

**VT DOWNING INVESTMENT FUNDS ICVC
(FORMERLY KNOWN AS MI DOWNING INVESTMENT FUNDS
ICVC)**

**(Sub-fund VT Downing Monthly Income Fund) (Formerly known
as MI Downing Monthly Income Fund)**

**Annual Report and Financial Statements
for the year ended 31 March 2021**

CONTENTS PAGE

	Page
Statement of the Authorised Corporate Director's (ACD's) Responsibilities	1
Statement of the Depositary's Responsibilities and Report of the Depositary	2
Independent Auditor's Report to the Shareholders of VT Downing Investment Funds ICVC (Sub-fund VT Downing Monthly Income Fund)	3
VT Downing Monthly Income Fund	
Sub-fund Overview	6
Investment Manager's review	8
Performance Record	10
Portfolio Statement	12
Summary of Material Portfolio Changes	15
Statement of Total Return	17
Statement of Changes in Net Assets Attributable to Shareholders	17
Balance Sheet	18
Notes to the Financial Statements	19
Distribution Tables	26
Information for Investors	30
Corporate Directory	31
End Sub-section- Assessment of Value (unaudited)	
VT Downing Monthly Income Fund	1-5

STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR'S (ACD's) RESPONSIBILITIES

The rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook require the Authorised Corporate Director to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Company at the end of the financial year and its net revenue and net capital gains for the year. In preparing these financial statements the Authorised Corporate Director is required to:

- > comply with the Prospectus, the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014, the Instrument of Incorporation, generally accepted accounting principles and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the financial statements.
- > select suitable accounting policies and then apply them consistently;
- > make judgements and estimates that are reasonable and prudent;
- > prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The Authorised Corporate Director is required to keep proper accounting records and to manage the Company in accordance with the COLL regulations, the Instrument of Incorporation, and the Prospectus. The Authorised Corporate Director is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTOR'S STATEMENT

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Scheme's Sourcebook, we hereby certify the annual report.

Anne A. Laing CA

David E. Smith MA

Valu-Trac Investment Management Limited
Authorised Corporate Director

Date

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), and the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- > the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- > the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- > the value of shares in the Company is calculated in accordance with the Regulations;
- > any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- > the Company's income is applied in accordance with the Regulations; and
- > the instructions of the Authorised Fund Manager ("the AFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- ii) has observed the Investment and borrowing powers and restrictions applicable to the Company.

NatWest Trustee and Depositary Services Limited
1 April 2021

Opinion

We have audited the financial statements of VT Downing Investment Funds ICVC ("the Company") for the year ended 31 March 2021 which comprise the Statement of Total Return, Statement of Changes in Net Assets Attributable to Shareholders, Balance Sheet, the related Notes to the Financial Statements, including significant accounting policies and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- > give a true and fair view of the financial position of the Company at 31 March 2021 and of the net revenue and the net capital gains on the scheme property of the Company for the year then ended; and
- > have been properly prepared in accordance with the IA Statement of Recommended Practice for Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are described further in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Authorised Corporate Director with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Authorised Corporate Director is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the COLL Regulations

In our opinion, based on the work undertaken in the course of the audit:

- > Proper accounting records for the Company have been kept and the accounts are in agreement with those records;
- > We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- > The information given in the report of the Authorised Corporate Director for the year is consistent with the financial statements.

Responsibilities of the Authorised Corporate Director

As explained more fully in the Authorised Corporate Director's Responsibilities Statement set out on page 1, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal controls as the Authorised Corporate Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- > Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Authorised Corporate Director.
- > Conclude on the appropriateness of the Authorised Corporate Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- > Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VT DOWNING INVESTMENT FUNDS ICVC (SUB-FUND VT DOWNING MONTHLY INCOME FUND) (continued)

Extent to which an audit is considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide the basis for our opinion. We planned and conducted our audit so as to obtain reasonable assurance of detecting any material misstatements in the financial statements resulting from irregularities or fraud.

All engagement team members were briefed on relevant laws and regulations and potential fraud risks at the planning stage of the audit. However, the primary responsibility for the prevention and detection of fraud rest with the Authorised Corporate Director.

We evaluated management's incentives for fraudulent activity and determined the key risk of fraud to be management override of controls in order to manipulate the financial statements. We determined that the principal risks in this regard were in relation inappropriate journal entries to increase net revenue or to increase the net asset value.

We considered the principal risks of non-compliance with laws and regulations and we considered the extent to which non-compliance might have a material effect on the financial statements. The most significant risk in relation to non-compliance with laws and regulations was deemed to be compliance with the Collective Investment Schemes Sourcebook and the Company's Prospectus.

Audit procedures performed in response to these risks included:

- Evaluating the control environment designed to prevent and detect irregularities which the Authorised Corporate Director has in place; with laws and regulations and fraud and where they think fraud would most likely to occur and the safeguards put in place to mitigate these;
- Assessing the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur around the key risks of valuation and ownership of investments, and revenue recognition;
- Reviewing material journal entries during the year;
- Reviewing a pre sign-off Net Asset Valuation (NAV) statement for any unexpected activity that may indicate management override in the Company's financial statements; and
- Assessing the Company's compliance with the key requirements of the Collective Investment Schemes Sourcebook and its Prospectus.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Use of our report

This report is made solely to the Company's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes Sourcebook ("the COLL Rules") issued by the Financial Conduct Authority under the Open-Ended Investment Companies Regulations 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor
Elgin

Date

SUB-FUND OVERVIEW

Name of Sub-fund	VT Downing Monthly Income Fund
Size of Sub-fund	£42,633,998
Company information	<p>VT Downing Investment Funds ICVC is an investment company with variable capital incorporated in England and Wales under registered number IC000824, with Product Reference Number 521374, and authorised by the Financial Conduct Authority with effect from 4 June 2010. The Company has an unlimited duration.</p> <p>Shareholders are not liable for the debts of the Company. A shareholder is not liable to make any further payment to the Company after he has paid the price on purchase of the shares.</p>
Sub-fund objective and policy	<p>The investment objective of the Sub-fund is to achieve a monthly income, together with capital growth over the long term (5 years).</p> <p>The Sub-fund intends to invest primarily (at least 70%) in equities listed on a UK stock exchange. The Sub fund may also invest in other transferable securities (for example, without limitation, international equities), units in collective investment schemes (which may include those managed and/or operated by the ACD or Investment Manager), money market instruments, warrants and deposits as detailed in the Prospectus.</p>
Use of derivatives	Derivatives may be used for the purposes of efficient portfolio management. The use of derivatives for efficient portfolio management will generally not increase the risk profile of the Sub-fund.
Performance assessment	<p>Many funds sold in the UK are grouped into sectors by the Investment Association (the "IA") (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.</p> <p>The Sub-fund is not managed to or constrained by a benchmark. The ACD does, however, assess the performance of the Sub-fund against the IA UK Equity Income Sector, which includes a selection of funds which have broadly similar characteristics, particularly in terms of investment objective and time horizons.</p> <p>Some independent data providers prepare and publish performance data on the funds in this sector and investors can use this to assess the Sub-fund's performance. This information can be found on the IA website or Morningstar website.</p>
Authorised Corporate Director (ACD) to 30 November 2020	Maitland Institutional Services Limited
Authorised Corporate Director (ACD) from 1 December 2020	Valu-Trac Investment Management Limited
Ex-distribution dates	31 March (annual) and the last Business Day each calendar month
Distribution dates	30 April (annual) and the last Business Day each calendar month
Individual Savings Account (ISA)	The Sub-fund is a qualifying investment for inclusion in an ISA.

SUB-FUND OVERVIEW (Continued)

Share class information

Share class	Minimum initial	Minimum subsequent	Minimum holding	Monthly savings	Minimum redemption	Initial charge
Income	£1,000	£500	£1,000	Yes	N/A	0%
Accumulation	£1,000	£500	£1,000	Yes	N/A	0%

The ACD may waive the minimum levels at its discretion.

ACD charges

£30,000¹ per annum plus 0.75% per annum of the net asset value of the Sub-fund attributable to the relevant class (plus VAT if applicable).

¹ The fixed element of the fee shall rise annually in line with the rate of inflation (calculated in accordance with the Consumer Prices Index) on 1 January each year (from 1 January 2021). In the event of negative inflation, this fee will remain unchanged.

Changes to Company

On 1 December 2020, there was a change in ACD from Maitland Institutional Services Limited to Valu-Trac Investment Management Limited.

