

VT Downing Small & Mid-Cap Income Fund



February 2023 Commentary

In February, the Accumulation share class was down 1.12% while the IA UK Equity Income Total Return Index was up 1.93%. Key contributors were Fonix Mobile (up 8.80%) and Kitwave (up 28.00%). Key detractors included EKF Diagnostics (down 31.30%) and FRP Advisory Group (down 13.03%).

Fonix Mobile, a mobile payments and messaging provider, issued no news in the month. However, a positive trading update issued towards the end of January highlighted that the business is growing in line with management expectations. The group's performance in international markets has been particularly encouraging, demonstrating its ability to scale services overseas whilst maintaining existing operational efficiencies and incurring minimal additional overhead.

Kitwave, a delivered wholesale business, issued FY results, with revenues up 32% and gross profit margin up 20%. The group opened a new distribution centre, acquired MJ Baker Foodservice, and launched a new online trading platform in the period. The board recognises the significant opportunity within the fragmented UK wholesale market and Kitwave's strategy is focused on capitalising on this.

EKF, a global diagnostics business, issued a trading update and reported that while the core established business is likely to report revenues for FY 2022 in line with market expectations, the transition to non-Covid revenues in Contract Manufacturing and Laboratory Testing is taking longer than anticipated. As a result of the underperformance in these businesses, adjusted EBITDA¹ is now anticipated to be slightly below market expectations.

FRP Advisory Group, a specialist business advisory company, issued a trading update and reported that the volume of work in the higher value restructuring and administration market is still to recover to pre-Covid levels. Management believe that as the challenges facing corporates continue, the number of enquiries into FRP for restructuring assignments will continue to rise.

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.

¹ Earnings before interest, tax, depreciation and amortisation, excluding exceptional items and share based payments.

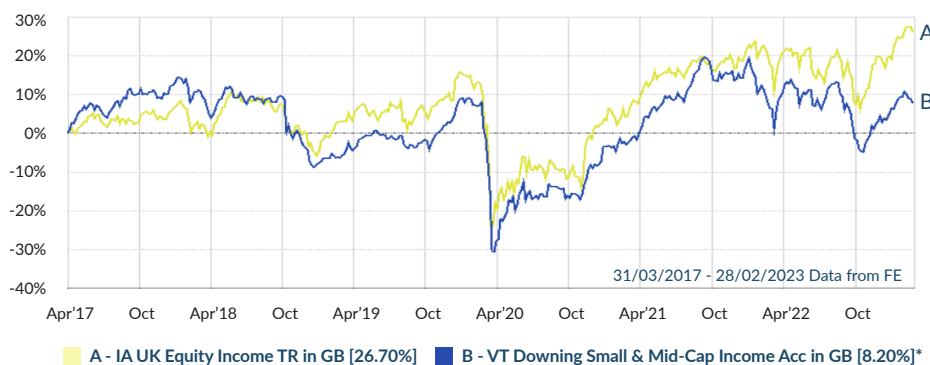
About the fund

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)	-1.12	4.90	0.27	2.53	0.90	12.27	-2.61
IA UK Equity Income TR index	1.93	5.73	9.39	6.29	7.2	25.56	23.40
Quartile ranking	4	3	4	4	4	4	4

Discrete performance (%)					
	28/02/2022 - 28/02/2023	28/02/2021 - 28/02/2022	28/02/2020 - 28/02/2021	28/02/2019 - 28/02/2020	28/02/2018 - 28/02/2019
VT Downing Small & Mid-Cap Income Fund (Acc)	0.90	10.88	0.35	2.46	-15.34
IA UK Equity Income TR index	7.20	13.27	3.41	-1.20	-0.53
Quartile ranking	4	3	4	1	4

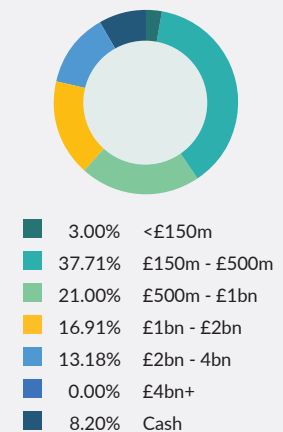
Past performance is not a reliable indicator of future results. Performance figures source: FE Analytics.



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



Source: Factset

Top 10 Holdings

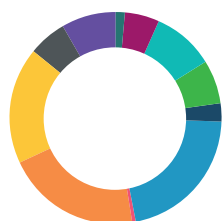
	% of fund
XPS Pensions Group Plc	3.87
Drax Group Plc	3.80
Conduit Holdings Ltd	3.53
Foresight Group Holdings Ltd	3.49
Fonix Mobile Plc	3.46
Smart Metering Systems PLC	3.43
Computacenter Plc	3.21
Redcentric Plc	3.16
Alpha Financial Markets Consulting Plc	3.13
Frp Advisory Group Plc	3.12
Total	34.20

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 28 February 2023

Sector breakdown



1.46%	Basic materials	2.99%	Energy	17.76%	Technology
5.33%	Consumer durables	21.21%	Finance	5.71%	Utilities
9.46%	Consumer non-durables	0.69%	Healthcare	8.20%	Cash
6.56%	Consumer services	20.63%	Industrials		

Source: Factset

Key facts As at 28 February 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)
£44.56m

Yield

4.7%***

Income paid

Quarterly

Number of holdings

46

Prices as at 28 February 2023

Accumulation shares:	206.1021p
Income shares:	114.1625p

Charges

Initial charge:	0%
Annual Mgmt charge:	0.75%
Ongoing charges [^] charged to capital****:	0.97%

[^] 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.

www.downingincomefund.co.uk

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
Tel: +44 (0) 1343 880 217
www.valu-trac.com

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



Awarded date 1 October 2022

As at 31 December 2022

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

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

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 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 30 December 2022. This figure may vary from year to year. It excludes portfolio transaction costs.

Statistics correct as at 28/02/2023. 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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