

VT Downing Unique Opportunities Fund



June 2020 Commentary

During June, the price of accumulation class shares in VT Downing Unique Opportunities Fund fell from 117.0735 to 114.7711 pence. There were nine risers, 17 fallers, and the remainder held steady.

After a strong advance since the launch of the Fund in March, there was understandably a bit of profit-taking seen in several holdings, leading to share price declines, most notably in Tristel (chlorine dioxide disinfectant manufacturer), Kainos (central government digitalisation consultant), and Craneware (US hospital software vendor). Auto Trader passed on a final dividend, but expressed the hope of paying an interim one later in 2020 and resuming share buybacks thereafter. Several other investments also drifted down somewhat on no new information. Among the risers, Tatton Asset Management reported a healthy advance in profits and a 14.3% increase in the final dividend, while defence detection specialist Chemring reported strong interims, a substantial reduction in net debt and an 8% increase in the interim dividend. Dunelm rallied in common with many other consumer-facing businesses as the UK started to exit lockdown.

The UK market was notable for a flood of equity fund-raisings in June, mainly by way of placings to rapidly shore up balance sheets weakened by the demand shock delivered by the pandemic. Although participants in these placings may make short term gains, many of the companies concerned will struggle to attain previous returns on equity and we suspect that some will not have raised enough to see them through the tough times ahead.

The Fund is still not fully invested, with cash inflows being applied opportunistically to increase existing holdings but cash levels remaining at around 22% for now.

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

About the fund

The fund aims to have a portfolio of 25-40 holdings. As fund manager Rosemary seeks to invest in equities she considers to have a unique outlook and opportunity for growth. These businesses will be identified as having sustainable competitive advantages that are difficult to replicate, which can create high barriers for new entrants and have the potential to generate superior returns over the long term.

Investment Objective

The fund's objective is to achieve capital growth and income over the long term (5+ years). It seeks to invest at least 80% in equities listed on UK markets (including the London Stock Exchange, AIM, and the ICAP Securities and Derivatives Exchange (ISDX)). The remainder will be invested in other equities, fixed income, money market instruments, deposits, warrants, cash and near cash.

The unique characteristics sought include:

- » having intangible assets e.g. brands, patents or regulatory licenses
- » having cost advantages stemming from process, location, scale or access to a unique asset
- » being the leading network in a business segment
- » there being high switching costs, which generate high customer retention rates



Fund Manager
Rosemary Banyard

Rosemary began her career with James Capel & Co where she was a senior investment analyst for 12 years. She rose to prominence and developed a reputation as a leading female fund manager in the UK after joining Schroders in 1997.

She spent nearly 20 years at Schroders and was for many years lead manager of the award-winning¹ Schroder Mid Cap Fund Plc as well as heading up several other UK equity mandates, managing total assets of circa £1 billion.

The Schroder UK Mid Cap Trust returned 17%² p.a. while she was manager and in her two and a half years (to June 2019) managing money at Sanford DeLand the CFP SDL Free Spirit Fund returned 31%³, placing it in the top decile of the IA UK All Companies sector.

She joined Downing in March 2020 to launch the **VT Downing Unique Opportunities Fund (DUO)**.

Please note that past performance is not a reliable indicator of future performance.

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

2. Schroder UK Mid Cap Fund Plc Annual Reports & Accounts 2015. Rosemary was lead manager of this fund from 01/05/03 to 31/03/16

3. Financial Express 03/01/17 - 28/06/19



Rosemary was awarded the Citywire AAA rating in June 2020.

Portfolio summary

As at 30 June 2020

Top 5 holdings

	% of Fund
Games Workshop Group PLC	4.13%
Chemring Group PLC	3.73%
Dunelm Group PLC	3.43%
Kainos Group PLC	3.39%
Tatton Asset Management Ltd.	3.33%

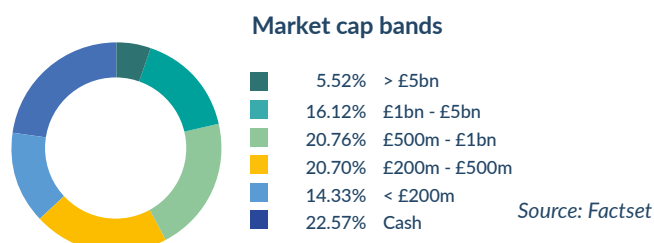
Source: Valu-Trac Investment Management Ltd.

Portfolio by sector



Source: Valu-Trac Investment Management

Portfolio by company size



Source: Factset

Key facts As at 30 June 2020

Structure

London listed Open Ended Investment Company (OEIC), established as a "UCITS scheme".

Launch date

17 March 2020

Fund Size

£4.84m (Accumulation and Income share classes combined)

Share price

Class A: 114.7711p (Acc.)

Class A: 117.3678p (Inc.)

No of holdings

28

Minimum initial investment

Class A lump sum: £1,000

Dividends

TBC

Liquidity

Daily pricing and daily dealing

ISA Eligible: Yes

Sector

IA All Companies Sector

ISIN Codes:

Class A Accumulation: GB00BHNC2614

Class A Income: GB00BHNC2721

Contact details

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Authorised Corporate Director

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IV32 7QE
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Fund charges

Initial charge: 0%

Annual management charge:

0.75% p.a.

Ongoing charges*

1.00% p.a.

How to apply:

Telephone +44 (0) 1343 880 217 or
visit: www.valu-trac.com/administration-services/clients/downing/

Also on the following platforms:

Aegon

AJ Bell

Allfunds

Hargreaves Lansdown

Interactive Investor

James Brearley

Nucleus

Transact

Zurich

We are currently working with other platforms so please let us know if yours is not listed above.

* Please note: As the Fund only launched on 17 March 2020, the ongoing charges figure shown here is an estimate of the charges and may vary from year to year. It excludes portfolio transaction costs.

The Investment Manager of the Fund has undertaken to absorb any costs that would otherwise cause the Fund to have ongoing charges in excess of 1%.

www.downingunique.co.uk

Risk warning: Your capital is at risk. Investments into this fund should be held for the long term (5+ years). The value of your investment and income derived from it can fall as well as rise and investors may not get back the full amount invested. This fund has a small and mid-cap bias. Investments in smaller companies are generally higher risk compared to investments in blue chip companies. The fund does not have any particular industry or economic sector focus and as such weightings in these may vary as required and investments may be in the same sectors. Past performance is not a guide to future returns. Please refer to the latest full Prospectus and KIID before investing; your attention is drawn to the risk, fees and taxation factors contained therein.

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