On 1 December 2020, there was a change in Auditor from Grant Thornton UK LLP to Johnston Carmichael LLP.

On 1 December 2020, there was a change in Depositary from Northern Trust Global Services SE (UK Branch) to NatWest Trustee and Depositary Services.

On 1 December 2020, there was a change in Sub-fund name from MI Downing Monthly Income Fund to VT Downing Monthly Income Fund.

On 1 December 2020, there was a change in company name from MI Downing Investment Funds ICVC to VT Downing Investment Funds ICVC.

INVESTMENT MANAGER'S REVIEW

Performance overview

Over the 12 months to 31 March 2021 the Fund generated a total shareholder return of 35.99% (Accumulation). This compares to 32.62% returned by the IA UK Equity Income Sector.

Covid-19 presented unprecedented challenges to markets and economies throughout the reporting period. March 2020 saw markets experience their worst day since the 2008 financial crisis and shares plunged worldwide as virus fears triggered panic selling. Some signs of normality returned over the summer and share prices began to recover. However, volatility was a consistent theme throughout the period as fears over a second wave of the pandemic, ongoing Brexit negotiations and the upcoming US elections, impacted on investor and market sentiment.

Despite the uncertain backdrop, markets rallied strongly in Q4 2020 as vaccines were developed, there was increased clarity in the US, and growing optimism of a post-Brexit trade deal lifted sentiment. This was unfortunately short lived as news of a second, more infectious variant of the virus, spread and tighter restrictions and extended lockdowns were introduced. Since then, falling infection rates and the rapid rollout of vaccinations gives some confidence in a return to some sort of normality by summer 2021.

Sentiment towards UK equities has improved markedly since the EU trade deal was confirmed. This, and the country's roadmap out of lockdown, was welcomed by investors and reflected in a recovery in sectors which had been hardest hit by the pandemic. In contrast, some of those high growth companies that have benefitted from the pandemic slumped. We believe that although the UK market faces inevitable headwinds over the coming months, conditions are now more suited to our value style of investing. The Fund holds companies with resilient earnings and strong balance sheets. Many management teams have taken actions through the pandemic that have resulted in them being leaner and better positioned to take advantage of opportunities as more normalised trading conditions resume. We like businesses with high degrees of revenue visibility and strong downside protection, in terms of balance sheet resilience but also efficient capital discipline and allocation.

The priority of the Investment Manager is to ensure that the Fund will provide investors with a compelling and diversified yield to the market. Investors that bought the income share class on 31 March 2020 would have received a yield of 4.93% over the following 12 months.

Key contributors and detractors

The key contributors to portfolio performance over the period were Volex (+210.26%) and Strix Group plc (+69.93%), while Anglo Pacific Group plc (-12.85%) and TP ICAP (-32.63%) were the most significant detractors.

Volex manufactures complex cable assemblies and power cords through a global manufacturing base for a wide variety of industries. Following a turnaround and portfolio repositioning, the business has shifted away from lower margin, commodity products and has been growing sales in high structural growth sectors such as electric vehicles and data centres.

2020 was an inflection year for the group and it enjoyed significant multiple expansion, aided by strong trading. In its latest trading statement, issued post reporting period end, the group reported that revenue from electric vehicle customers had increased significantly as the group expands its customer base and product offering in this market. There has also been an overall stabilisation in demand from its core medical and industrial markets as well as healthy year-on-year growth from data centre customers as the trend towards home-working continues.

As a result, management reported that revenue for the full year will be ahead of market expectations and be at least \$440 million while underlying operating profit is expected to be at least \$41 million, ahead of the most recently guided range. The group expects to announce a recommended dividend for FY2021 that is no less than 2.2 pence per share.

Volex is generating significant cash flows and has a pipeline of potential acquisitions on which to deploy that capital. Alongside the significant growth in the consumer electronics space which we expect to continue for some time, and the structural tailwinds in the data, electric vehicle and healthcare markets, we think that the business has ample potential to continue compounding at a reasonable rate.

INVESTMENT MANAGER'S REVIEW (Continued)

Strix is global leader in the design, manufacture and supply of kettle safety controls and other complementary water temperature management components. In the group's most recent results for the six months ended 31 December 2020, management highlighted that the group had delivered another resilient trading performance. Revenue was significantly ahead of its Covid-19 scenario planning expectations with a marked recovery in H2. In addition, the combined impact of product mix and a range of efficiency measures, including continued automation and strategic initiatives, has enabled the business to report an increase in both gross profit margin and the absolute level of EBITDA generated.

The board recently outlined its strategy of doubling revenues in the next five years and despite recent events, it maintains confidence in achieving this medium-term target, primarily through organic growth in its water and appliances categories and growing market share in kettle controls. The successful acquisition of LAICA in October 2020 will serve to expand the group's water category and enhance its presence in the health and wellness segment of the appliance category, both of which are growth markets and enhance its sustainability strategy.

The much improved performance in H2 2020 has continued into 2021. The kettle controls category has a strong order book for Q2 giving management confidence in delivering a significantly stronger first half versus last year. In the water category, the group expects sales of new products to accelerate as retailers introduce them to their in-store and online portfolios. 2021 will also see many of the appliances created in 2020 penetrate the consumer markets across the world with the most notable being the Aurora (Instant Flow Heater/Chiller) in the first half, and Dual Flo and the expansion of the Baby Care technology range in the second half.

The board stated that given the group's resilient performance in 2020 and confidence in the continued strength of its cash generation, it confirms its intention to increase total dividend to 7.85p per share in respect of the 2020 financial year. The group's commitment to its dividend reflects the board's confidence in the outlook going forward.

Anglo Pacific, a global natural resources royalty and streaming company, announced its full year results for the year ended 31 December 2020. These reflect the business before the completion of the US\$205 million Voisey's Bay cobalt stream acquisition, the group's largest and most significant transaction. The board reported that the group has undergone a significant transformation over the last 12 months. The Voisey's Bay acquisition has fundamentally repositioned its portfolio towards materials vital in providing cleaner energy for the future whilst ensuring that the group replaces its Kestrel revenue ahead of time. This is evident on its balance sheet where these materials now account for over 60% of Anglo Pacific's royalty and streaming assets.

Operationally the portfolio performed well during the year considering the challenges presented by Covid-19. The reduction in royalty revenue during 2020 to £34 million however, highlighted how important it was to act decisively to reduce the group's dependence on one single asset and commodity. Management believe that the wider market for base metals and strategic minerals looks favourable. The globally co-ordinated, planned infrastructure investment, as a kick start to economies post Covid-19, looks set to benefit these commodities. The movement towards the electrification of automobiles appears to be gathering pace, with an increasing number of manufacturers committing to this path and setting ambitious timetables. The US government invested directly into the group's Brazilian Nickel project, which is a clear sign that western countries are looking to secure vital access to strategic minerals. In the meantime, it is clear that future supply will not meet the excess demand and it is likely that prices will remain at elevated levels. The group has an active pipeline and financial flexibility to continue to add to its high quality royalty and streaming portfolio. Management look forward to the remainder of the year with cautious optimism and with prospects to add further growth to the business. The response to its recent equity raise and the support from existing and new shareholders to the transaction was overwhelmingly positive. It remains committed to delivering value for all stakeholders in the years ahead.

TP ICAP issued its most recent results for the 12 months ended 31 December 2020. The board reported that 2020 had been a transformational year for the group. It set out a new strategy to deliver higher shareholder returns and made progress in executing initiatives across the businesses to advance its strategic pillars of electrification, aggregation and diversification. However, this was not consistent with our original investment case and the position was exited in full.

