

VT Downing Small & Mid-Cap Income Fund



November 2022 Commentary

In November, the Accumulation share class was up 5.75% while the IA UK Equity Income Total Return Index was up 7.53%. Key contributors were Drax Group (up 19.77%) and Alpha Financial Markets Consulting (up 29.33%). Key detractors included Redcentric (down 8.09%) and Hilton Food Group (down 10.78%).

Drax Group, a renewable energy provider, made no announcements in the month but its share price rallied following the Autumn Statement. Drax, along with other UK utility stocks, are set to benefit from a higher-than-expected windfall tax threshold. The levy will be based only on revenue above £75 per megawatt-hour, a higher ceiling than had been expected.

Alpha Financial Markets Consulting, a specialist consultancy services provider, issued a strong set of interim results. Financial highlights included revenue up 57.3%, gross profit up 45.3%, and adjusted EBITDA up 45.6% over the six months to 30 September 2022. The group reported continued strong growth in all regions, with double-digit revenue growth in key territories, and North America becoming the largest contributor to group revenue.

Redcentric, an IT managed services provider, issued a trading update and reported that revenue was expected to increase by 39% to £61.5m in the six months ended 30 September 2022. However, it expects EBITDA to fall to £11.7m from £11.9m a year prior. Management stated that exceptional costs of £4.8m were £2.5m higher than anticipated due to, in part, restructuring costs relating to the 4D Data Centres and Sungard Availability Services acquisitions. Redcentric bought 4D for £10.1m and Sungard for £10.0m.

Hilton Food Group, a leading multi-protein food business, issued a trading update and reported that the group's volume and revenue have been in line with the board's expectations. Management reported continued revenue growth compared to the same period last year, although inflationary pressures are providing a headwind. Given the challenges in the UK Seafood business alongside the wider macro-economic environment, the board anticipates that operating profit will now be below its expectations for the full year.

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.

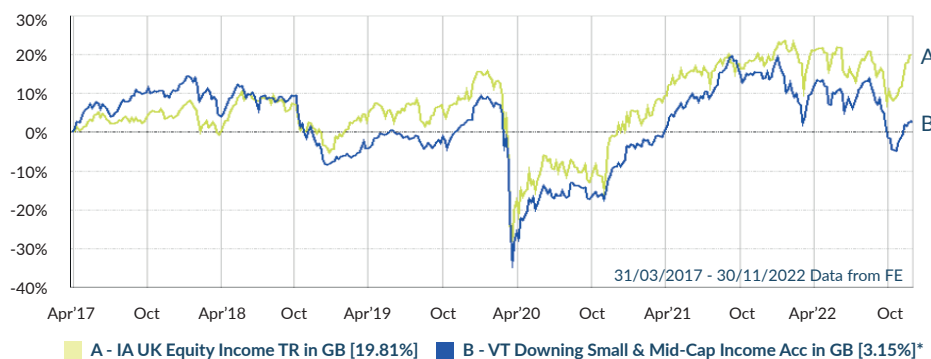
About the Fund

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



*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)	5.75	-4.41	-6.78	-13.12	-8.97	-0.01	-6.47
IA UK Equity Income TR index	7.53	3.44	-1.83	-1.20	3.51	8.53	14.88
Quartile ranking	4	4	4	4	4	4	4

Discrete performance (%)					
	30/11/2021-30/11/2022	30/11/2020-30/11/2021	30/11/2019-30/11/2020	30/11/2018-30/11/2019	30/11/2017-30/11/2018
VT Downing Small & Mid-Cap Income Fund (Acc)	-8.97	24.42	-11.71	6.63	-12.27
IA UK Equity Income TR index	3.51	17.14	-10.49	10.49	-4.20
Quartile ranking	4	1	3	4	4

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

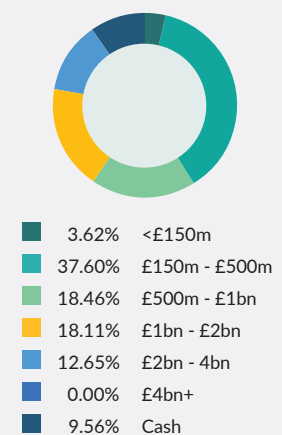


Fund Manager
Josh McCathie

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 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

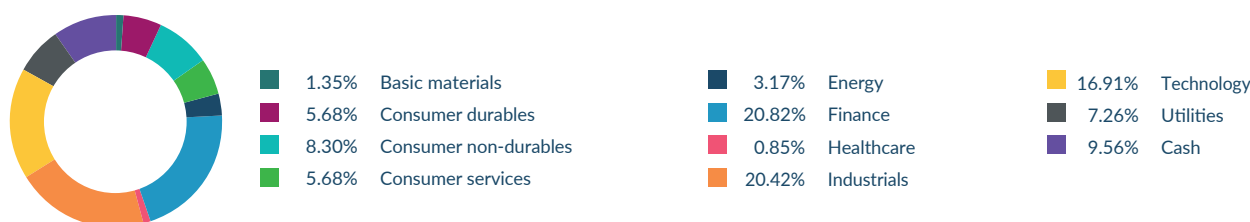
	% of fund
Drax Group Plc	3.75
Alpha Financial Markets Consulting Plc	3.69
EMIS Group Plc	3.67
Frp Advisory Group Plc	3.48
Smart Metering Systems Plc	3.43
XPS Pensions Group Plc	3.17
Diversified Energy Company Plc	3.15
Computacenter Plc	3.10
Fonix Mobile Plc	2.97
Conduit Holdings Ltd	2.82
Total	33.23

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 30 November 2022

Sector breakdown



Source: Factset

Key facts As at 30 November 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)
£44.92m

Yield

4.7%***

Income paid

Quarterly

Number of holdings

48

Prices as at 30 November 2022

Accumulation shares: 196.4833p
Income shares: 110.0040p

Charges

Initial charge: 0%
Annual Mgmt charge: 0.75%
Ongoing charges[^]:
charged to capital****: 1.06%

[^] 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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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

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

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 24 June 2022. This figure may vary from year to year. It excludes portfolio transaction costs.



Awarded date 1 October 2022

www.downingincomefund.co.uk

Statistics correct as at 30/11/2022. 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 vain 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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