

# VT Downing Small & Mid-Cap Income Fund



## March 2023 Commentary

In March, the Accumulation share class was down 4.18% while the IA UK Equity Income Total Return Index was down 4.13%. Key contributors were Britvic (up 7.71%) and Moneysupermarket (up 8.65%). Key detractors included Fonix Mobile (down 15.93%) and FRP Advisory Group (down 16.54%).

Britvic, an international soft drinks producer, announced that Rebecca Napier, currently CFO at British Airways, has been appointed to the Britvic board as CFO and executive director. This news was well received by the market. Directors bought shares in the month.

Moneysupermarket, the price comparison website, issued no significant news in the month. However, evidence of energy companies reintroducing fixed energy tariffs to allow cheaper options for consumers boosted the share price. Directors have also been buying shares in the business.

Fonix Mobile, a mobile payments and messaging provider, announced strong interim results for the six months to 31 December, with revenues up 14.7% and gross profit up 11.4%. The group achieved record levels of commercial trade in December, and a second media client went live in the Republic of Ireland, the group's first international market. The business continues to progress its growth strategy, with performance in the period in line with management expectations.

FRP Advisory Group, a specialist business advisory company, issued no significant news in the month. Share options granted at IPO were exercised by directors and there were further director purchases. In the current environment, we believe that as the challenges facing corporates continue, the number of enquiries into FRP for restructuring assignments will continue to rise and the shares offer good value at current levels.

*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.*

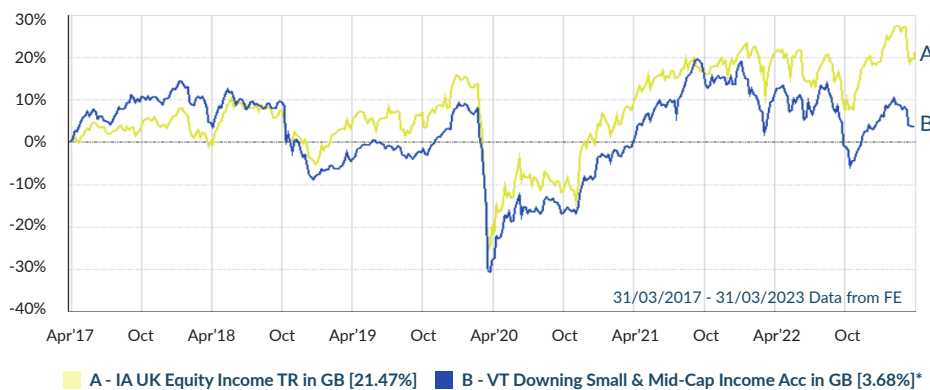
## About the fund

The fund aims to have a portfolio of 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	3m	6m	YTD	1y	3y	5y
VT Downing Small & Mid-Cap Income Fund (Acc)	-4.18	-1.75	5.25	-1.75	-6.90	39.72	-0.86
IA UK Equity Income TR index	-4.13	1.90	12.93	1.90	0.23	47.34	21.12
Quartile ranking	3	4	4	4	4	4	4

	Discrete performance (%)				
	31/03/2022 - 31/03/2023	31/03/2021 - 31/03/2022	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020	31/03/2018 - 31/03/2019
VT Downing Small & Mid-Cap Income Fund (Acc)	-6.90	11.15	35.02	-22.57	-8.36
IA UK Equity Income TR index	0.23	10.84	32.62	-20.64	3.59
Quartile ranking	4	2	2	3	4

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

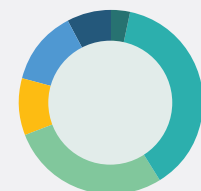


**Fund Manager**  
**Josh McCathie**

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 is also lead manager of the VT Downing Listed Infrastructure Income Fund which launched in March 2022.

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



3.42%	<£150m
37.73%	£150m - £500m
28.05%	£500m - £1bn
9.99%	£1bn - £2bn
13.26%	£2bn - 4bn
0.00%	£4bn+
7.55%	Cash

Source: Factset

## Top 10 Holdings

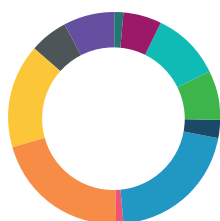
	% of fund
Conduit Holdings Ltd	3.77
XPS Pensions Group Plc	3.61
Drax Group Plc	3.58
Britvic Plc	3.48
Foresight Group Holdings Ltd	3.25
Alpha Financial Markets Consulting Plc	3.22
Computacenter Plc	3.19
Smart Metering Systems Plc	3.17
Redcentric Plc	3.16
Fonix Mobile Plc	3.03
<b>Total</b>	<b>33.46</b>

Source: Valu-Trac Investment Management Ltd

# Portfolio summary

As at 31 March 2023

## Sector breakdown



1.56%	Basic materials	2.56%	Energy	15.73%	Technology
5.69%	Consumer durables	20.60%	Finance	5.91%	Utilities
10.57%	Consumer non-durables	1.17%	Healthcare	7.55%	Cash
7.71%	Consumer services	20.95%	Industrials		

Source: Factset

## Key facts As at 31 March 2023

### 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)  
£42.29m

### Yield

4.4%\*\*\*

### Income paid

Quarterly

### Number of holdings

48

### Prices as at 31 March 2023

Accumulation shares: 197.4952p  
Income shares: 108.3454p

### Charges

Initial charge: 0%  
Annual Mgmt charge: 0.75%  
Ongoing charges<sup>^</sup>  
charged to capital\*\*\*\*: 0.97%

<sup>^</sup> The methodology for calculation of synthetic expense ratio has changed. Following guidance issued by the Investment Association on 2 July 2020, the synthetic OCF calculation has been expanded to include closed ended vehicles such as investment trusts.

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

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

### 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



Awarded date 1 October 2022

As at 31 December 2022

## Quarterly distribution

Period to	Income
31/12/2021	1.0500p
31/03/2022*	1.6452p
30/06/2022	1.1928p
30/09/2022	1.1928p
31/12/2022	1.1963p
31/03/2023	1.0496p

Source: Valu-Trac Investment Management Ltd and Downing LLP

\* The distributions changed from monthly to quarterly from October 2021. The total 2021/2022 year distribution was 5.1451p.

## Platforms and wraps

7IM	Hubwise
Aegon	Interactive Investor
AJ Bell	iWeb
All Funds	James Brearley
Aviva	James Hay
Barclays	Novia
Canada Life International	Nucleus
Elevate	M&G
Embark	Praemium
Embark Advance	Quilter
Fidelity (Inst)	Raymond James
Fidelity (FFN)	Standard life
Hargreaves Lansdown	Transact

\*\* 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 30 December 2022. This figure may vary from year to year. It excludes portfolio transaction costs.

**Statistics correct as at 31/03/2023.** Performance figures source: FE Analytics. Fund performance is based on accumulation shares, indices include net reinvested income. Performance figures are for the period from when the mandate was updated (31/03/2017) to focus on small and mid caps, in a similar vein to how the fund is currently run. 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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