Downing LLP
Investment Manager
20 May 2021

PERFORMANCE RECORD

Financial Highlights

Income Shares

	Year to 31 March 2021	Year to 31 March 2020	Year to 31 March 2019
Changes in net assets per unit	GBP	GBP	GBP
Opening net asset value per unit	87.43	117.57	134.38
Return before operating charges	31.71	(23.47)	(9.55)
Operating charges (note 1)	(0.96)	(1.20)	(1.36)
Return after operating charges *	30.75	(24.67)	(10.91)
Distributions on income units	(4.34)	(5.47)	(5.90)
Closing net asset value per unit	113.83	87.43	117.57
*after direct transactions costs of:	0.32	0.29	0.17
Performance			
Return after charges	35.17%	(20.95%)	(8.12%)
Other information			
Closing net asset value	£40,925,206	£31,697,683	£33,825,595
Closing number of units	35,951,911	36,253,436	28,771,475
Operating charges (note 2)	0.95%	1.00%	1.04%
Direct transaction costs	0.32%	0.24%	0.13%
Prices			
Highest unit price	114.06	131.10	145.56
Lowest unit price	85.91	79.12	114.46

Accumulation Shares

	Year to 31 March 2021	Year to 31 March 2020	Year to 31 March 2019
Changes in net assets per unit	GBP	GBP	GBP
Opening net asset value per unit	140.34	180.57	197.18
Return before operating charges	52.08	(38.35)	(14.58)
Operating charges (note 1)	(1.57)	(1.88)	(2.03)
Return after operating charges *	50.51	(40.23)	(16.61)
Closing net asset value per unit	190.85	140.34	180.57
Distributions on accumulation units	7.22	8.58	8.83
*after direct transactions costs of:	0.52	0.45	0.25
Performance			
Return after charges	35.99%	(22.28%)	(8.42%)
Other information			
Closing net asset value	£1,949,674	£4,866,140	£6,329,504
Closing number of units	1,021,573	3,467,388	3,505,211
Operating charges (note 2)	0.95%	1.00%	1.04%
Direct transaction costs	0.32%	0.24%	0.13%
Prices			
Highest unit price	190.85	208.15	214.3
Lowest unit price	138.29	127.09	173.43

PERFORMANCE RECORD (Continued)

Financial Highlights (Continued)

1. The operating charges per unit figure is calculated by applying the operating charges percentage to the average net asset valuation per share throughout the period.
2. The operating charges percentage is based on the expenses incurred during the period annualised, as a proportion of the average net asset value of the Sub-fund.

Risk Profile

Based on past data, the Sub-fund is ranked a '6' on the synthetic risk and reward indicator scale (of 1 to 7) as described fully in the Key Investor Information Document. The Sub-fund is ranked 6 because weekly historical performance data indicates that significant rises and falls in market prices would have occurred historically.

PORTFOLIO STATEMENT

As at 31 March 2021

Holding	Value £	% of net assets
OIL & GAS 4.98% (31.03.20: 4.54%)		
Oil & Gas Producers 4.98% (31.03.20: 4.54%)		
1,912,000 Diversified Gas & Oil*	2,124,232	4.98
	<u>2,124,232</u>	<u>4.98</u>
BASIC MATERIALS 0.00% (31.03.20: 1.10%)		
Mining 0.00% (31.03.20: 1.10%)		
	<u>-</u>	<u>-</u>
INDUSTRIALS 18.24% (31.03.20: 13.74%)		
Construction & Materials 3.34% (31.03.20: 0.47%)		
461,500 Brickability Group PLC	350,740	0.82
818,000 Anglo Pacific Group PLC	1,074,852	2.52
	<u>1,425,592</u>	<u>3.34</u>
Electronic & Electrical Equipment 12.29% (31.03.20: 7.81%)		
40,000 Computacenter PLC	953,600	2.24
700,000 Strix Group PLC	1,881,250	4.41
724,631 Volex PLC	2,405,775	5.64
	<u>5,240,625</u>	<u>12.29</u>
Support Services 2.61% (31.03.20: 5.46%)		
525,000 FRP Advisory Group PLC	536,813	1.26
333,179 Gateley Holdings PLC	574,734	1.35
	<u>1,111,547</u>	<u>2.61</u>
CONSUMER GOODS 9.52% (31.03.20: 4.56%)		
Food Producers 1.40% (31.03.20: 0.66%)		
55,000 Hilton Food Group PLC	585,200	1.37
361,173 Real Good Food PLC	13,977	0.03
	<u>599,177</u>	<u>1.40</u>
Household Goods & Home Construction 8.12% (31.03.20: 3.71%)		
219,953 IG Design Group PLC	1,286,725	3.02
1,012,000 Watkin Jones PLC	2,173,270	5.10
	<u>3,459,995</u>	<u>8.12</u>
Leisure Goods 0.00% (31.03.20: 0.19%)		
	<u>-</u>	<u>-</u>
HEALTH CARE 7.14% (31.03.20: 4.82%)		
Health Care Equipment & Services 5.87% (31.03.20: 3.29%)		
384,375 Caretech Holdings PLC	2,052,563	4.81
41,000 EMIS Group PLC	453,050	1.06
	<u>2,505,613</u>	<u>5.87</u>

PORTFOLIO STATEMENT (continued)

As at 31 March 2021

Holding	Value £	% of net assets
Pharmaceuticals & Biotechnology 1.27% (31.03.20: 1.53%)		
580,000 Alliance Pharma PLC	537,660	1.27
	<u>537,660</u>	<u>1.27</u>
CONSUMER SERVICES 7.44% (31.03.20: 7.66%)		
General Retailers 0.00% (31.03.20: 1.51%)		
	<u>-</u>	<u>-</u>
Media 5.98% (31.03.20: 2.79%)		
246,000 Bloomsbury Publishing PLC	709,710	1.66
39,000 Kainos Group PLC	578,370	1.36
21,439 Future PLC	402,839	0.94
8,650 Games Workshop Group PLC	860,459	2.02
	<u>2,551,378</u>	<u>5.98</u>
Travel & Leisure 1.46% (31.03.20: 3.36%)		
46,000 Go-Ahead Group PLC	621,460	1.46
	<u>621,460</u>	<u>1.46</u>
TELECOMMUNICATIONS 0.00% (31.03.20: 1.92%)		
Fixed Line Telecommunications 0.00% (31.03.20: 1.92%)		
	<u>-</u>	<u>-</u>
UTILITIES 16.30% (31.03.20: 2.43%)		
Electricity 16.30% (31.03.20: 2.43%)		
839,073 ContourGlobal PLC	1,688,634	3.96
100,000 Telecom Plus PLC	1,257,000	2.95
210,000 Smart Metering Systems PLC	1,704,150	4.00
10,000 XP Power Ltd	471,500	1.11
899,000 Zegona Communications PLC	1,209,155	2.84
146,000 Drax Group PLC	615,390	1.44
	<u>6,945,829</u>	<u>16.30</u>
FINANCIALS 29.77% (31.03.20: 35.50%)		
Life Insurance 3.89% (31.03.20: 5.42%)		
576,376 Chesnara PLC	1,658,522	3.89
	<u>1,658,522</u>	<u>3.89</u>
Real Estate Investment & Services 3.94% (31.03.20: 7.69%)		
282,594 Lok'n Store Group PLC	1,681,434	3.94
	<u>1,681,434</u>	<u>3.94</u>
Real Estate Investment Trusts 5.11% (31.03.20: 5.03%)		
1,018,400 Impact Healthcare REIT PLC	1,145,700	2.69
697,571 Urban Logistics REIT PLC	1,032,405	2.42
	<u>2,178,105</u>	<u>5.11</u>

PORTFOLIO STATEMENT (continued)

As at 31 March 2021

Holding	Value £	% of net assets
Financial Services 14.77% (31.03.20: 11.08%)		
201,000 Alpha Financial Markets Consulting PLC	518,580	1.22
323,000 Brewin Dolphin Holdings PLC	1,010,183	2.37
42,000 JTC PLC	258,300	0.61
136,874 John Laing Group PLC	429,784	1.01
355,872 K3 Capital Group PLC	1,014,235	2.38
123,350 Polar Capital Holdings PLC	863,450	2.03
758,301 Ramsdens Holdings PLC	1,228,448	2.88
178,000 Sabre Insurance Group PLC	451,675	1.06
686,000 Round Hill Music Royalty Fund Limited	517,137	1.21
	6,291,792	14.77
Equity Investment Instruments 2.06% (31.03.20: 6.28%)		
13,641 GCP Infrastructure Investments Ltd	13,927	0.03
182,000 Sequoia Economic Infrastructure Income Fund Ltd	863,604	2.03
	877,531	2.06
TECHNOLOGY 1.50% (31.03.20: 3.22%)		
Software & Computer Services 1.50% (31.03.20: 3.22%)		
63,000 FDM Group (Holdings) PLC	638,190	1.50
	638,190	1.50
FIXED INTEREST 2.64% (31.03.20: 3.09%)		
772,932 Real Good Food 12% C Sec Guar Loan Note 19/05/2022	579,699	1.36
633,171 Real Good Food Variable Loan Note 19/05/2022	474,878	1.11
98,584 Real Good Food Variable Loan Note 19/05/2022 (DMI)	73,937	0.17
	1,128,514	2.64
	41,577,196	97.53
Portfolio of investments (31.03.20: 82.58%)		
	1,299,955	3.04
Net other assets (31.03.20: 17.42%)		
	(243,153)	(0.57)
Mid to bid adjustment (31.03.20: (0.00%))		
	42,633,998	100.00

