

VT Downing Small & Mid-Cap Income Fund



December 2021 Commentary

In December, the accumulation share class was up 4.78% while the IA UK Equity Income Total Return Index was up 4.77%. Key contributors were Alpha Financial Markets Consulting (up 22.30%) and Supreme (up 33.31%). Key detractors included Strix (down 1.46%) and Volex (down 5.49%).

Alpha Financial Markets Consulting, a specialist consultancy services provider, announced positive interim results towards the end of November and the positive outlook has led the company to expect the FY results to come in ahead of expectations. Strong momentum has driven the share price higher on no additional news.

Supreme, a manufacturer, distributor and brand owner of fast-moving consumer products, announced interim results and reported strong profit performance driven by organic growth, M&A activity, and product launches. Management stated that the group had made a good start to the second half of the year. Investment in additional stock of key lines and raw materials should provide shelter from any potential supply chain disruption over the period.

Strix, a designer, manufacturer and supplier of kettle safety controls, issued no news during December. We believe the shares offer good value at current levels.

Volex, a supplier of integrated manufacturing services and power products, issued no news in December. Recent growth has come at the expense of operating margin, however, we believe that it was a strategic decision to prioritise profit growth over margin and remain confident that the group will return to its operating margin target over the short term. The acquisitions of Prodamex and Terminal & Cable, announced in early January, will be accretive from completion, and support the group's strategy of developing its presence in attractive sectors where it can leverage its expertise and global reach to achieve profitable growth.

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.

As of 1 November 2021, the fund moved from monthly to quarterly distributions.

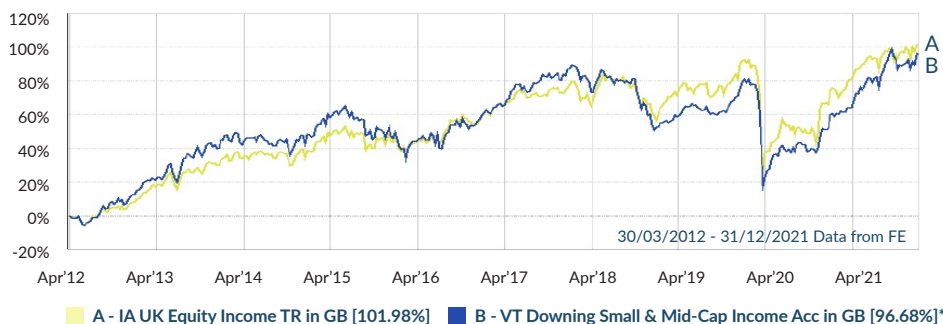
About the fund

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 Small & Mid-Cap Income Fund (Acc)	4.78	9.01	23.43	28.59	22.75
IA UK Equity Income TR index	4.77	5.60	18.39	26.90	26.38
Quartile ranking	2	1	1	2	3

	Discrete performance (%)				
	31/12/2020 - 31/12/2021	31/12/2019 - 31/12/2020	31/12/2018 - 31/12/2019	31/12/2017 - 31/12/2018	31/12/2016 - 31/12/2017
VT Downing Small & Mid-Cap Income Fund (Acc)	23.43	-11.93	18.30	-18.40	16.98
IA UK Equity Income TR index	18.39	-10.73	20.07	-10.54	11.32
Quartile ranking	1	3	3	4	1

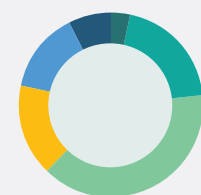
Past performance is not a reliable indicator of future results. Performance figures source: FE Analytics.



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



3.41%	<£150m
19.99%	£150m - £500m
39.07%	£500m - £1bn
15.95%	£1bn - £2bn
14.30%	£2bn - 4bn
0.00%	£4bn+
7.28%	Cash

Source: Factset

Top 10 Holdings

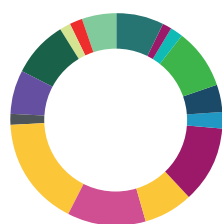
	% of fund
Watkin Jones plc	4.75
Alpha Financial Markets Consulting plc	4.36
Strix Group plc	4.19
Lokn Store Group plc	3.85
Caretech Holdings plc	3.69
Computacenter plc	3.28
Drax Group plc	3.21
Smart Metering Systems plc	3.09
EMIS Group plc	2.80
Volex plc	2.70
Total	35.92

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 31 December 2021

Sector breakdown



7.28%	Cash	7.47%	Healthcare	2.08%	UK Equities
1.54%	Commodity and energy	11.79%	Industrials	5.05%	Utilities
1.96%	Communications	16.61%	Information technology		
9.05%	Consumer discretionary	1.84%	International fixed interest		
4.24%	Consumer staples	6.69%	Property		
2.35%	Energy	8.60%	Real Estate		
11.88%	Financials	1.57%	UK Corporate Bonds		

Source: Valu-Trac Investment Management Ltd

Key facts As at 31 December 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)
£48.36m

Yield

3.2%***

Income paid

Quarterly

Number of holdings

44

Prices as at 31 December 2021

Accumulation shares: 226.1619p

Income shares: 131.2395p

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
31/12/2021	1.0500p

Source: Valu-Trac Investment Management Ltd and Downing LLP

Platforms and wraps

Aegon	Hubwise
AJ Bell	James Brearley
All Funds	James Hay
Aviva	Novia
Canada Life International	Nucleus
Elevate	M&G
Embark	Quilter
Fidelity (Inst)	Standard life
Fidelity (FFN)	Transact
Hargreaves Lansdown	Zurich

** 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, 2021

Statistics correct as at 31/12/2021. 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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