

VT Downing Unique Opportunities Fund



May 2022 Commentary

In May, the price of Accumulation units in the VT Downing Unique Opportunities Fund fell by 1.4% from 146.95p to 144.92p, once again underperforming the wider stock market. There were 14 risers and 19 fallers. In most cases, share price movements were driven by macro-economic sentiment, rather than actual announcements by businesses.

Homewares retailer Dunelm saw its shares decline by 10.3% as investors focussed on the squeeze on consumers from rising energy and food prices. 85% of Dunelm's growth over the last five years has come from market share gains and we expect this trend to continue. Directors clearly agree as they have been buying shares over the past two months. Mortgage Advice Bureau also saw its shares decline nearly 10%, presumably on concerns that the housing market might slow, but its AGM statement in May stated that "consumer demand for housing remains high and activity is strong". The largest single negative contribution came from Tracsis (-9.3%), which is puzzling given that it supplies unique software which is mission-critical to the operation of the UK rail network, and is a beneficiary of the opening up of outdoor events post the pandemic.

Interestingly, several information technology names actually rose in price, with Kainos (+5.2%), a provider of digitisation services to the UK government, NHS and corporates, commenting that "demand for our services has never been higher" and "our reputation for delivery continues to flourish". AJ Bell, one of the UK's largest investment platforms, was the largest positive contributor (+15.2%). In its interim results, AJ Bell said "revenue and profit margins are expected to increase in the second half, ...and further improvement is anticipated in FY 2023." AJ Bell is a beneficiary of rising interest rates.

We have seen net inflows into the fund on all but a handful of days since the invasion of Ukraine, and have deployed these inflows opportunistically to take advantage of volatility, forced sellers and adverse sentiment.

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	-1.38	-4.68	-17.63	-19.83	-14.43	44.92
IA UK All Companies TR Index	0.14	0.57	-1.67	-5.87	-1.46	47.28
Quartile Ranking	4	4	4	4	4	3

*25 March 2020

	Discrete performance (%)	
	31/05/2021 - 31/05/2022	31/05/2020 - 31/05/2021
VT DUO A Acc	-14.43	44.66
IA UK All Companies TR Index	-1.46	28.60
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)**.

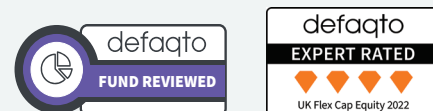
¹ Investment Week - Best UK Growth Trust 2013 & 2014. Outstanding Industry Contribution Award 2015 - 1st May 2003 - 31st March 2016. (Lead manager)

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 May 2022



Awarded August 2020

Portfolio summary

As at 31 May 2022

Top 10 holdings

	% of fund
Chemring Group Plc	4.22
A.G.Barr Plc	3.52
Advanced Medical Solutions Group Plc	3.52
Alfa Financial Software Holdings Plc	3.51
EMIS Group Plc	3.51
Kainos Group Plc	3.38
Elementis Plc	3.30
Diploma Plc	3.26
Aptitude Software Group Plc	3.22
Rightmove Plc	3.21

Source: Valu-Trac Investment Management Ltd.

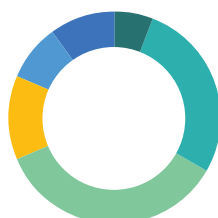
Portfolio by sector



9.97%	Cash	15.73%	Healthcare
11.22%	Communications	11.71%	Industrials
9.43%	Consumer discretionary	21.84%	Information technology
3.52%	Consumer staples	5.57%	Materials
11.01%	Financials		

Source: Valu-Trac Investment Management

Portfolio by company size



Market cap band	Percentage
> £5bn	6.10%
£1bn - £5bn	27.28%
£500m - £1bn	35.41%
£200m - £500m	12.74%
< £200m	8.50%
Cash	9.97%

Source: Factset

Key facts As at 31 May 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

£47.64m (Accumulation and Income share classes combined)

Share price

Class A: 144.9211p (Acc.)
Class A: 144.8609p (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

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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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