SUMMARY OF MATERIAL PORTFOLIO CHANGES

	£
Total sales for the year (note 14)	33,789,770
888 Holdings PLC	752,492
Adept Technology Group PLC	967,206
AFH Financial Group PLC	575,171
B&M European Value Retail SA	685,151
Biopharma Credit PLC	785,698
Bioventix PLC	204,921
Bloomsbury Publishing PLC	480,901
Brewin Dolphin Holdings PLC	811,233
British American Tobacco PLC	787,189
Central Asia Metals PLC	365,545
Circle Property PLC	1,015,795
Close Brothers Group PLC	425,701
DiscoverIE Group PLC	1,933,291
Diversified Gas & Oil PLC	103,712
Drax Group PLC	1,187,288
Duke Royalty Ltd	1,083,767
FDM Group Holdings PLC	48,919
Fireangel Safety Technology	178,140
Games Workshop Group PLC	307,399
Gamesys Group PLC	407,339
GCP Infrastructure Investments Ltd	844,667
Hipgnosis Songs Fund Limited	1,227,015
IG Design Group PLC	21,504
Inland Homes PLC	954,131
Intermediate Capital Group PLC	985,395
International Public Partnerships Ltd	650,999
lomart Group PLC	772,982
John Laing Group PLC	547,411
Kainos Group Ltd NPV	124,171
Legal & General Group PLC	848,264
Lok'nStore Group PLC	130,904
Medica Group PLC	191,025
Morses Club PLC	583,201
MP Evans Group PLC	654,483
PayPoint PLC	1,672,238
Pennon Group PLC	850,585
Persimmon PLC	382,367
Phoenix Group Holdings	675,886
Photo-Me International PLC	79,706
PPHE Hotel Group Ltd	1,144,746
Princess Private Equity Holding Ltd	497,010
Restore PLC	277,166
Round Hill Music Royalty Fund Limited	276,388
Softcat PLC	45,678
SSE PLC	819,560
Sthree PLC	321,172
Strix Group PLC	473,475
Telecom Plus PLC	405,330
Ten Entertainment Group PLC	279,957
Tesco PLC	625,731
TP ICAP PLC	513,779
Urban Exposure PLC	623,269
Urban Logistics REIT PLC	220,345
Volex PLC	773,680
Warehouse REIT PLC	1,056,153
Watkin Jones Limited	132,539

The above sales represent all of the sales during the year.

SUMMARY OF MATERIAL PORTFOLIO CHANGES (continued)

	£
Total purchases for the year (note 14)	33,332,557
888 Holdings PLC	562,676
Alpha Financial Markets Consulting PLC	421,897
Anglo Pacific Group PLC	1,299,183
Biopharma Credit PLC	49,760
Brewin Dolphin Holdings PLC	1,675,765
British American Tobacco PLC	906,972
Caretech Holdings PLC	415,896
Chesnara PLC	332,307
Close Brothers Group PLC	431,810
Computacenter PLC	923,023
Contourglobal PLC	362,055
Diversified Gas & Oil PLC	91,281
Drax Group PLC	1,097,450
EMIS Group PLC	410,288
Games Workshop Group PLC	989,921
Gamesys Group PLC	231,317
GCP Infrastructure Investments Ltd (stock Dividend)	14,705
GCP Infrastructure Investments Ltd	301,030
Go Ahead Group PLC	461,352
Gocompare.com Group PLC	132,244
Hilton Food Group PLC	569,446
Hipgnosis Songs Fund Limited	1,038,849
IG Design Group PLC	1,002,568
Impact Healthcare REIT PLC	732,278
Inland Homes PLC	539,600
International Public Partnerships Ltd	657,214
John Laing Group PLC	417,847
JTC PLC	227,800
K3 Capital Group PLC	812,893
Kainos Group PLC	456,615
Legal & General Group PLC	806,504
Lok'nStore Group PLC	196,999
MP Evans Group PLC	349,986
PayPoint PLC	737,611
Pennon Group PLC	889,260
Persimmon PLC	401,195
Polar Capital Holding PLC	833,745
Restore PLC	293,021
Round Hill Music Royalty Fund Limited	800,243
Sabre Insurance Group PLC	501,844
Sequoia Economic Infrastructure Income Fund Ltd	212,310
Smart Metering Systems PLC	1,295,309
SSE PLC	889,164
Strix Group PLC	997,499
Telecom Plus PLC	1,936,531
Tesco PLC	647,024
TP ICAP PLC	653,274
Volex PLC	1,162,853
Warehouse REIT PLC	134,623
Watkin Jones PLC	725,066
X Power Ltd	445,792
Zegona Communications PLC	856,662

The above purchases represent all of the purchases during the year.

STATEMENT OF TOTAL RETURN

For the year ended 31 March 2021

		2021		2020	
	Notes	£	£	£	£
Income					
Net capital gains/(losses)	2		11,517,118		(10,658,181)
Revenue	3	1,968,367		1,935,969	
Expenses	4	(422,455)		(419,718)	
Interest payable and similar charges	6	<u>(9,134)</u>		<u>(2,443)</u>	
Net revenue before taxation		1,536,778		1,513,808	
Taxation	5	<u>(32,185)</u>		<u>(38,880)</u>	
Net revenue after taxation			<u>1,504,593</u>		<u>1,474,928</u>
Total return before distributions			13,021,711		(9,183,253)
Finance costs: distributions	6		<u>(1,902,375)</u>		<u>(1,875,995)</u>
Changes in net assets attributable to shareholders from investment activities			<u>11,119,336</u>		<u>(11,059,248)</u>

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31 March 2021

	2021	2020
	£	£
Opening net assets attributable to shareholders	36,563,823	40,155,099
Amounts receivable on creation of shares	17,659,715	10,920,364
Amounts payable on cancellation of shares	(22,934,623)	(3,739,385)
Dividend reinvested	193,445	286,993
Dilution levy	32,302	-
Changes in net assets attributable to shareholders from investment activities (see above)	<u>11,119,336</u>	<u>(11,059,248)</u>
Closing net assets attributable to shareholders	<u>42,633,998</u>	<u>36,563,823</u>

BALANCE SHEET

As at 31 March 2021		2021		2020	
	Notes	£	£	£	£
ASSETS					
Investment assets			41,334,043		30,195,201
Current assets					
Debtors	7	105,586		3,825,823	
Cash and bank balances	8	<u>1,602,423</u>		<u>2,726,984</u>	
Total current assets			<u>1,708,009</u>		<u>6,552,807</u>
Total assets			43,042,052		36,748,008
LIABILITIES					
Current liabilities					
Distribution payable on income shares		(268,238)		-	
Bank overdraft	8	(52,645)		(123,090)	
Creditors	9	<u>(87,171)</u>		<u>(61,095)</u>	
Total current liabilities			<u>(408,054)</u>		<u>(184,185)</u>
Net assets attributable to shareholders			<u>42,633,998</u>		<u>36,563,823</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Association (IA) in May 2014 and to the amendments to the SORP issued by the IA in June 2017. The functional currency is Sterling.

(b) Basis of valuation of investments

The listed investments of the Sub-fund have been valued at bid-market prices at the closing valuation point on 31 March 2021.

All transactions in foreign currencies are converted into Sterling at the rates of exchange ruling at the date of such transactions. Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates at the closing valuation point on 31 March 2021.

(c) Recognition of revenue

Dividends, interest and property income distributions on equities are recognised when the security is quoted ex-dividend. Rebates from the Investment Manager are recognised on an accruals basis. Other revenue is accounted for on a receipts basis.

Equalisation received by the way of distributions from OEICs/unit trust investment is not included in revenue but is reflected as a reduction in the book cost of that investment.

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Sub-fund, and where applicable is included in the distribution. In the case of an enhanced stock dividend the value of the enhancement is treated as capital.

Special dividends are treated as repayments of capital or revenue depending on the facts of each particular case.

(d) Expenses

All expenses are accounted for on an accruals basis and, other than those relating to the buying and selling of investments, all expenses are charged to capital of the Sub-fund.

(e) Current taxation

Tax is provided using tax rates and laws which have been enacted or substantively enacted at the balance sheet date.

Corporation tax is provided on income liable to corporation tax less deductible expenses.

