

# VT Downing Unique Opportunities Fund



## July 2022 Commentary

July was something of a moment of truth for investors in the VT Downing Unique Opportunities Fund. We have endured a widespread and indiscriminate sell-off in our quality companies for nine long months, with no credit given to their strong market positions, pricing power, growth potential, and the optionality afforded by strong balance sheets. Interest rates were clearly unsustainably low, which is why we have not deviated from a valuation methodology based on a 10% nominal discount rate for future cash flows, which are in turn conservatively estimated. In July, the Accumulation units rose by 8.9% to 146.75p. While the UK stock market has rallied as it has started to look beyond a possible peak in interest rates next year, what was really encouraging was the number of companies in the fund reporting business as usual, or rather better than that.

There were 26 risers and 7 fallers in the month. None of the fallers exceeded 5%.

Among a slew of trading statements, the strongest came from 4imprint, the US based provider of B2B marketing products, which announced that it expects operating profits for calendar year 2022 to be materially above expectations due to strong volume growth, rising selling prices, and relatively steady gross margins. Specialist distributor Diploma also announced a favourable trading update, confirming low double-digit organic revenue growth and operating margins at the top end of their normal (and high) range of 18-19%. Dotdigital, which provides software to enable marketeers to run digital campaigns and quantify their success, also announced revenues at the top end of expectations and operating profits running ahead of expectations, due to the increasing shift of businesses towards using digital marketing and personalised media campaigns. Kainos announced its long-awaited approval by US ERP software group WorkDay as a Phase 1 Prime Status Partner in the US market, meaning that it can access a far larger market in the US for domestic work rather than just working for US corporates on their European rollouts of the software. We will comment on the actual results reported by some of our companies next month.

*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	8.94	-0.14	-8.80	-18.82	-16.18	46.75
IA UK All Companies TR Index	5.72	-1.88	-4.27	-7.77	-4.51	44.31
Quartile Ranking	1	1	4	4	4	2

\*25 March 2020

	Discrete performance (%)	
	31/07/2021 - 31/07/2022	31/07/2020 - 31/07/2021
VT DUO A Acc	-16.18	46.78
IA UK All Companies TR Index	-4.51	32.29
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-winning<sup>1</sup> 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%<sup>2</sup> 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%<sup>3</sup>, 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)**.

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

<sup>2</sup> 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

<sup>3</sup> Financial Express 03/01/17 - 28/06/19



Awarded 30 June 2020



Rosemary's fund is 4 Diamond rated, defaqto 2022



As at July 2022



Awarded August 2020



# Portfolio summary

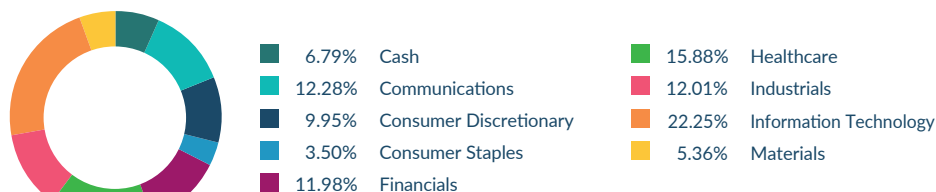
As at 31 July 2022

## Top 10 holdings

	% of fund
EMIS Group Plc	4.38
Chemring Group Plc	4.03
Aptitude Software Group Plc	3.63
4imprint Group Plc	3.60
A.G.Barr Plc	3.50
Kainos Group Plc	3.44
Diploma Plc	3.36
Rightmove Plc	3.27
Impax Asset Management Group Plc	3.19
Advanced Medical Solutions Group Plc	3.15

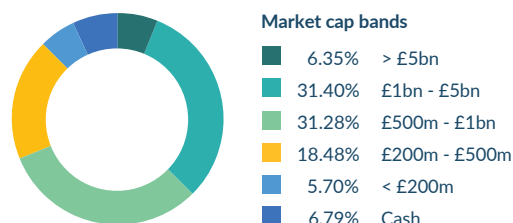
Source: Valu-Trac Investment Management Ltd.

## Portfolio by sector



Source: Valu-Trac Investment Management

## Portfolio by company size



Source: Factset

## Key facts As at 31 July 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

£48.84m (Accumulation and Income share classes combined)

### Share price

Class A: 146.7480p (Acc.)  
Class A: 144.5860p (Inc.)

### No of holdings

33

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

\*Please note: The ongoing charges figure is based on expenses and the net asset value as at 24 June 2022.

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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### Authorised Corporate Director

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

### Fund charges

Initial charge: 0%  
Annual management charge:  
0.75% p.a.  
Ongoing charges\*  
0.89% 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
Jun-22	30/06/2022	31/08/2022	1.9295	1.9287

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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