

VT Downing Unique Opportunities Fund



February 2021 Commentary

In February, the price of accumulation class shares in the VT Downing Unique Opportunities Fund rose from 147.0994 pence to 149.1408 pence. There were 19 risers and 12 fallers. February was a light month for stock specific news flow because most companies with December year-ends have yet to complete their audit. The market was therefore largely driven by macro-economic factors. Bond yields rose in anticipation of economic recovery and the possibility of rising inflation, and there was profit-taking in some of the more highly rated growth companies. This was particularly, but not exclusively, evident in the information technology sector. However, there were no fallers into double figure percentages in this portfolio.

The largest contribution in February came from James Fisher, where there was no news, but possibly some anticipation of the ending of lockdown on activity in the renewables and oil and gas sectors. Speciality chemicals producer Elementis saw a recovery in its share price almost back to the level of the recent bid approach at 130p. Presumably the takeover arbitragers have now exited. Interim results from housebuilder [MJ Gleeson](#) and homewares retailer [Dunelm](#) were well-received and both companies resumed dividend payments.

Amongst the detractors, hospital management software provider [Craneware](#) announced an interim revenue increase of 6%, which is lower than in some recent years, but a 30% increase in new sales, the vast majority of which will be recognised over future years. Speciality chemicals group [Vixtrex](#) reported cumulative sales volumes since 1 October 2020, slightly below the previous year, and expects a weaker first half as the company laps a strong end to last year's first half. Both companies have net cash balances and hold strong market positions, and both would benefit from a gradual return to normal operations in hospitals.

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



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)**.

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

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



Rosemary was awarded the Citywire AA rating in February 2021.



Awarded August 2020.

Portfolio summary

As at 28 February 2021

Top 10 holdings

	% of fund
Kainos Group plc	3.70
Elementis plc	3.53
James Fisher and Sons plc	3.53
EKF Diagnostics Holdings plc	3.51
Aptitude Software Group plc	3.49
Ergomed plc	3.45
Tatton Asset Management Ltd	3.42
Dunelm Group plc	3.41
A.G.Barr plc	3.35
MJ Gleeson plc	3.31

Source: Valu-Trac Investment Management Ltd.

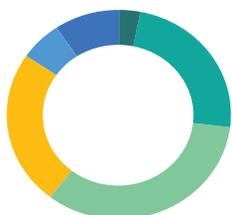
Portfolio by sector



9.24%	Cash	15.19%	Healthcare
8.29%	Communication services	11.39%	Industrials
12.76%	Consumer discretionary	21.90%	Information technology
3.35%	Consumer staples	6.10%	Materials
11.78%	Financials		

Source: Valu-Trac Investment Management

Portfolio by company size



Market cap bands

3.31%	> £5bn
23.84%	£1bn - £5bn
33.48%	£500m - £1bn
24.09%	£200m - £500m
6.04%	< £200m
9.24%	Cash

Source: Factset

Key facts As at 28 February 2021

Structure

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

Launch date

17 March 2020

Fund Size

£24.72m (Accumulation and Income share classes combined)

Share price

Class A: 149.1408p (Acc.)

Class A: 151.1392p (Inc.)

No of holdings

31

Minimum initial investment

Class A lump sum: £1,000

Dividends

TBC

Liquidity

Daily pricing and daily dealing

ISA Eligible: Yes

Sector

IA All Companies Sector

ISIN Codes:

Class A Accumulation: GB00BHNC2614

Class A Income: GB00BHNC2721

Contact details

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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: <https://www.valu-trac.com/ad-ministration-services/clients/downing/unique-opportunities/>

Also on the following platforms:

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Canada Life International

Hargreaves Lansdown

Hubwise

Interactive Investor

James Brearley

Nucleus

Old Mutual

Transact

Zurich

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

www.downingunique.co.uk

* Please note: As the fund only launched on 17 March 2020, the ongoing charges figure shown here is an estimate of the charges and may vary from year to year. It excludes portfolio transaction costs.

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%.

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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