

VT Downing Unique Opportunities Fund



March 2022 Commentary

Over the course of March 2022, the price of Accumulation units in the VT Downing Unique Opportunities Fund fell by 1.6% from 152.04p to 149.62p. This performance lagged the peer group and the UK stock market, but both the absolute and relative decline were considerably less than in the two previous months. The fund does not hold oil & gas or mining investments, which have been beneficiaries of the current war in the Ukraine due to elevated commodity prices.

There were 16 risers in the month and 17 fallers. Companies producing even a hint of failure to meet current or future forecasts are being severely punished in this market. For example, our worst performer this month, Aptitude Software, announced extra investment to accelerate the launch of its digital finance platform which enables finance departments of large companies to automate their accounting ledgers up to trial balance level. Broker estimates of perhaps £5 million of extra development costs in the next two years (all, incidentally, expensed) were met with a £50 million plus reduction in the market value of the company. XP Power announced that it had lost a jury trial in the US which would incur one-off damages of US\$40million (£30million), and we also saw £6 million in profit downgrades over two years due to a likely continuation of high freight costs and some component shortages: its market value fell by circa £180 million in the month. These examples serve to illustrate the tendency of markets to overreact, in this case downwards, but actually in both directions.

The two highest contributors in March came from the healthcare industry: Ergomed reported strong top line growth from its management of clinical trials, most notably in oncology and rare diseases, and a 24% increase in order books; UK pharmacy and GP software specialist EMIS reported an increase in operating margins from 24.6% to 25.9% despite total staff costs being 9% higher than a year earlier.

The significant devaluation of many high quality businesses is beginning to attract directors to make share purchases (Aptitude Software, AG Barr, Dotdigital, Elementis and Strix are some recent examples held in the fund). High or rising skin in the game is an important consideration in the view of this manager.

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	-1.60	-17.23	-16.81	-17.23	-4.01	49.62
IA UK All Companies TR Index	1.61	-4.90	-2.87	-4.90	5.36	48.80
Quartile Ranking	4	4	4	4	4	2

*25 March 2020

	Discrete performance (%)	
	31/03/2021 - 31/03/2022	31/03/2020 - 31/03/2021
VT DUO A Acc	-4.01	52.12
IA UK All Companies TR Index	5.36	37.99
Quartile Ranking	4	1

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)**.

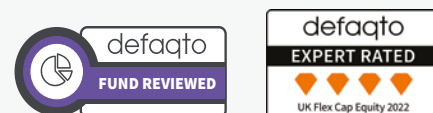
¹ Investment Week - Best UK Growth Trust 2013 & 2014. Outstanding Industry Contribution Award 2015 - 1st May 2003 - 31st March 2016. (Lead manager)

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 2022



As at March 2022



Awarded August 2020

Portfolio summary

As at 31 March 2022

Top 10 holdings

	% of fund
Chemring Group Plc	4.11
EMIS Group Plc	3.72
A.G.Barr Plc	3.64
Advanced Medical Solutions Group Plc	3.57
4imprint Group Plc	3.51
Rightmove Plc	3.46
Elementis Plc	3.39
Alfa Financial Software Holdings Plc	3.36
Ergomed Plc	3.26
Mortgage Advice Bureau (Holdings) Plc	3.24

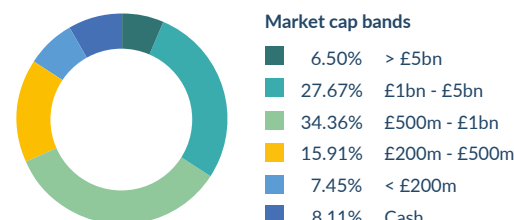
Source: Valu-Trac Investment Management Ltd.

Portfolio by sector



Source: Valu-Trac Investment Management

Portfolio by company size



Source: Factset

Key facts As at 31 March 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

£45.55m (Accumulation and Income share classes combined)

Share price

Class A: 149.6173p (Acc.)
Class A: 149.5557p (Inc.)

No of holdings

34

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 31 December 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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Fund charges

Initial charge: 0%
Annual management charge:
0.75% p.a.
Ongoing charges*
0.86% 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	Interactive Investor
Aegon	James Hay
AJ Bell	M&G
Allfunds	Nucleus
Aviva	Quilter
Canada Life International	Raymond James
Elevate	Standard Life Wrap
Embark	Transact
FNZ	Utmost
Hargreaves Lansdown	Zurich
Hubwise	

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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