Where tax has been deducted from revenue that tax can, in some instances, be set off against the corporation tax payable, by way of double tax relief.

(f) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date will result in an obligation to pay less or receive more tax.

Deferred tax assets are recognised only to the extent that the ACD considers that it is more likely than not there will be taxable profits from which underlying timing differences can be deducted.

(g) Equalisation

Equalisation will be applied to the Sub-fund. An allocation of income in respect of each share issued or sold by the ACD during an accounting period in respect of which that income allocation is made may include a capital sum ("income equalisation") representing the ACD's best estimate of the amount of income included in the price of that share.

(h) Distributions

Where the revenue from investments exceeds the expenses of the Sub-fund, monthly distributions are allocated to all holders of income and accumulation shares one month in arrears.

(i) Unclaimed distributions

If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the relevant Sub-fund (or if that no longer exists the ACD). Application to claim distributions that have not been paid should be made to the ACD before this six year period has elapsed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**2 Net capital gains/(losses)**

	2021	2020
	£	£
The net capital gains/(losses) comprise:		
Non-derivative securities gains/(losses)	11,517,072	(10,653,653)
Currency gains	4,112	1,020
Transaction charges	(4,066)	(5,548)
Total net capital gains/(losses)	<u>11,517,118</u>	<u>(10,658,181)</u>

3 Revenue

	2021	2020
	£	£
UK dividends: ordinary	1,554,357	1,546,614
Overseas dividends	124,376	302,054
Property income distributions	148,107	197,150
Unfranked (interest distributions)	122,483	-
Interest on debt securities	8,983	(117,250)
HM Revenue & Customs interest	-	60
Investment manager's fee rebate	10,061	7,341
Total revenue	<u>1,968,367</u>	<u>1,935,969</u>

Note the 2020 revenue has been reclassified as follows:

Investment manager's fee rebate of £7,341 has been moved from expenses into revenue.

4 Expenses

	2021	2020
	£	£
Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:		
Annual management charge	370,476	383,964
	<u>370,476</u>	<u>383,964</u>
Payable to the depositary, associates of the depositary, and agents of either of them:		
Depositary fee	13,785	15,336
Safe custody fee	2,885	1,169
	<u>16,670</u>	<u>16,505</u>
Audit fee	9,435	12,852
Legal fees	4,093	2,803
Printing costs	4,802	3,594
Other expenses	16,979	-
	<u>35,309</u>	<u>19,249</u>
Total expenses	<u>422,455</u>	<u>419,718</u>

Note the 2020 expenses has been reclassified as follows:

Investment manager's fee rebate of £7,341 has been moved from expenses into revenue

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Taxation

	2021	2020
	£	£
(a) Analysis of charge in the year		
Irrecoverable overseas tax	32,185	38,880
Total tax charge for the year (note 5b)	<u>32,185</u>	<u>38,880</u>
(b) Factors affecting current tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company 20.00% (2020: 20.00%) The differences are explained below:		
Net revenue before UK corporation tax	1,536,778	1,513,808
Corporation tax at 20.00% (2020:20.00%)	307,356	302,762
<u>Effects of:</u>		
Revenue not subject to UK corporation tax	(335,747)	(362,082)
Current year expenses not utilised	28,391	59,320
Irrecoverable overseas tax	32,185	38,880
Total tax charge for year (note 5a)	<u>32,185</u>	<u>38,880</u>

(c) Provision for deferred taxation

At 31 March 2021 there is a potential deferred tax asset of £286,454 (31 March 2020: £258,063) in relation to surplus management expenses. It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised.

6 Finance costs

	2021	2020
	£	£
Interim dividend distributions	1,596,978	1,904,612
Final dividend distribution	268,238	-
	<u>1,865,216</u>	<u>1,904,612</u>
Add: Revenue deducted on cancellation of shares	46,768	20,098
Deduct: Revenue received on issue of shares	(9,609)	(48,715)
Net distribution for the year	1,902,375	1,875,995
Interest payable and similar charges	9,134	2,443
Total finance costs	<u>1,911,509</u>	<u>1,878,438</u>
Reconciliation of distributions		
Net revenue after taxation	1,504,593	1,474,928
Expenses paid from capital (net of rebates)	412,394	412,377
Relief on expenses allocated to capital	-	(23,154)
Revenue deficit to be transferred to capital	-	11,830
Brought forward balance	-	14
Carried forward balance	(14,612)	-
Net distribution for the year	<u>1,902,375</u>	<u>1,875,995</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Debtors	31.03.21	31.03.20
	£	£
Amounts receivable for issue of shares	21,015	3,665,505
Amounts receivable on trades	19,454	-
Accrued revenue:		
Interest on debt securities	4,101	2,519
Capital special dividend receivable	-	30,000
Dividends receivable	41,125	119,788
Overseas tax recoverable	-	670
Property income distribution	8,727	-
Withholding tax reclaimable	8,186	-
Prepayments	21	-
Investment manager's fee rebate receivable	2,957	7,341
Total debtors	105,586	3,825,823

8 Cash and bank balances	31.03.21	31.03.20
	£	£
Cash and bank balances	1,602,423	2,726,984
Bank overdraft	(52,645)	(123,090)

9 Creditors	31.01.21	31.01.20
	£	£
Amounts payable for redemption of shares	6,919	12,562
Payable to the ACD	22,337	24,081
Accrued expenses	57,915	24,452
Total creditors	87,171	61,095

10 Shares held

Shares held - Income

Opening shares at 01.04.20	36,253,436
Shares issued during the year	16,293,269
Shares cancelled during the year	(16,594,527)
Shares converted during the year	(267)
Closing shares as at 31.03.21	35,951,911

Shares held - Accumulation

Opening shares at 01.04.20	3,467,388
Shares issued during the year	163,799
Shares cancelled during the year	(2,609,775)
Shares converted during the year	161
Closing shares as at 31.03.21	1,021,573

11 Risk management policies

In pursuing its investment objective as stated on page 6, the Sub-fund holds a number of financial instruments. The Sub-fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued revenue.

The main risks arising from the Sub-fund's financial instruments, those of its underlying holdings and the ACD's policies for managing these risks are summarised below. These policies have been applied throughout the year.

Market price risk

Market price risk is the risk that the value of the Sub-fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Sub-fund holds. It represents the potential loss the Sub-fund might suffer through holding market positions in the face of price movements.

The Sub-fund's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

If market prices at the balance sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 31.03.21 would have increased/decreased by £4,133,404 (2020: £3,019,520).

Foreign currency risk

Foreign currency risk is the risk that the value of the Sub-fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

The Sub-fund's investment portfolio is partly invested in equities that are registered overseas and funds that invest in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The ACD may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the Sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to Sterling on or near the date of receipt.

A portion of the net assets of the Sub-fund is denominated in currencies other than Sterling with the effect that the balance sheet and total return can be affected by currency movements.

Interest rate risk

Interest rate risk is the risk that the value of the Sub-fund's investment holdings will fluctuate as a result of changes in interest rates. The Sub-fund invests in both fixed and floating rate securities and is subject to interest rate risk exposure on these holdings along with interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Maturity of financial liabilities

The financial liabilities of the Sub-fund as at 31 March 2021 are payable either within one year or on demand.

Liquidity risk

The Sub-fund's assets comprise mainly of readily realisable securities. The main liability of the Sub-fund is the redemption of any shares that the investors wish to sell. Assets of the Sub-fund may need to be sold if insufficient cash is available to finance such redemptions.

Credit risk

Certain transactions in securities that the Sub-fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Sub-fund has fulfilled its responsibilities. The Sub-fund only buys and sells investments through brokers which have been approved by the ACD as acceptable counterparties and fund management companies. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 Risk management policies (continued)

Credit risk (continued)

Credit risk also arises on cash held within financial institutions and debt securities. Credit risk on cash balances is mitigated by ensuring that cash is held with financial institutions that are at least investment grade credit related. Indirect credit risk arises from holdings in collectives that invest in debt securities as any default or perceived risk of default will affect the valuation of such holdings. On debt securities credit risk is mitigated by ensuring that credit ratings are monitored regularly and in line with the investment objective and profile of the Sub-fund.

Fair value disclosure

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices and the lowest priority to un-observable inputs. The criteria applied to the fair values levels in these financial statements are as follows:

A Fair value based on a quoted price for an identical instrument in an active market.

B Fair value based on the price of a recent transaction for an identical instrument.

C1 Fair value based on a valuation technique using observable market data.

