

# VT Downing Unique Opportunities Fund



## October 2021 Commentary

In October, the market took fright concerning rising energy prices, freight rates and labour costs, as well as the ongoing knock-on effects of silicon chip shortages. Fears of rising inflation and interest rates led to profit-taking in growth companies. The fund was affected by these worries, as well as by one stock-specific issue. The upshot was that the price of accumulation class shares in the VT Downing Unique Opportunities Fund fell by 2.0% from 179.85 pence to 176.21 pence. The individual issue concerned marine services company James Fisher, whose shares fell 40%<sup>1</sup> in the month on a profit warning, contributing 0.81% to the total decline. Coming only six weeks after the previous downgrades, the warning was ample evidence of a lack of visibility across a wide range of activities. Capital allocation errors by previous management have come home to roost, and existing management has been slow to react. The words “continues to trade within its banking covenants” may have been designed to give comfort, but did the opposite. The painful decision was taken to exit the holding, and amongst our reasons to sell, it falls firmly into the category of “made a mistake”. Lessons will be learned. Elsewhere, some, but not all, technology investments saw profit-taking. Some falls have already proved groundless: for example Chemring has since announced new contract wins and cash balances above expectations. Tristel, manufacturer of patented hospital disinfectants, declined ahead of interim results which were in-line with a July commentary, but investors are perhaps becoming impatient about the timescale for regulatory approvals in the US.

Not all was negative! Alfa Financial Software responded well to a corporate presentation on their technology, raising the prospect of expansion into significant new markets adjacent to the core leasing area. Tatton Asset Management announced that AUM had increased by 20% in six months to £10.8bn, through a mix of organic and acquired growth. More generally, when fear overtakes greed in markets, it provides opportunities to add to holdings in quality companies at more attractive prices. One recent example is Strix, the global leader in kettle controls.

*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.*

<sup>1</sup> Source: Factset, 29 October 2021

## About the fund

The fund aims to have a portfolio of 25-40 holdings. As fund manager, Rosemary seeks to invest in equities she considers to have a unique outlook and opportunity for growth. These businesses will be identified as having sustainable competitive advantages that are difficult to replicate, which can create high barriers for new entrants and have the potential to generate superior returns over the long term.

## Investment Objective

The fund’s objective is to achieve capital growth and income over the long term (5+ years). It seeks to invest at least 80% in equities listed on UK markets (including the London Stock Exchange, AIM, and the ICAP Securities and Derivatives Exchange (ISDX)). The remainder will be invested in other equities, fixed income, money market instruments, deposits, warrants, cash and near cash.

The unique characteristics sought include:

- » having intangible assets e.g. brands, patents or regulatory licenses
- » having cost advantages stemming from process, location, scale or access to a unique asset
- » being the leading network in a business segment
- » there being high switching costs, which generate high customer retention rates

	Cumulative performance (%)					
	1m	3m	6m	YTD	1y	Since Launch*
VT DUO A Acc	-2.03	0.65	5.85	22.64	34.05	76.21
IA UK All Companies TR Index	0.29	1.67	4.40	15.13	37.21	53.65
Quartile Ranking	4	3	2	1	3	1

\*25 March 2020

Discrete performance (%)	
	31/10/2020 - 31/10/2021
VT DUO A Acc	34.05
IA UK All Companies TR Index	37.21
Quartile Ranking	3

Please note that past performance is not a reliable indicator of future performance.



Fund Manager  
**Rosemary Banyard**

Rosemary began her career with James Capel & Co where she was a senior investment analyst for 12 years. She rose to prominence and developed a reputation as a leading female fund manager in the UK after joining Schroders in 1997.

Rosemary spent nearly 20 years at Schroders and was for many years lead manager of the award-winning<sup>1</sup> Schroder UK Mid Cap Fund Plc as well as heading up several other UK equity mandates, managing total assets of circa £1 billion.

The Schroder UK Mid Cap Trust returned 17%<sup>2</sup> p.a. while Rosemary was manager and in her two and a half years (to June 2019) managing money at Sanford DeLand the CFP SDL Free Spirit Fund returned 31%<sup>3</sup>, placing it in the top decile of the IA UK All Companies sector.

Rosemary joined Downing in March 2020 to launch the **VT Downing Unique Opportunities Fund (DUO)**.

