The ongoing charges figure is based on expenses and the net asset value as at 31 December 2020. This figure may vary from year to year. It excludes portfolio transaction costs. The funds annual report for each financial year will include detail on the exact charges made.

www.downingincomefund.co.uk



Source: defaqto, 3 Diamond rated, 2021

Statistics correct as at 30/11/2021. Performance figures source: FE Analytics. Fund performance is based on accumulation shares, indices include net reinvested income. defaqto, 2021. Performance figures are for the period from when the investment objective and policy were changed on 1 April 2012, so that the fund was primarily invested in equities. Past performance is not a guide to future returns. The value of the fund and the income from it may go down as well as up, so you may not get back the amount you invested. The tax treatment of the fund may change and such changes cannot be foreseen. Tax treatment depends on the individual circumstances of each investor.

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Dec (Nov) 2021