C2 Fair value based on a valuation technique that relies significantly on non-observable market data.

Valuation Technique	Assets (£000's)	Liabilities (£000's)
A Quoted prices for identical instruments in active markets	41,334	-
Total	41,334	-

12 Contingent assets and liabilities

At 31 March 2021, the Sub-fund had no contingent liabilities or commitments (31 March 2020: £nil).

13 Post balance sheet events

As indicated in the accounting policies in Note 1, the investments have been valued at the closing valuation point on 31 March 2021. Since that date, the Sub-fund's quoted price has moved as follows for each share class:

	Price (GBP) at 31 March 2021	Price (GBP) at 29 July 2021
Income Shares	113.83	124.52
Accumulation Shares	190.85	210.58

14 Direct transaction costs

	2021		2020	
	£	%	£	%
Analysis of total purchase costs				
Purchases in the year before transaction costs	33,215,176		26,751,623	
Commissions	24,971	0.07%	17,035	0.06%
Taxes	88,726	0.27%	66,191	0.25%
Levies	3,684	0.01%	-	0.00%
Total purchase costs	<u>117,381</u>	<u>0.35%</u>	<u>83,226</u>	<u>0.31%</u>
Total purchases including transaction costs	<u>33,332,557</u>		<u>26,834,849</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Direct transaction costs (continued)

Analysis of total sale costs	2021		2020	
	£	%	£	%
Sales in the year before transaction costs	33,811,775		24,712,750	
Commissions	(21,834)	(0.06%)	(16,478)	(0.07%)
Levies	(171)	(0.00%)	(148)	(0.00%)
	<u>(22,005)</u>	<u>(0.06%)</u>	<u>(16,626)</u>	<u>(0.01%)</u>
Total sales net of transaction costs	<u>33,789,770</u>		<u>24,696,124</u>	

The following represents the total of each type of transaction cost, expressed as a percentage of the Sub-fund's average net asset value in the year:

	2021	% of average net	2020	% of average
	£	asset value	£	net asset
Commissions	46,805	0.11%	4,508	0.01%
Taxes	88,726	0.20%	5,715	0.01%
Levies	3,855	0.01%	54	0.00%
	<u>139,386</u>	<u>0.32%</u>	<u>10,277</u>	<u>0.02%</u>

DISTRIBUTION TABLES

First interim distribution in pence per share

Group 1: Shares purchased prior to 01 April 2020

Group 2 : Shares purchased on or after 01 April 2020 and on or before 30 April 2020

01 April 2020 to 30 April 2020

Accumulation	Distribution accumulated 29.05.2020	Equalisation	Distribution accumulated 29.05.2020	Distribution accumulated 31.05.2019
Group 1	0.8036	-	0.8036	0.6911
Group 2	0.5952	0.2084	0.8036	0.6911

Income	Distribution paid 29.05.2020	Equalisation	Distribution paid 29.05.2020	Distribution paid 31.05.2019
Group 1	0.5000	-	0.5000	0.4500
Group 2	0.4498	0.0502	0.5000	0.4500

Second interim distribution in pence per share

Group 1: Shares purchased prior to 01 May 2020

Group 2 : Shares purchased on or after 01 May 2020 and on or before 31 May 2020

01 May 2020 to 29 May 2020

Accumulation	Distribution accumulated 30.06.2020	Equalisation	Distribution accumulated 30.06.2020	Distribution accumulated 28.06.2019
Group 1	0.5654	-	0.5654	0.6950
Group 2	-	0.5654	0.5654	0.6950

Income	Distribution paid 30.06.2020	Equalisation	Distribution paid 30.06.2020	Distribution paid 28.06.2019
Group 1	0.3500	-	0.3500	0.4509
Group 2	0.0493	0.3007	0.3500	0.4509

Third interim distribution in pence per share

Group 1: Shares purchased prior to 01 June 2020

Group 2 : Shares purchased on or after 01 June 2020 and on or before 30 June 2020

01 June 2020 to 30 June 2020

Accumulation	Distribution accumulated 31.07.2020	Equalisation	Distribution accumulated 31.07.2020	Distribution accumulated 31.07.2019
Group 1	0.5674	-	0.5674	0.7591
Group 2	-	0.5674	0.5674	0.7591

Income	Distribution paid 31.07.2020	Equalisation	Distribution paid 31.07.2020	Distribution paid 31.07.2019
Group 1	0.3500	-	0.3500	0.4907
Group 2	-	0.3500	0.3500	0.4907

Fourth interim distribution in pence per share

Group 1: Shares purchased prior to 01 July 2020

Group 2 : Shares purchased on or after 01 July 2020 and on or before 31 July 2020

01 July 2020 to 31 July 2020

Accumulation	Distribution accumulated 28.08.2020	Equalisation	Distribution accumulated 28.08.2020	Distribution accumulated 30.08.2019
Group 1	0.5694	-	0.5694	0.7714
Group 2	-	0.5694	0.5694	0.7714

Income	Distribution paid 28.08.2020	Equalisation	Distribution paid 28.08.2020	Distribution paid 30.08.2019
Group 1	0.3500	-	0.3500	0.4966
Group 2	0.0637	0.2863	0.3500	0.4966

DISTRIBUTION TABLES (Continued)**Fifth interim distribution in pence per share**

Group 1: Shares purchased prior to 01 August 2020

Group 2 : Shares purchased on or after 01 August 2020 and on or before 31 August 2020

01 August 2020 to 31 August 2020

Accumulation	Distribution accumulated 30.09.2020	Equalisation	Distribution accumulated 30.09.2020	Distribution accumulated 30.09.2019
Group 1	0.5714	-	0.5714	0.7750
Group 2	-	0.5714	0.5714	0.7750

Income	Distribution paid 30.09.2020	Equalisation	Distribution paid 30.09.2020	Distribution paid 30.09.2019
Group 1	0.3500	-	0.3500	0.4969
Group 2	0.0236	0.3264	0.3500	0.4969

Sixth interim distribution in pence per share

Group 1: Shares purchased prior to 01 September 2020

Group 2 : Shares purchased on or after 01 September 2020 and on or before 30 September 2020

01 September 2020 to 30 September 2020

Accumulation	Distribution accumulated 30.10.2020	Equalisation	Distribution accumulated 30.10.2020	Distribution accumulated 31.10.2019
Group 1	0.5734	-	0.5734	0.9285
Group 2	-	0.5734	0.5734	0.9285

Income	Distribution paid 30.10.2020	Equalisation	Distribution paid 30.10.2020	Distribution paid 31.10.2019
Group 1	0.3500	-	0.3500	0.5928
Group 2	-	0.3500	0.3500	0.5928

Seventh interim distribution in pence per share

Group 1: Shares purchased prior to 01 October 2020

Group 2 : Shares purchased on or after 01 October 2020 and on or before 31 October 2020

01 October 2020 to 31 October 2020

Accumulation	Distribution accumulated 30.11.2020	Equalisation	Distribution accumulated 30.11.2020	Distribution accumulated 29.11.2019
Group 1	0.5755	-	0.5755	0.7847
Group 2	-	0.5755	0.5755	0.7847

Income	Distribution paid 30.11.2020	Equalisation	Distribution paid 30.11.2020	Distribution paid 29.11.2019
Group 1	0.3500	-	0.3500	0.4985
Group 2	-	0.3500	0.3500	0.4985

DISTRIBUTION TABLES (Continued)**Eighth interim distribution in pence per share**

Group 1: Shares purchased prior to 01 November 2020

Group 2 : Shares purchased on or after 01 November 2020 and on or before 30 November 2020

01 November 2020 to 30 November 2020

Accumulation	Distribution accumulated 31.12.2020	Equalisation	Distribution accumulated 31.12.2020	Distribution accumulated 31.12.2019
Group 1	0.5776	-	0.5776	0.7886
Group 2	-	0.5776	0.5776	0.7886

Income	Distribution paid 31.12.2020	Equalisation	Distribution paid 31.12.2020	Distribution paid 31.12.2019
Group 1	0.3500	-	0.3500	0.4989
Group 2	-	0.3500	0.3500	0.4989

Ninth interim distribution in pence per share

Group 1: Shares purchased prior to 01 December 2020

Group 2 : Shares purchased on or after 01 December 2020 and on or before 31 December 2020

01 December 2020 to 31 December 2020

Accumulation	Distribution accumulated 29.01.2021	Equalisation	Distribution accumulated 29.01.2021	Distribution accumulated 31.01.2020
Group 1	0.3500	-	0.3500	0.7922
Group 2	-	0.3500	0.3500	0.7922