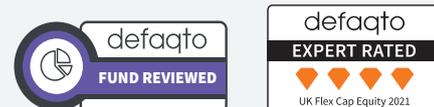
<sup>1</sup> Investment Week - Best UK Growth Trust 2013 & 2014. Outstanding Industry Contribution Award 2015 - 1st May 2003 - 31st March 2016. (Lead manager)

<sup>2</sup> Schroder UK Mid Cap Fund Plc Annual Reports & Accounts 2015. Rosemary was lead manager of this fund from 01/05/03 to 31/03/16

<sup>3</sup> Financial Express 03/01/17 - 28/06/19



Awarded 30 June 2020.



Rosemary's fund is 4 Diamond rated, defaqto 2021.



As at October 2021.



Awarded August 2020.

# Portfolio summary

As at 31 October 2021

## Top 10 holdings

	% of fund
Alfa Financial Software Holdings PLC	3.73
Tatton Asset Management Ltd.	3.57
EKF Diagnostics Holdings PLC	3.20
Aptitude Software Group PLC	3.14
Rightmove PLC	3.14
Advanced Medical Solutions Group PLC	3.11
Chemring Group PLC	3.10
Mortgage Advice Bureau (Holdings) PLC	3.09
Dunelm Group PLC	3.08
EMIS Group PLC	3.00

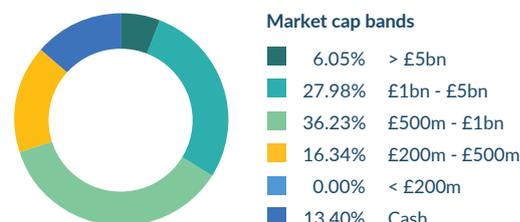
Source: Valu-Trac Investment Management Ltd.

## Portfolio by sector



Source: Valu-Trac Investment Management

## Portfolio by company size



Source: Factset

## Key facts As at 31 October 2021

### Structure

London listed Open Ended Investment Company (OEIC), established as a "UCITS scheme".

### Launch date

Income: 17 March 2020  
Accumulation: 25 March 2020

### Fund Size

£56.15m (Accumulation and Income share classes combined)

### Share price

Class A: 176.2059p (Acc.)  
Class A: 177.6721p (Inc.)

### No of holdings

33

### Minimum initial investment

Class A lump sum: £1,000

### Dividends

TBC

### Liquidity

Daily pricing and daily dealing

### ISA Eligible: Yes

[www.downingunique.co.uk](http://www.downingunique.co.uk)

\* **Please note:** The ongoing charges figure is based on expenses and the net asset value as at 16 April 2021. 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.

The Investment Manager of the fund has undertaken to absorb any costs that would otherwise cause the fund to have ongoing charges in excess of 1%.

### Sector

IA All Companies Sector

### ISIN Codes:

Class A Accumulation: GB00BHNC2614  
Class A Income: GB00BHNC2721

### Contact details

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Email: [customer@downing.co.uk](mailto:customer@downing.co.uk)

### Authorised Corporate Director

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Management Ltd  
Orton, Moray  
IV32 7QE  
Tel: +44 (0) 1343 880 217  
[www.valu-trac.com](http://www.valu-trac.com)

### Fund charges

Initial charge: 0%  
Annual management charge:  
0.75% p.a.  
Ongoing charges\*  
0.93% p.a.

## How to apply:

Telephone: +44 (0) 1343 880 217 or visit:  
<https://www.valu-trac.com/administration-services/clients/downing/unique-opportunities/>

Also on the following platforms:

7IM  
Aegon  
AJ Bell  
Allfunds  
Aviva  
Canada Life International  
Embark  
FNZ  
Hargreaves Lansdown  
Hubwise  
Interactive Investor  
James Brearley  
James Hay  
Nucleus  
Old Mutual  
Raymond James  
Standard Life Wrap  
Transact  
Utmost  
Zurich

We are currently working with other platforms so please let us know if yours is not listed above.

**Risk warning:** Your capital is at risk. Investments into this fund should be held for the long term (5+ years). The value of your investment and income derived from it can fall as well as rise and investors may not get back the full amount invested. This fund has a small and mid-cap bias. Investments in smaller companies are generally higher risk compared to investments in blue chip companies. The fund does not have any particular industry or economic sector focus and as such weightings in these may vary as required and investments may be in the same sectors. Past performance is not a guide to future returns. Please refer to the latest full Prospectus and KIID before investing; your attention is drawn to the risk, fees and taxation factors contained therein.

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