

VT Downing Small & Mid-Cap Income Fund



February 2022 Commentary

In February, the Accumulation share class was down 3.57% while the IA UK Equity Income Total Return Index was down 2.14%. Key contributors were Caretech (up 7.69%) and Drax (up 7.82%). Key detractors included Morses Club (down 66.89%) and Alpha Financial Markets Consulting (down 17.23%).

CareTech, a specialist social care and education services provider, announced that the group had acquired two businesses in the United Arab Emirates – Dmetco-Bayti and Wellness. The acquisitions complement existing brands and offer a pathway of specialist health and social care services to an underserved market with favourable growth prospects.

Drax, a renewable energy company, announced a 'transformations year' for the group in its results announcement. Highlights included delivering adjusted EBITDA of £398 million, strong liquidity and balance sheet, the acquisition of Pinnacle for c.£222 million, and the sale of combined cycle gas turbine assets for £186 million.

Morses Club, a provider of non-standard financial services, saw its shares sell off significantly as it issued a trading update and also reported the departure of its chief executive. The group's cost base of the home collected credit (HCC) division has been impacted by a recent rapid increase in claim volumes. This will adversely affect profits for the current financial year. The CEO left the company with immediate effect following his sale of stock without giving the company advance warning.

Alpha Financial Markets Consulting, a specialist consultancy services provider, issued no news in the month. Client demand has remained strong across its major geographic regions, performance in North America has been excellent and recent acquisition Lionpoint is delivering as expected.

Opinions expressed represent the views of the fund manager at the time of publication, are subject to change, and should not be interpreted as investment advice.

As of 1 November 2021, the fund moved from monthly to quarterly distributions.

About the fund

The fund aims to have a portfolio of 30-50 holdings, with no exposure to the FTSE 100. Josh seeks to invest in equities with unique assets or a sustainable competitive advantage. These businesses have the potential to generate excess returns on invested capital over the long term which can compound both capital and shareholder distributions.

Investment objective

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

Performance



■ A - IA UK Equity Income TR in GB [96.87%] ■ B - VT Downing Small & Mid-Cap Income Acc in GB [77.64%]*

*VT Downing Small & Mid-Cap Income Fund is formerly known as the VT Downing Monthly Income Fund.

Cumulative performance (%)					
	1m	6m	1y	3y	5y
VT Downing Small & Mid-Cap Income Fund (Acc)	-3.57	-8.52	10.88	14.01	8.47
IA UK Equity Income TR index	-2.14	-0.70	13.27	15.72	19.94
Quartile ranking	4	4	3	3	4

Discrete performance (%)					
	28/02/2021-28/02/2022	29/02/2020-28/02/2021	28/02/2019-29/02/2020	28/02/2018-28/02/2019	28/02/2017-28/02/2018
VT Downing Small & Mid-Cap Income Fund (Acc)	10.88	0.35	2.46	-15.34	12.38
IA UK Equity Income TR index	13.27	3.41	-1.20	-0.53	4.20
Quartile ranking	3	3	1	4	1

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

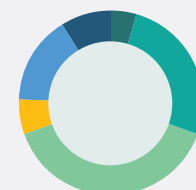


Fund Manager
Josh McCathie

Josh McCathie joined Downing in 2018 as an analyst and co-manager of the VT Downing Small & Mid-Cap Income Fund. He took over as lead manager in April 2021.

Josh has over 8 years' experience in the industry that has been focused on UK equities. Prior to Downing he was at BRI Wealth Management focusing on UK equity research. Josh is a CFA charterholder.

