

# VT Downing Small & Mid-Cap Income Fund



## January 2022 Commentary

In January, the Accumulation share class was down 6.33% while the IA UK Equity Income Total Return Index was down 0.40%. We would also reference that the IA UK Smaller Companies Total Return Index was down 7.68%. Key contributors were Watkin Jones (up 3.50%) and Bloomsbury Publishing (up 4.72%). Key detractors included Strix Group (down 21.25%) and Polar Capital Holdings (down 20.05%).

Watkin Jones, a developer and manager of properties across student accommodation, build to rent and affordable housing sectors announced full year results ahead of consensus forecasts along with offering a positive outlook on the high level of future revenue visibility.

Bloomsbury Publishing, an independent publisher of books and reference databases, released a positive trading update towards the end of the month. The company announced revenue is expected to be comfortably ahead, and profit materially ahead, of market expectations.

Polar Capital Holdings, a boutique asset manager, announced a record level of Assets under Management (AUM) as of the 31st December 2021, driven by both net inflows and strong market performance. We believe the shares came under pressure from concerns of exposure of AUM to technology focused companies.

Strix, a designer, manufacturer and supplier of heating, temperature control and water filtration devices, announced that profit would be in line with market expectations despite ongoing supply chain constraints, albeit profits benefitted from a tax benefit in the period.

*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



■ A - IA UK Equity Income TR in GB [101.18%] ■ B - VT Downing Small & Mid-Cap Income Acc in GB [84.22%]\*

\*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)	-6.33	0.31	16.41	18.35	14.90
IA UK Equity Income TR index	-0.40	4.23	18.76	20.38	25.97
Quartile ranking	4	4	3	3	4

	Discrete performance (%)				
	31/01/2021-31/01/2022	31/01/2020-31/01/2021	31/01/2019-31/01/2020	31/01/2018-31/01/2019	31/01/2017-31/01/2018
VT Downing Small & Mid-Cap Income Fund (Acc)	16.41	-10.67	13.81	-16.49	16.26
IA UK Equity Income TR index	18.76	-9.01	11.41	-5.09	10.25
Quartile ranking	3	3	2	4	1

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

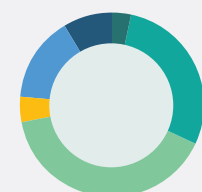


Fund Manager  
Josh McCathie

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 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



3.40%	<£150m
28.66%	£150m - £500m
40.08%	£500m - £1bn
4.38%	£1bn - £2bn
14.98%	£2bn - 4bn
0.00%	£4bn+
8.50%	Cash

Source: Factset

## Top 10 Holdings

	% of fund
Watkin Jones Plc	4.54
Alpha Financial Markets Consulting Plc	4.38
Caretech Holdings Plc	3.90
Drax Group Plc	3.49
Strix Group Plc	3.37
Computacenter Plc	3.31
Lokn Store Group Plc	3.29
Smart Metering Systems Plc	3.01
EMIS Group Plc	2.97
Diversified Energy Company Plc	2.63
<b>Total</b>	<b>34.89</b>

Source: Valu-Trac Investment Management Ltd

# Portfolio summary

As at 31 January 2022

## Sector breakdown



8.50%	Cash	13.39%	Financials	1.73%	UK Corporate Bonds
1.71%	Commodity and energy	6.87%	Healthcare	2.18%	UK Equities
2.40%	Communications	10.41%	Industrials	5.46%	Utilities
8.84%	Consumer discretionary	17.00%	Information technology		
4.47%	Consumer staples	6.58%	Property		
2.63%	Energy	7.83%	Real Estate		

Source: Valu-Trac Investment Management Ltd

## Key facts As at 31 January 2022

### 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)  
£43.85m

### Yield

3.4%\*\*\*

### Income paid

Quarterly

### Number of holdings

43

### Prices as at 31 January 2022

Accumulation shares: 211.8381p

Income shares: 122.9300p

### 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

Orton, Moray

IV32 7QE

Tel: +44 (0) 1343 880 217

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

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



Source: defaqto, 3 Diamond rated, 2021

**Statistics correct as at 31/01/2022.** 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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