

VT Downing Unique Opportunities Fund

May 2020 Commentary

This is the first factsheet for the VT Downing Unique Opportunities Fund (DUO). DUO was launched in mid-March into the teeth of the coronavirus pandemic, when stock markets were hitting new daily lows. However, the strategy of the Fund has not altered one iota from its original intention, which is to invest in businesses capable of achieving above average returns on equity without undue leverage. Such businesses are likely to possess distinct and sustainable competitive advantages and to be the only listed business of their kind in the UK, or one of very few, hence the name “Unique”.

By the end of May, the Fund had progressed to being 78% invested, up from 71% a month earlier. Although the regulations allow six months to get to at least 80% invested, the market dislocation offered the opportunity to move faster than we normally would.

Very few of our chosen investments have needed to raise equity finance in these uncertain times, being generally highly profitable and cash generative with conservative balance sheets. This means that their returns on equity should not see permanent dilution, in contrast to the many listed companies now having to issue equity to recapitalise previously “efficient” balance sheets.

During May, the price of accumulation class shares rose from 112.36 to 117.07 pence. This compares with a launch price of 100 pence (see overleaf). There were 20 risers (seven in double figures), seven fallers and one holding unchanged in the month. The biggest contributors to performance were [Games Workshop](#), in anticipation of a gradual reopening of its sales channels; [Avon Rubber](#), which has successfully strengthened its position in military protection with the acquisition of US helmet and armour manufacturer Ceradyne; [Kainos](#), which is seeing strong demand from the UK central government for its digitalisation skills and from corporates for its Workday implementations and testing software; and [Auto Trader](#) and [Dunelm](#) in anticipation of a consumer recovery as lockdown eases. There were no detractors of any significance (i.e. double digit) in the month.

Please note that past performance is not a reliable indicator of future performance. Opinions expressed in this document represent the views of the Fund Manager at the time of publication, are subject to change, and should not be interpreted as investment advice.

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
- » having high switching costs, which generate high customer retention rates



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.

She spent nearly 20 years at Schroders and was for many years lead manager of the award-winning¹ Schroder 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 she 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.

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

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.

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

Portfolio summary

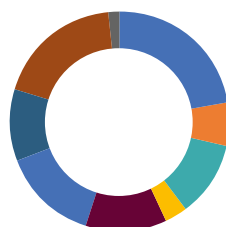
As at 31 May 2020

Top 5 holdings

	% of Fund
Games Workshop Group PLC	4.45%
Avon Rubber PLC	3.37%
Chemring Group PLC	3.30%
YouGov PLC	3.22%
Auto Trader Group PLC	3.20%

Source: Valu-Trac Investment Management Ltd.

Portfolio by sector



22.43% Cash	14.28% Healthcare
6.42% Communication services	10.46% Industrials
11.11% Consumer discretionary	18.74% Information Technology
3.13% Consumer Staples	1.42% Materials
12.01% Financials	

Source: Valu-Trac Investment Management

Portfolio by company size



Market cap bands

5.07%	> £5bn
23.22%	£1bn - £5bn
17.40%	£500m - £1bn
25.56%	£200m - £500m
6.27%	< £200m
22.48%	Cash

Source: Factset

Key facts As at 31 May 2020

Structure

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

Launch date

17 March 2020

Fund Size

£4.37m (Accumulation and Income share classes combined)

Share price

Class A: 117.0735p (Acc.)
Class A: 119.9641p (Inc.)

No of holdings

28

Minimum initial investment

Class A lump sum: £1,000

Dividends

TBC



Awarded the Citywire AA rating

Liquidity

Daily pricing and daily dealing

ISA Eligible: Yes

Sector

IA All Companies Sector

ISIN Codes:

Class A Accumulation: GB00BHNC2614
Class A Income: GB00BHNC2721

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Fund charges

Initial charge: 0%

Annual management charge:
0.75% p.a.

Ongoing charges*
1.00% p.a.

How to apply:

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

Also on the following platforms:

Aegon
AJ Bell
Allfunds
Hargreaves Lansdown
James Brearley
Nucleus
Transact
Zurich

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

www.downingunique.co.uk

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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