

# VT Downing Small & Mid-Cap Income Fund



## June 2023 Commentary

In June, the Accumulation share class was down 0.21% while the IA UK Equity Income Total Return Index was down 0.69%. Key contributors were FRP Advisory Group (up 13.24%) and Telecom Plus (up 13.29%). Key detractors included Alpha Financial Markets Consulting (down 16.13%) and Smart Metering Systems (down 13.07%).

FRP Advisory, a specialist business advisory firm, issued no news in the month. However, a strong trading statement issued in May reported that the business had made excellent progress in the financial year to 30 April. The positive news flow is expected to be reflected in the group's FY results due to be published in July.

Telecom Plus, a supplier of bundled utility services, issued results for the year ended 31 March 2023 and highlighted record revenues, profits, and customer growth. Revenues were up over 155%, adjusted pre-tax profit was up 55%, and there was a 22% increase in customers. As the cost of living crisis continues, management is confident in achieving comfortable double-digit annual percentage customer growth, leading to a broadly corresponding increase in adjusted pre-tax profits.

Alpha Financial, a provider of specialist consultancy services, issued FY results for the 12 months ending 31 March 2023. Revenue increased by 44.8%, gross profit increased by 35.4%, and adjusted<sup>1</sup> EBITDA grew by 37.5%. However, the group may face a more challenging period ahead as it reported higher levels of competition and a lengthening sales cycle.

Smart Metering Systems installs and manages smart meters, energy data, grid-scale battery storage and other carbon reduction (CaRe) assets. The group made no significant news announcements in the month. Directors have been purchasing shares in the business.

*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.*

<sup>1</sup> The Group uses alternative performance measures ("APMs") to provide stakeholders further metrics to aid understanding of the underlying trading performance of the Group. Margins are expressed as a percentage of net fee income. Refer to note 3 for further details.

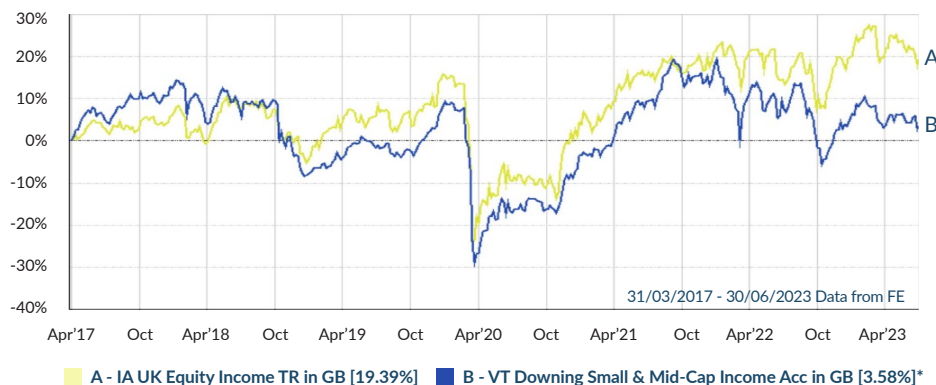
## About the fund

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



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

Cumulative performance (%)							
	1m	3m	6m	YTD	1y	3y	5y
VT Downing Small & Mid-Cap Income Fund (Acc)	-0.21	-0.09	-1.85	-1.85	-3.51	24.40	-3.85
IA UK Equity Income TR index	-0.69	-1.71	0.15	0.15	4.26	30.43	9.89
Quartile ranking	2	1	4	4	4	3	4

Discrete performance (%)					
	30/06/2022 - 30/06/2023	30/06/2021 - 30/06/2022	30/06/2020 - 30/06/2021	30/06/2019 - 30/06/2020	30/06/2018 - 30/06/2019
VT Downing Small & Mid-Cap Income Fund (Acc)	-3.51	-1.44	30.81	-15.34	-8.71
IA UK Equity Income TR index	4.26	-0.27	25.44	-13.58	-2.51
Quartile ranking	4	3	1	3	4

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

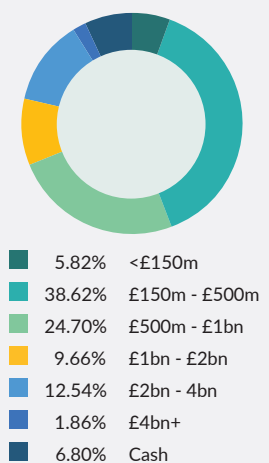


Fund Manager  
Josh McCathie

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 9 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



Source: Factset

## Top 10 Holdings

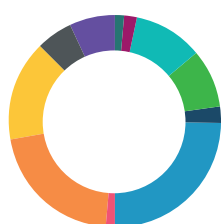
	% of fund
XPS Pensions Group Plc	4.14
Conduit Holdings Ltd	4.09
Computacenter Plc	3.46
Fonix Mobile Plc	3.30
Frp Advisory Group Plc	3.20
Moneysupermarket.Com Group Plc	3.16
Smart Metering Systems Plc	2.94
Foresight Group Holdings Ltd	2.88
Telecom Plus Plc	2.81
Britvic Plc	2.81
Total	32.79

Source: Valu-Trac Investment Management Ltd

# Portfolio summary

As at 30 June 2023

## Sector breakdown



1.47%	Basic materials	2.41%	Energy	15.25%	Technology
1.96%	Consumer durables	24.92%	Finance	5.47%	Utilities
10.63%	Consumer non-durables	1.19%	Healthcare	6.80%	Cash
8.88%	Consumer services	21.02%	Industrials		

Source: Factset

## Key facts As at 30 June 2023

### 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)  
£42.01m

### Yield

4.4%\*\*\*

### Income paid

Quarterly

### Number of holdings

47

### Prices as at 30 June 2023

Accumulation shares:	197.3113p
Income shares:	107.0793p

### Charges

Initial charge:	0%
Annual Mgmt charge:	0.75%
Ongoing charges <sup>^</sup> charged to capital****:	0.97%

<sup>^</sup> The methodology for calculation of synthetic expense ratio has changed. Following guidance issued by the Investment Association on 2 July 2020, the synthetic OCF calculation has been expanded to include closed ended vehicles such as investment trusts.

### 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

IV32 7QE

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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
30/06/2022	1.1928p
30/09/2022	1.3105p
31/12/2022	1.1963p
31/03/2023	1.0496p
30/06/2023**	1.1652p

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.

\*\* Estimated

## Platforms and wraps

7IM	Hubwise
Aegon	Interactive Investor
AJ Bell	iWeb
All Funds	James Brearley
Aviva	James Hay
Barclays	Novia
Canada Life International	Nucleus
Elevate	M&G
Embark	Praemium
Embark Advance	Quilter
Fidelity (Inst)	Raymond James
Fidelity (FFN)	Standard life
Hargreaves Lansdown	Transact

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

\*\*\* The historic yield reflects distributions declared over the past twelve months as a percentage of the fund price as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions

\*\*\*\* The ongoing charges figure is based on expenses and the net asset value as at 30 December 2022. This figure may vary from year to year. It excludes portfolio transaction costs.

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



Awarded date 1 February 2023

As at 31 December 2022

**Statistics correct as at 30/06/2023.** Performance figures source: FE Analytics. Fund performance is based on accumulation shares, indices include net reinvested income. Performance figures are for the period from when the mandate was updated (31/03/2017) to focus on small and mid caps, in a similar vein to how the fund is currently run. 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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