

# VT Downing Small & Mid-Cap Income Fund



## April 2022 Commentary

In April, the Accumulation share class was up 0.79% while the IA UK Equity Income Total Return Index was down 0.38%. Key contributors were Alpha Financial Markets Consulting (up 24.24%) and CareTech (up 6.50%). Key detractors included Computacenter (down 8.97%) and Supreme (down 15.28%).

Alpha FMC, a provider of specialist consultancy services to the Asset Management, Wealth Management and Insurance industries, issued a trading update and highlighted the group's strong performance this year. The board expects to report FY22 revenue and adjusted EBITDA significantly ahead of current market expectations.

CareTech, a specialist social care and education services provider, issued a market update and reported that performance for H1 was broadly in-line with board expectations despite Covid-19 and pressures on staffing. Management highlighted that the acquisition of Rehavista GmbH, provides a significant opportunity for Smartbox to expand products and services available in Germany, and the acquisition of Dmetco-Bayti will assist in the expansion of care pathways in the United Arab Emirates.

Computacenter, an independent technology partner, published a trading update covering Q1 to 31 March 2022. The group has seen strong top line growth in the period, with growth in adjusted profit before tax at a more modest level, due to one very large volume customer that has diluted its overall margin. Additionally, the substantial removal of lock down measures has meant a return to a more normal, and more sustainable, post-Covid-19 cost base.

Supreme, a manufacturer, supplier, and brand owner of fast-moving consumer products, provided a trading update and reported that the group had performed strongly throughout FY22, driving organic growth across its core categories. However, performance will be tempered by commodity price inflation within Sports Nutrition & Wellness and the increases in the overhead base relating to wage and transport costs. Management has already taken steps to mitigate the external factors, including buying forward wheat, and will also be continually reviewing potential price increases and ongoing manufacturing and distribution rationalisation.

*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 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 [20.73%] ■ B - VT Downing Small & Mid-Cap Income Acc in GB [12.24%]\*

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

	Cumulative performance (%)					
	1m	3m	6m	1y	3y	5y
VT Downing Small & Mid-Cap Income Fund (Acc)	0.79	0.93	-2.44	5.55	12.66	6.49
IA UK Equity Income TR index	-0.38	-0.03	2.25	6.79	12.54	19.18
Quartile ranking	1	2	4	3	2	4

	Discrete performance (%)				
	30/04/2021-30/04/2022	30/04/2020-30/04/2021	30/04/2019-30/04/2020	30/04/2018-30/04/2019	30/04/2017-30/04/2018
VT Downing Small & Mid-Cap Income Fund (Acc)	5.55	28.39	-16.86	-8.98	3.85
IA UK Equity Income TR index	6.79	26.23	-16.51	0.68	5.18
Quartile ranking	3	2	2	4	3

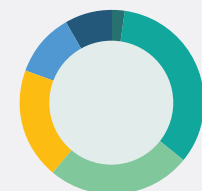
Past performance is not a reliable indicator of future results. Performance figures source: FE Analytics.



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 is also lead manager of the VT Downing Listed Infrastructure Income Fund which launched in March 2022.

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



2.39%	<£150m
33.55%	£150m - £500m
25.26%	£500m - £1bn
19.50%	£1bn - £2bn
11.07%	£2bn - 4bn
0.00%	£4bn+
8.23%	Cash

Source: Factset

## Top 10 Holdings

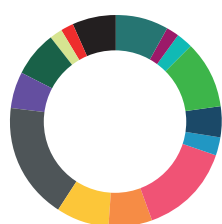
	% of fund
Drax Group Plc	4.12
Watkin Jones Plc	3.98
Strix Group Plc	3.62
Caretech Holdings Plc	3.51
Smart Metering Systems Plc	3.41
Alpha Financial Markets Consulting Plc	3.13
Computacenter Plc	3.10
Lokn Store Group Plc	3.09
EMIS Group Plc	3.07
Hilton Food Group Plc	2.94
<b>Total</b>	<b>33.97</b>

Source: Valu-Trac Investment Management Ltd

# Portfolio summary

As at 30 April 2022

## Sector breakdown



8.23%	Cash	14.18%	Financials	1.74%	UK Corporate Bonds
1.96%	Commodity and energy	6.58%	Healthcare	2.06%	UK Equities
2.37%	Communications	8.24%	Industrials	6.49%	Utilities
10.22%	Consumer discretionary	17.74%	Information technology		
4.92%	Consumer staples	5.54%	Property		
2.66%	Energy	7.07%	Real Estate		

Source: Valu-Trac Investment Management Ltd

## Key facts As at 30 April 2022

### Fund Objective

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

### Launch date

14 June 2010

### Conversion date

1 April 2012\*\*

### IMA sector

UK Equity Income

### Currency

UK Sterling

### Types of shares

Income & Accumulation

### Fund size

(Income & Accumulation shares combined)  
£43.50m

### Yield

3.9%\*\*\*

### Income paid

Quarterly

### Number of holdings

44

### Prices as at 30 April 2022

Accumulation shares: 213.8052p  
Income shares: 122.4122p

### Charges

Initial charge: 0%  
Annual Mgmt charge: 0.75%  
Ongoing charges charged to capital\*\*\*\*: 0.87%

### Minimum Investment

Lump sum: £1,000  
Subsequently: £500  
Monthly savings: £100

### SEDOL & ISIN numbers

#### Accumulation shares:

SEDOL B61JRG2  
ISIN GB00B61JRG28

#### Income shares:

SEDOL B625QM8  
ISIN GB00B625QM82

### Authorised Corporate Director

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

Valu-Trac Investment Management Ltd

Orton, Moray

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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
31/12/2021	1.0500p
31/03/2022 <sup>†</sup>	1.6452p

Source: Valu-Trac Investment Management Ltd and Downing LLP

\* The distributions changed from monthly to quarterly from October 2021. The total 2021/2022 year distribution was 5.1451p.

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



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

**Statistics correct as at 30/04/2022.** 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 mandate was updated 31/03/2017 in a similar vein to how the fund is currently run. A focus towards small and mid caps. 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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