

VT Downing Small & Mid-Cap Income Fund



October 2021 Commentary

In October, the fund was down 0.84% while the IA UK Equity Income Total Return Index was up 0.47%. Key contributors were Drax (up 11.77%) and Watkin Jones (up 7.08%). Key detractors included Strix (down 15.52%) and Morses Club (down 20.26%).

Drax, a renewable energy company, owns some of the UK's largest electricity generation assets and is expected to benefit from ongoing surges in wholesale electricity prices. During the month, the group announced the appointment of two new non-executive directors, Erika Peterman and Kim Keating, both of whom have extensive experience in working with global organisations.

Watkin Jones, a property developer, issued a trading statement in early November which reported a year of good progress. During the year, it continued to enhance the future value of its Buy to Rent and Purpose Built Student Accommodation pipeline. Together with the ongoing re-focusing of its homes business into the affordable housing market, this provides a robust platform for sustained earnings growth.

Strix, a designer and manufacturer of kettle safety controls, was impacted by raised shipping costs, its exposure to China and supply chain concerns. We believe that any issues are short-term, however, directors selling stock did little to boost investor confidence. The shares have pulled back in recent weeks.

Morses Club, a provider of non-standard financial services, announced interim results which highlighted continued growth in its digital division. It delivered a 172.5% increase in credit issued and a significant increase in customer numbers in the period. The Home Collected Credit division has performed well, despite the challenges brought about by the pandemic, and this has given the group a strong foundation to address market demand, particularly in its lending products.

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.

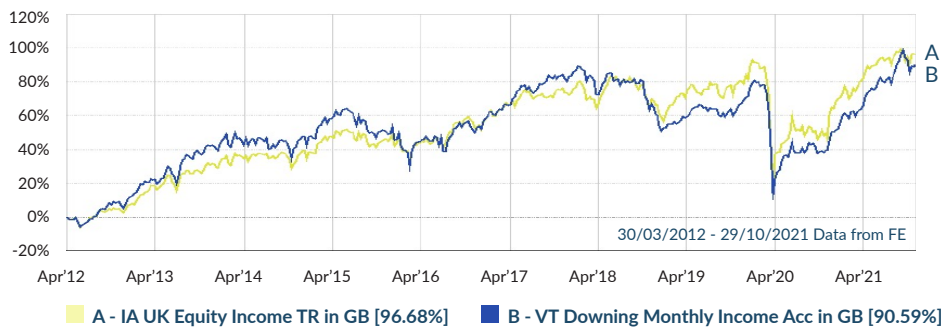
About the fund

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 Monthly Income Acc	-0.84	8.19	38.88	16.04	25.70
IA UK Equity Income TR index	0.47	4.43	38.27	16.42	26.12
Quartile ranking	4	1	2	2	3

	Discrete performance (%)				
	31/10/2020 - 31/10/2021	31/10/2020 - 31/10/2019	31/10/2018 - 31/10/2017	31/10/2016 - 31/10/2015	31/10/2014 - 31/10/2013
VT Downing Monthly Income Acc	38.88	-17.22	0.93	-10.36	20.84
IA UK Equity Income TR index	38.27	-20.23	5.55	-3.64	12.42
Quartile ranking	2	2	4	4	1

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

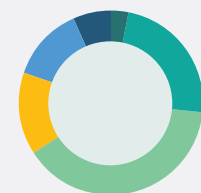


Fund Manager
Josh McCathie

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



3.26%	<£150m
23.47%	£150m - £500m
39.31%	£500m - £1bn
14.28%	£1bn - £2bn
13.05%	£2bn - 4bn
0.00%	£4bn+
6.63%	Cash

Source: Factset

Top 10 Holdings

	% of fund
Volex PLC	4.74
Watkin Jones PLC	4.50
Strix Group PLC	4.21
Caretech Holdings PLC	4.19
Lokn Store Group PLC	3.75
Alpha Financial Markets Consulting PLC	3.59
Drax Group PLC	3.23
Computacenter PLC	3.17
Smart Metering Systems PLC	3.08
Diversified Energy Company PLC	2.99
Total	37.45

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 31 October 2021

Sector breakdown



6.63%	Cash	7.54%	Healthcare	2.06%	UK Equities
1.60%	Commodity and energy	15.05%	Industrials	5.73%	Utilities
2.01%	Communications	17.53%	Information technology		
6.74%	Consumer discretionary	1.98%	International fixed interest		
5.20%	Consumer staples	5.27%	Property		
2.99%	Energy	8.25%	Real Estate		
9.79%	Financials	1.63%	UK Corporate Bonds		

Source: Valu-Trac Investment Management Ltd

Key facts As at 31 October 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)
£46.44m

Yield

3.3%***

Income paid

Quarterly

Number of holdings

44

Prices as at 31 October 2021

Accumulation shares: 219.1546p

Income shares: 128.1918p

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 Small & Mid-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, 2020

Statistics correct as at 31/10/2021. 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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