

VT Downing Small & Mid-Cap Income Fund



March 2022 Commentary

In March, the Accumulation share class was up 3.85% while the IA UK Equity Income Total Return Index was up 2.58%. Key contributors were CareTech (up 22.59%) and Brewin Dolphin (up 73.27%). Key detractors included Alpha Financial Markets Consulting (down 7.84%) and Strix (down 20.08%).

CareTech, a specialist social care and education services provider, is currently the subject of takeover activity. Sheikh Holdings, the family office of owners Haroon and Farouq Sheikh, confirmed that it is forming a consortium for the purpose of considering making a possible offer for the entire issued share capital of the company. On 1 April, it received a proposal from DBAY Advisors Limited regarding a possible offer. These discussions are at an early stage.

Brewin Dolphin, a wealth management business, announced that it is to be acquired by the Royal Bank of Canada in a deal valuing the business at £1.6 billion. The group recommended an offer to shareholders by RBC Wealth Management (Jersey) Holdings Limited, a subsidiary of Royal Bank of Canada. The recommended all cash offer will see shareholders entitled to 515p per Brewin Dolphin share.

Alpha FMC, a provider of specialist consultancy services to the asset management, wealth management and insurance industries, issued no significant news in March. The share price showed some recovery during the month.

Strix, a designer, manufacturer and supplier of kettle safety controls, issued FY results for the 12 month period to 31 December. The group reported revenue increase of 28.8% which was driven by both organic growth and the acquisition of LAICA which has delivered strong revenue growth. Price increases have been implemented which alongside other efficiency measures and FX rate and commodity hedging arrangements will help to minimise the impact of any cost inflation. Despite a positive demand backdrop, there are several persistent headwinds including increases in commodity prices, freight cost inflation, supply chain and adverse foreign exchange rates which implies the group will continue to face a challenging operating environment.

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 [101.95%] ■ B - VT Downing Small & Mid-Cap Income Acc in GB [84.47%]*

*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)	3.85	-4.02	11.15	16.19	11.36
IA UK Equity Income TR index	2.58	3.17	10.88	16.70	21.24
Quartile ranking	1	4	2	3	4

	Discrete performance (%)				
	31/03/2021-31/03/2022	31/03/2020-31/03/2021	31/03/2019-31/03/2020	31/03/2018-31/03/2019	31/03/2017-31/03/2018
VT Downing Small & Mid-Cap Income Fund (Acc)	11.15	35.02	-22.57	-8.36	4.58
IA UK Equity Income TR index	10.88	32.62	-20.64	3.59	0.29
Quartile ranking	2	2	3	4	1

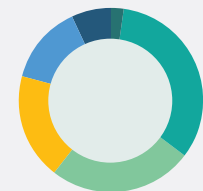
Past performance is not a reliable indicator of future results. Performance figures source: FE Analytics.



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



2.41%	<£150m
33.14%	£150m - £500m
25.25%	£500m - £1bn
18.48%	£1bn - £2bn
13.89%	£2bn - 4bn
0.00%	£4bn+
6.83%	Cash

Source: Factset

Top 10 Holdings

	% of fund
Caretech Holdings Plc	4.61
Watkin Jones Plc	4.16
Drax Group Plc	3.99
Computacenter Plc	3.50
Strix Group Plc	3.26
Lokn Store Group Plc	3.22
Smart Metering Systems Plc	3.22
Alpha Financial Markets Consulting Plc	3.19
EMIS Group Plc	3.09
Hilton Food Group Plc	3.03
Total	35.27

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 31 March 2022

Sector breakdown



6.83%	Cash	14.81%	Financials	1.76%	UK Corporate Bonds
1.81%	Commodity and energy	7.70%	Healthcare	2.17%	UK Equities
2.36%	Communications	8.56%	Industrials	6.44%	Utilities
9.73%	Consumer discretionary	17.39%	Information technology		
4.90%	Consumer staples	5.60%	Property		
2.56%	Energy	7.38%	Real Estate		

Source: Valu-Trac Investment Management Ltd

Key facts As at 31 March 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)
£43.22m

Yield

4.2%***

Income paid

Quarterly

Number of holdings

44

Prices as at 31 March 2022

Accumulation shares: 212.1266p
Income shares: 121.4517p

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*	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



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

Statistics correct as at 31/03/2022. 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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