Market Cap Breakdown



- 4.51% <£150m
- 26.14% £150m - £500m
- 39.00% £500m - £1bn
- 6.07% £1bn - £2bn
- 15.55% £2bn - 4bn
- 0.00% £4bn+
- 8.73% Cash

Source: Factset

Top 10 Holdings

	% of fund
Caretech Holdings Plc	4.32
Drax Group Plc	4.20
Strix Group Plc	3.94
Watkin Jones Plc	3.92
Alpha Financial Markets Consulting Plc	3.79
Computacenter Plc	3.48
Lokn Store Group Plc	3.28
Diversified Energy Company Plc	3.05
Smart Metering Systems Plc	2.98
EMIS Group Plc	2.88
Total	35.84

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 28 February 2022

Sector breakdown



8.73%	Cash	12.75%	Financials	1.80%	UK Corporate Bonds
1.80%	Commodity and energy	7.21%	Healthcare	2.24%	UK Equities
2.45%	Communications	9.44%	Industrials	6.21%	Utilities
8.86%	Consumer discretionary	17.50%	Information technology		
4.64%	Consumer staples	6.12%	Property		
3.05%	Energy	7.20%	Real Estate		

Source: Valu-Trac Investment Management Ltd

Key facts As at 28 February 2022

Fund Objective

To achieve a quarterly income, together with long-term capital growth

Launch date

14 June 2010

Conversion date

1 April 2012**

IMA sector

UK Equity Income

Currency

UK Sterling

Types of shares

Income & Accumulation

Fund size

(Income & Accumulation shares combined)
£42.17m

Yield

3.5%***

Income paid

Quarterly

Number of holdings

42

Prices as at 28 February 2022

Accumulation shares: 204.2679p

Income shares: 118.5371p

Charges

Initial charge: 0%

Annual Mgmt charge: 0.75%

Ongoing charges charged to capital****: 0.87%

Minimum Investment

Lump sum: £1,000

Subsequently: £500

Monthly savings: £100

SEDOL & ISIN numbers

Accumulation shares:

SEDOL B61JRG2

ISIN GB00B61JRG28

Income shares:

SEDOL B625QM8

ISIN GB00B625QM82

Authorised Corporate Director

Valu-Trac act as ACD and manage the administration for the fund.

Valu-Trac Investment Management Ltd

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Investment Manager

Downing LLP was appointed Investment Manager to the fund on 1 June 2015.

Following the change of ACD, the fund name was changed to MI Downing Monthly Income Fund from 31 March 2017. This was changed again from 30 November 2020 and is now VT Downing Monthly Income Fund.

As from the 1 November 2021, the fund is now known as the VT Downing Small & Mid-Cap Income Fund.

Investment Committee

Judith MacKenzie: Non-Independent Member

Donald Robertson: Independent Member

Darrell O'Dea: Independent Member

Quarterly distribution

Period to	Income
31/10/2021	0.3500p
31/12/2021	1.0500p

Source: Valu-Trac Investment Management Ltd and Downing LLP

Platforms and wraps

Aegon	Hubwise
AJ Bell	James Brearley
All Funds	James Hay
Aviva	Novia
Canada Life International	Nucleus
Elevate	M&G
Embark	Quilter
Fidelity (Inst)	Standard life
Fidelity (FFN)	Transact
Hargreaves Lansdown	Zurich

** The conversion date refers to the date the investment objective and policy were changed.

*** The historic yield reflects distributions declared over the previous 12 months net of tax as a percentage of the share price, as at the first business day of the current month. The yield will vary and investors may be subject to tax on their distributions. Fund charges and expenses are charged to capital, effectively increasing the distribution(s) for the year by the amount of the charges and constraining capital performance by the same amount.

**** The ongoing charges figure is based on expenses and the net asset value as at 31 December 2021. This figure may vary from year to year. It excludes portfolio transaction costs. The funds annual report for each financial year will include detail on the exact charges made.

www.downingincomefund.co.uk



Source: defaqto, 3 Diamond rated, 2022
As at February 2022

Statistics correct as at 28/02/2022. Performance figures source: FE Analytics. Fund performance is based on accumulation shares, indices include net reinvested income. defaqto, 2021. Performance figures are for the period from when the investment objective and policy were changed on 1 April 2012, so that the fund was primarily invested in equities. Past performance is not a guide to future returns. The value of the fund and the income from it may go down as well as up, so you may not get back the amount you invested. The tax treatment of the fund may change and such changes cannot be foreseen. Tax treatment depends on the individual circumstances of each investor.

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