

# VT Downing Unique Opportunities Fund



## June 2022 Commentary

In June, the price of Accumulation units fell by 7.05% from 144.92p to 134.71p. This was a little worse than the overall market but represented outperformance against the small and mid-cap indices for three months now. Worries about inflation and rising interest rates, which have hit the valuations of longer duration assets, appear to have been superseded by worries about impending recession. The war in Ukraine grinds on, with continuing impacts on food and energy security and an unpredictable outcome.

Our focus remains on quality investments, defined as those with above average margins and returns on equity achieved without undue leverage. Approximately two thirds of our holdings have no net debt, which should stand them in good stead in a slowing economy where there is mounting evidence of liquidity constraints.

The most notable event in June was a bid for one of our top five holdings, EMIS Group, a leading provider of software and systems for GPs, community and hospital pharmacies in the UK. The premium of 49% to the undisturbed price offered by listed US healthcare giant United Health Group is clearly intended to deter counterbidders. The bid highlights the value of dominant data sets in specific industry verticals, and the fund has other holdings which we believe have similar attributes.

Elsewhere in the fund, share prices were generally weak, most notably in the financials and industrials sectors. The former is an understandable reflection of marking to lower equity markets; the latter however will benefit from recent strength in the US dollar versus sterling and there are also some early signs of improving freight rates and a reopening of Chinese factories. A measure of the negativity in market sentiment is that even defence sector holding Chemring underperformed, despite the clear prospects for improved defence spending in NATO and the need for restocking in products used up in the Ukraine conflict.

*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

	Cumulative performance (%)					
	1m	3m	6m	YTD	1y	Since Launch*
VT DUO A Acc	-7.05	-9.96	-25.48	-25.48	-21.05	34.71
IA UK All Companies TR Index	-7.28	-8.26	-12.76	-12.76	-8.49	36.51
Quartile Ranking	3	3	4	4	4	3

\*25 March 2020

	Discrete performance (%)	
	30/06/2021 - 30/06/2022	30/06/2020 - 30/06/2021
VT DUO A Acc	-21.05	48.67
IA UK All Companies TR Index	-8.49	27.66
Quartile Ranking	4	1

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



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.

Rosemary spent nearly 20 years at Schroders and was for many years lead manager of the award-winning<sup>1</sup> Schroder UK 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%<sup>2</sup> p.a. while Rosemary 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%<sup>3</sup>, placing it in the top decile of the IA UK All Companies sector.

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

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

<sup>2</sup> 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

<sup>3</sup> Financial Express 03/01/17 - 28/06/19



Awarded 30 June 2020



Rosemary's fund is 4 Diamond rated, defaqto 2022



As at June 2022



Awarded August 2020



# Portfolio summary

As at 30 June 2022

## Top 10 holdings

	% of fund
EMIS Group Plc	5.06
Chemring Group Plc	4.02
A.G.Barr Plc	3.65
Advanced Medical Solutions Group Plc	3.64
Aptitude Software Group Plc	3.52
Alfa Financial Software Holdings Plc	3.25
Rightmove Plc	3.22
Tracsis Plc	3.15
Kainos Group Plc	3.08
EKF Diagnostics Holdings Plc	3.03

Source: Valu-Trac Investment Management Ltd.

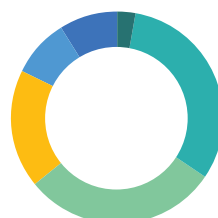
## Portfolio by sector



8.79%	Cash	17.61%	Healthcare
10.46%	Communications	11.34%	Industrials
9.87%	Consumer discretionary	22.10%	Information technology
3.65%	Consumer staples	5.32%	Materials
10.86%	Financials		

Source: Valu-Trac Investment Management

## Portfolio by company size



2.86%	> £5bn
31.68%	£1bn - £5bn
29.68%	£500m - £1bn
18.04%	£200m - £500m
8.95%	< £200m
8.79%	Cash

Source: Factset

## Key facts As at 30 June 2022

### Structure

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

### Launch date

Income: 17 March 2020  
Accumulation: 25 March 2020

### Fund Size

£44.49m (Accumulation and Income share classes combined)

### Share price

Class A: 134.7112p (Acc.)  
Class A: 132.7266p (Inc.)

### No of holdings

34

### Minimum initial investment

Class A lump sum: £1,000

### Dividends

Semi-annual

### Liquidity

Daily pricing and daily dealing

### ISA Eligible: Yes

[www.downingunique.co.uk](http://www.downingunique.co.uk)

**\* Please note:** \* 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.

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%.

### 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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### Fund charges

Initial charge: 0%  
Annual management charge:  
0.75% p.a.  
Ongoing charges\*  
0.86% p.a.

## Distributions

Period end	Ex Dividend	Payment Date	A Acc (GBp)	A Inc (GBp)
Dec-20	31/12/2020	26/02/2021	1.2835	1.3126
Jun-21	30/06/2021	31/08/2021	0.8922	0.9041
Dec-21	31/12/2021	28/02/2022	1.5653	1.5782
Jun-22	30/06/2022	31/08/2022	1.9295	1.9287

Distributions are subject to change and should not be utilised as a basis for an investment decision.

## How to apply:

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

Also on the following platforms:

7IM	Interactive Investor
Aegon	James Hay
AJ Bell	M&G
Allfunds	Nucleus
Aviva	Quilter
Canada Life International	Raymond James
Elevate	Standard Life Wrap
Embark	Transact
FNZ	Utmost
Hargreaves Lansdown	Zurich
Hubwise	

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

**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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