Income	Distribution paid 29.01.2021	Equalisation	Distribution paid 29.01.2021	Distribution paid 31.01.2020
Group 1	0.3500	-	0.3500	0.4992
Group 2	-	0.3500	0.3500	0.4992

Tenth interim distribution in pence per share

Group 1: Shares purchased prior to 01 January 2021

Group 2 : Shares purchased on or after 01 January 2021 and on or before 31 January 2021

01 January 2021 to 31 January 2021

Accumulation	Distribution accumulated 26.02.2021	Equalisation	Distribution accumulated 26.02.2021	Distribution accumulated 28.02.2020
Group 1	0.3500	-	0.3500	0.7957
Group 2	-	0.3500	0.3500	0.7957

Income	Distribution paid 26.02.2021	Equalisation	Distribution paid 26.02.2021	Distribution paid 28.02.2020
Group 1	0.3500	-	0.3500	0.4995
Group 2	0.0145	0.3355	0.3500	0.4995

DISTRIBUTION TABLES (Continued)

Eleventh interim distribution in pence per share

Group 1: Shares purchased prior to 01 February 2021

Group 2 : Shares purchased on or after 01 February 2021 and on or before 28 February 2021

01 February 2021 to 28 February 2021

Accumulation	Distribution accumulated 31.03.2021	Equalisation	Distribution accumulated 31.03.2021	Distribution accumulated 31.03.2020
Group 1	0.3500	-	0.3500	0.7995
Group 2	-	0.3500	0.3500	0.7995

Income	Distribution paid 31.03.2021	Equalisation	Distribution paid 31.03.2021	Distribution paid 31.03.2020
Group 1	0.3500	-	0.3500	0.4999
Group 2	0.0441	0.3059	0.3500	0.4999

Final distribution in pence per share

Group 1: Shares purchased prior to 01 March 2021

Group 2 : Shares purchased on or after 01 March 2021 and on or before 31 March 2021

01 March 2021 to 31 March 2021

Accumulation	Distribution accumulated 30.04.2021	Equalisation	Distribution accumulated 30.04.2021	Distribution accumulated 30.04.2020
Group 1	1.3622	-	1.3622	-
Group 2	0.0206	1.3416	1.3622	-

Income	Distribution paid 30.04.2021	Equalisation	Distribution paid 30.04.2021	Distribution paid 30.04.2020
Group 1	0.3430	-	0.3430	-
Group 2	0.2975	0.0455	0.2520	-

EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue included in the purchase price of the shares. It is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

Information for corporate shareholders

A corporate shareholder receives the distribution shown on the voucher enclosed with this report as follows:

- i) 85.68% of the total dividend allocation together with the tax credit is received as franked investment income.
- ii) 14.32% of the dividend allocation is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

INFORMATION FOR INVESTORS

Distribution

Distributions of the revenue of the Company will be made to shareholders on or before 31 March each year and interim allocations of revenue on or before the last working day of the month.

Individual shareholders

Income tax: HM Revenue and Customs changed the taxation of dividends on 6 April 2016. Dividend tax credits were abolished and replaced by a tax-free annual dividend allowance currently standing at £2,000 (2020/21). UK resident shareholders are now subject to new higher rates of tax on dividend income in excess of the annual allowance. The actual rate depends on the individual's tax rate band.

Capital gains tax: Individual shareholders resident in the UK for tax purposes may be liable to capital gains tax on realisation of their shares as with other chargeable assets. However, the first £12,300 (2020/21) of gains each year are presently tax free for individuals. Gains in excess of that amount are charged at the rate of tax applicable to the individual tax payer.

Taxation

The Company will pay no corporation tax on its profits for the year ended 31 March 2021. Capital gains within the Company will not be taxed.

Corporate shareholders

Companies resident for tax purposes in the UK which hold shares should note that OEIC distributions are streamed into both franked and unfranked income. The unfranked income element will be treated as an annual payment which has been subject to income tax at prevailing rates and will be liable to tax accordingly. On realisation of their shares, UK resident companies may be liable to pay corporation tax on any capital gains.

The above information on taxation is only a general summary, and shareholders should consult their own tax advisors in relation to their own circumstances. Shareholders should also note that the position as outlined may change to reflect future changes in tax legislation.

Issue and redemption of shares

Valu-Trac Investment Management Limited is the ACD and Registrar. Valu-Trac Investment Management Limited will receive requests for the purchase or sale of shares at any time during normal business hours between 8.30am and 5.30pm. Instructions may be given by email to the below email addresses or by sending an application form to the Registrar. Application forms are available from the Registrar. Email Downing@valu-trac.com

The price of shares will be determined by reference to a valuation of the Company's net assets at 12 noon on each dealing day.

The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of shares has been issued will not be returned to the applicant. Instead, smaller denomination shares will be issued in such circumstances.

A contract note giving details of the shares purchased and the price used will be issued by the Registrar by the end of the business day following the valuation point by reference to which the purchase price is determined. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Ownership of shares will be evidenced by an entry on the Company's Register of Shareholders. Certificates will not be issued. Statements in respect of periodic distributions of revenue will show the number of shares held by the recipient in respect of which the distribution is made. Individual statements of a shareholder's shares will also be issued at any time on request by the registered holder.

Where shares are redeemed, payment will be made not later than the close of business on the fourth business day following the next valuation point after receipt by the ACD of a request for redemption.

The most recent issue and redemption prices are available from the ACD.

Remuneration: Information about the authorised fund manager (AFM) remuneration policies and disclosures is available from Valu-Trac Investment Management Limited on its website which can be found on the link below.

<https://www.valu-trac.com/VIML%20Remuneration%20Policy%20Statement.pdf>

The AFM does not employ any staff directly from the fund, so there are no quantitative disclosures in this report.

CORPORATE DIRECTORY

<p>Authorised Corporate Director & Registrar to 30 November 2020</p>	<p>Maitland Institutional Services Limited Hamilton Centre Rodney Way Chelmsford Essex CM1 3BY</p> <p>Authorised and regulated by the Financial Conduct Authority Registered in England No 06252939</p>
<p>Authorised Corporate Director & Registrar from 1 December 2020</p>	<p>Valu-Trac Investment Management Limited Orton Fochabers Moray IV32 7QE</p> <p>Telephone: 01343 880344 Fax: 01343 880267 Email: downing@valu-trac.com</p> <p>Authorised and regulated by the Financial Conduct Authority Registered in England No 2428648</p>
<p>Investment Manager</p>	<p>Downing LLP 6th Floor St Magnus House 3 Lower Thames Street London EC3R 6HD</p> <p>Authorised and regulated by the Financial Conduct Authority</p>
<p>Depositary to 30 November 2020</p>	<p>Northern Trust Global Services SE (UK Branch) 50 Bank Street Canary Wharf London E14 5NT</p> <p>Authorised regulated by the Financial Conduct Authority</p>
<p>Depositary from 1 December 2020</p>	<p>NatWest Trustee and Depositary Services Limited House A Floor 0, 175 Glasgow Road Gogarburn Edinburgh EH12 1HQ</p> <p>Authorised regulated by the Financial Conduct Authority</p>
<p>Auditor to 30 November 2020</p>	<p>Grant Thornton UK LLP Chartered Accountants 30 Finsbury Square London EC2A 1AG</p>
<p>Auditor from 1 December 2020</p>	<p>Johnston Carmichael LLP Chartered Accountants Commerce House South Street Elgin IV30 1JE</p>

Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Downing Monthly Income Fund on the outcome of the AFM's assessment of the value provided to shareholders

For the year ended 31st March 2021

This assessment is to establish what VT Downing Monthly Income Fund (the fund) has delivered to you in return for the price you have had to pay.

From 01 December 2020 the AFM is the Authorised Corporate Director of the sub-fund, Valu-Trac Investment Management Limited (Valu-Trac). Prior to 01 December 2020 the AFM/Authorised Corporate Director was Maitland Institutional Services Limited. The Investment Manager is Downing LLP.

The investment objective of the fund is to achieve a monthly income, together with capital growth over the long term (5 years).

The fund intends to invest primarily (at least 70%) in equities listed on a UK stock exchange. The fund may also invest in other transferable securities (for example, without limitation, international equities), units in collective investment schemes (which may include those managed and/or operated by the ACD or Investment Manager), money market instruments, warrants and deposits as detailed in the Prospectus.

