

VT Downing Unique Opportunities Fund



January 2022 Commentary

January 2022 was one of the worst months I can remember. The price of Accumulation units in the VT Downing Unique Opportunities Fund fell 10.98% from 180.76p to 160.91p, which classes as a correction. The reasons have been well-aided, being a move towards larger companies (perceived as a safe haven), and away from technology in particular and growth companies generally, as fears of rising inflation and interest rates gripped markets. There were 31 fallers, and only 2 risers. 18 of the fallers were into double digit percentage declines. In a month when results were scarce and trading updates generally positive, the driver was clearly a shift in sentiment. Businesses specifically exposed to falling stock markets such as Impax Asset Management and Tatton Asset Management underperformed in the sell-off. Certain companies have encountered specific challenges: Dotdigital (-21.8%), a provider of an automated omnichannel marketing platform, has seen slower growth than expected in its embryonic Americas division as a result of a challenging labour market; Craneware (-19%) continues to see slightly elongated sales cycles and reduced professional services revenues associated with its software sales to US hospitals, as the recent Omicron wave has delayed access yet again.

In a period of panic it is important to reiterate that the vast majority of companies in the fund have little or no net debt and therefore have a range of options at their disposal to deploy surplus capital to advantage. In January, Alfa Financial Software announced that it would deploy excess cash generation into a share buy-back programme to fund future staff option issuance and more besides; XP Power announced the cash purchase of two German specialists in the high voltage market which will strengthen its position in the largest market for power solutions in Europe; kettle controls specialist Strix announced that it had invested more in raw materials to protect it against commodity price inflation. It is likely that more of our businesses will deploy capital to shareholders' benefit as the year unfolds, strengthening their competitive position.

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 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	-10.98	-8.68	-8.09	-10.98	9.39	60.91
IA UK All Companies TR Index	-3.65	-1.89	-0.25	-3.65	13.93	50.75
Quartile Ranking	4	4	4	4	3	1

*25 March 2020

Discrete performance (%)	
	31/01/2021 - 31/01/2022
VT DUO A Acc	9.39
IA UK All Companies TR Index	13.93
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-winning¹ 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%² 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%³, 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)**.

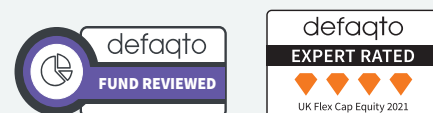
¹ Investment Week - Best UK Growth Trust 2013 & 2014. Outstanding Industry Contribution Award 2015 - 1st May 2003 - 31st March 2016. (Lead manager)

² 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

³ Financial Express 03/01/17 - 28/06/19



Awarded 30 June 2020.



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



As at January 2022.



on our watchlist: FundCalibre.com

Awarded August 2020.

Portfolio summary

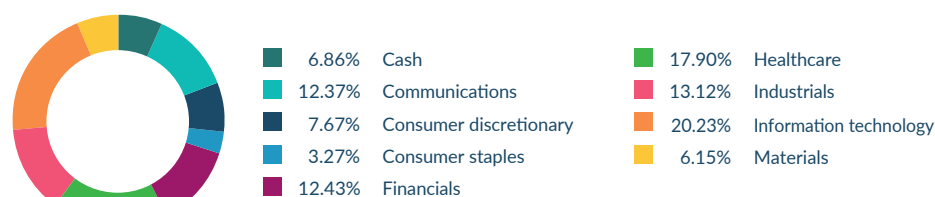
As at 31 January 2022

Top 10 holdings

	% of fund
Chemring Group Plc	3.80
Auto Trader Group Plc	3.72
Elementis Plc	3.64
Alfa Financial Software Holdings Plc	3.60
Tatton Asset Management Ltd.	3.50
EMIS Group Plc	3.50
4imprint Group Plc	3.42
Rightmove Plc	3.39
Mortgage Advice Bureau (Holdings) Plc	3.35
Aptitude Software Group Plc	3.33

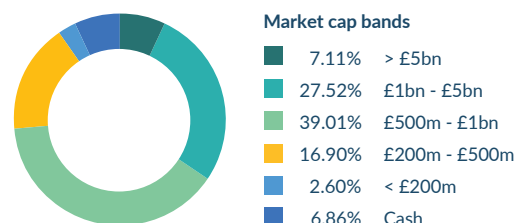
Source: Valu-Trac Investment Management Ltd.

Portfolio by sector



Source: Valu-Trac Investment Management

Portfolio by company size



Source: Factset

Key facts As at 31 January 2022

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

£48.39m (Accumulation and Income share classes combined)

Share price

Class A: 160.9113p (Acc.)
Class A: 160.8453p (Inc.)

No of holdings

33

Minimum initial investment

Class A Lump sum: £1,000

Dividends

Semi-annual

Liquidity

Daily pricing and daily dealing

ISA Eligible: Yes

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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Authorised Corporate Director

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IV32 7QE
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www.valu-trac.com

Fund charges

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

Distributions

Period end	Ex Dividend	Payment Date	A Acc (GBp)	A Inc (GBp)
Dec-20	31/12/2020	26/02/2021	1.2835	1.3126
Jun-21	30/06/2021	31/08/2021	0.8922	0.9041
Dec-21	31/12/2021	28/02/2022	1.5653	1.5782

Distributions are subject to change and should not be utilised as a basis for an investment decision.

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	Hubwise
Aegon	Interactive Investor
AJ Bell	James Hay
Allfunds	M&G
Aviva	Nucleus
Canada Life	Quilter
International	Raymond James
Elevate	Standard Life Wrap
Embark	Transact
FNZ	Utmost
Hargreaves Lansdown	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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