Derivatives may be used for the purposes of efficient portfolio management.

No more than 10% of the Scheme Property of the fund will be invested in other collective investment schemes.

	At and for the year ended				
	31-Mar 2021	31-Mar 2020	31-Mar 2019	31-Mar 2018	31-Mar 2017
Value of fund (per performance record)					
Income Shares	£40,925k	£31,698k	£33,826k	£36,234k	£9,921k
Accumulation Shares	£1,950k	£4,866k	£6,330k	£9,705k	£4,663k
Shares outstanding					
Income Shares	35,952k	36,253k	28,771k	26,963k	7,255k
Accumulation Shares	1,022k	3,467k	3,505k	4,922k	2,438k
NAV per share					
Income Shares	113.83p	87.43p	117.57p	134.38p	136.76p
Accumulation Shares	190.85p	140.34p	180.57p	197.18p	191.27p
Dividend per share					
Income Shares	4.34p	5.47p	5.90p	6.95p	6.77p
Accumulation Shares	7.22p	8.58p	8.83p	9.90p	9.19p
Net gains/(losses) (before expenses)					
Capital gains/(losses)	£11,521k	(£10,653k)	(£5,381k)	(£2,436k)	£1,385k
Total Net gains/(losses)	£13,479k	(£8,724k)	(£3,253k)	(£1,204k)	£2,119k

*From 01 December 2020 the source of all data is Valu-Trac Administration Services unless otherwise stated
Source of data prior to 01 December 2020 - Maitland Institutional Services Limited*

The fund is not managed to or constrained by a benchmark. The AFM does, however, assess the performance of the fund against the IA UK Equity Income Sector, which includes a selection of funds which have broadly similar characteristics, particularly in terms of investment objective and time horizons. This assessment can be found in section 2.

**Cumulative gain to 31 Mar
2021**
5 yrs

Increase in NAV per share

Income Shares	(9.46%)
Accumulation Shares	14.33%

In carrying out the assessment of value the following criteria were considered:

1. Quality of service

The AFM considers that a good level of service was provided to shareholders by all parties involved commensurate to the amount paid by the fund for those services. The AFM monitors the following operational services:

Depository – NatWest Trustee and Depository Services Limited

Custodian – RBC Investor Services Trust, UK branch (RBC)

The external audit is conducted by Johnston Carmichael LLP.

These services are essential in ensuring that the fund operated efficiently and in the case of the Depository and Custodian the service is supervised on an on-going daily basis by the AFM. As a shareholder this means that you can be certain that your requests such as investment and redemption of the fund’s units will always be carried out exactly as set out in the documentation.

Valu-Trac does not delegate any of the core functions of the fund such as fund administration, fund accounting and transfer agency. This means that the AFM directly employs and supervises the individuals who are carrying out this work and that those undertaking the work are appropriately qualified and experienced. Due to this high level of supervision and control of these functions the AFM believes that the shareholders can be certain that their instructions will be carried out efficiently and that the reporting they receive is timely and focused. The AFM has worked closely with Downing LLP to coordinate mailings such as annual letters with dividend vouchers and financial reports to avoid excessive correspondence whilst providing all required reporting on a timely and clear basis. This also has ensured that the AFM has responded to any enquiries from shareholders fully and promptly.

2. Performance

The AFM has assessed performance of the fund net of all the charges that are outlined in its prospectus. The objective of the Fund is to provide returns through monthly income and along with capital growth over the long term (5+ years). The performance for 2021 is presented below along with the results of the fund over the last 5 years versus the IA UK Equity Income Sector.

To show income, the yields net of fees is shown on the table below, this is the dividend per share compare as a percentage of the relevant price per share.

	2021 Income Yield	Annualised 5-year Income Yield	Comparator Annualised Income Yield
Income Shares	4.96%	4.68%	3.95%
Accumulation Shares	5.14%	5.24%	3.95%

Source Benchmark Data - Morningstar

In addition to providing income in excess of the comparator, in the period under review, both share classes generated every month income in the form of dividends.

To show capital growth over the long term being achieved, the total returns is shown in the table below.

Total Returns	2021 performance	Annualised 5-year performance	Annualised 5-year Comparator Performance
Income Shares (dividends added back)	35.17%	2.79%	4.35%
Accumulation Shares	35.99%	2.87%	4.35%

Source Benchmark Data - Morningstar

The AFM has also assessed the risk the fund took to achieve the above performance and has concluded that the fund has achieved good performance over the period under review and has not taken excessive risk to achieve this performance (detailed analysis on how we have arrived at this conclusion can be provided on request).

3. AFM costs - general

The costs charged during the year ended 31 March 2021 were as follows:

	£	% of average fund value
Investment manager's fee	330,443	0.75%
Investment manager's rebate	(10,061)	(0.02%)
ACD fee	21,603	0.05%
Administration fee	18,430	0.05%
Depositary fee	13,785	0.03%
Audit fee	9,435	0.02%
Safe custody fee	2,885	0.01%
Legal fee	4,093	0.01%
Printing costs	4,802	0.01%
Other fees	16,979	0.04%
Transaction fee (capital)	4,066	0.01%
Total costs	416,460	0.96%

Income for the year (capital and revenue) less costs was £13,022k after overseas tax of £32k.

Note that the Investment Manager pays a rebate to the fund such that the average operating costs of the fund as a percentage does not exceed 1%.

The prospectus does allow for a dilution levy charge. The ACD’s policy is that it may require a dilution levy on the purchase and redemption of shares if, in its opinion, the existing shareholders (for purchases) or remaining shareholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the Scheme Property of a Sub-fund is in continual decline; on a Sub-fund experiencing large levels of net purchases relative to its size; on “large deals” (typically being a purchase or redemption of Shares to a size exceeding 5% of the Net Asset Value of the relevant Sub-fund); in any case where the ACD is of the opinion that the interests of existing or remaining Shareholders require the imposition of a dilution levy. The total dilution levy applied on purchases and redemptions of shares for the year was £32,302.

The AFM has considered the costs charged to the fund by comparing the operating charges of the fund to the average OCF of the largest 10 funds in the IA UK Equity Income sector, retail classes where available. This is shown below. Note that the operating charges excludes Transaction fees (capital) which is why the operating charge below is 0.01% less than the total costs.

	Operating charges (excluding capital transaction fees)
VT Downing Monthly Income Fund	0.95%
IA UK Equity Income sector (average of 10 largest funds)	1.32%

Source - Morningstar

While the AFM can only comment on the costs in the period they have been operating the fund, the AFM has concluded these costs and in particular the Investment Manager’s fee are appropriate and justified for the fund. The Investment Manager fee is considered to be competitive for this style of fund with the OCF not considered excessive by the AFM.

4. Economies of scale

The AFM has assessed to what extent it has been able to achieve any savings as a result of economies of scale. Where any such savings have been made this has in every case been passed on to the shareholders. An example of this is the depositary fees charges being on a sliding scale so reduce in cost as the fund exceeds certain thresholds. As the AFM grows its total assets across all schemes it uses this purchasing power to benefit all schemes.

5. Comparable market rates

The AFM has compared the charges of this fund with that of comparable funds. The AFM selected funds that are in the IA UK Equity Income sector along with similar style funds that the AFM administer. The AFM believes that the shareholders of the fund are achieving efficient market rates as a whole and are not excessive as discussed in section 3. As the AFM assets grow in total it continues to strive for extra efficiencies wherever this can be achieved for all of its schemes.

6. Comparable services

The services provided to this fund and the costs are also comparable amongst other similar funds operated by the AFM and is aligned with its normal operating model.

7. Classes of units

While there are two types of share classes in the fund, the income shares and the accumulation shares both share classes are charged the same investment manager fee of 0.75% with expenses and rebate applied proportionally to both share classes. Therefore, all shareholders of this fund are treated equally in all respects. The operating charges for each share class over the last five years are given below which shows charges as a percentage of the fund falling in 2021.

	At and for the year ended				
	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar
	2021	2020	2019	2018	2017
Ongoing Operating charges					
Income Shares	0.95%	1.00%	1.00%	1.00%	1.00%
Accumulation Shares	0.95%	1.00%	1.00%	1.00%	1.00%

CONCLUSION

In taking all of these criteria into consideration the AFM concludes that in assessing whether the payments out of the scheme property as set out in the prospectus are justified in the context of the overall value delivered to shareholders, the shareholders of VT Downing Monthly Income Fund are receiving good value.

30 July 2021