

VT Downing Small & Mid-Cap Income Fund



October 2022 Commentary

In October, the Accumulation share class was down 0.98% while the IA UK Equity Income Total Return Index was up 3.58%. Key contributors were Lok'nStore (up 25.49%) and Supreme (up 39.19%). Key detractors included Watkin Jones (down 37.10%) and Drax Group (down 10.49%).

Lok'nStore, the self-storage company, announced strong results and highlighted a year of record revenue and profits. Group revenue at £26.9m was up 22.9% and EBITDA was up 37.5% on the same period the year prior. Demand for self-storage assets remains strong, and has driven the NAV per share up by 33% to £9.72. Four new Landmark stores will open within the next 12 months, adding further momentum to sales and earnings growth.

Supreme, a manufacturer and supplier of fast-moving consumer products, reported trading was in line with expectations for the year ended 31 March 2023. The Vaping division continued its strong growth trajectory driven by a combination of both organic and recent acquisitive momentum. The Lighting category decelerated during the period, in line with the wider slow down across the market, however, this is expected to be temporary. The remainder of the group remains profitable, resilient and highly cash generative.

Watkin Jones, a property developer and manager, saw its share price hit following a trading update in which the group warned that FY 2022 operating profits would be around 10% below current market expectations, reflecting the deferral of revenue from two forward sales from this year into the next financial year. The shares made a slight recovery through the month, with directors buying stock.

Drax Group, a renewable energy provider, announced that it would continue to work with Government and industry on the detail of the proposal to introduce an Energy Prices Bill which will include legislation for a temporary cost-plus revenue limit for renewable electricity generation and a voluntary Contracts for Difference (CfD) process. The Bill will also include legislation that will allow for a voluntary CfD process for existing generators to take place in 2023, providing generators with longer-term revenue certainty.

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.

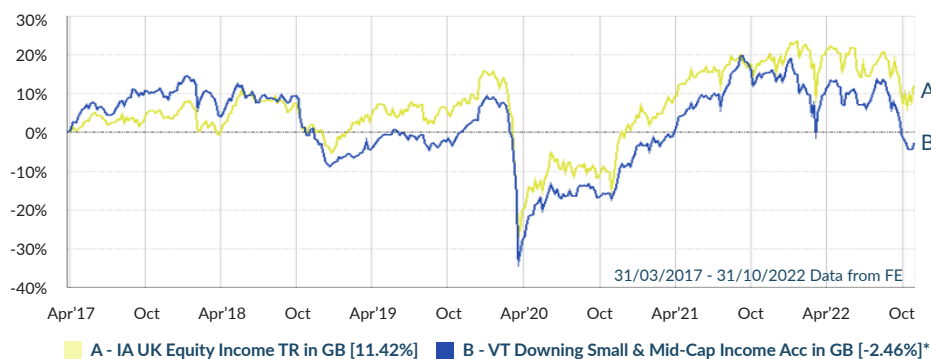
About the Fund

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)	-0.98	-14.07	-13.10	-17.85	-15.22	-2.53	-11.81
IA UK Equity Income TR index	3.58	-6.29	-7.71	-8.11	-5.63	4.08	5.86
Quartile ranking	4	4	4	4	4	4	4

Discrete performance (%)					
	31/10/2021-31/10/2022	31/10/2020-31/10/2021	31/10/2019-31/10/2020	31/10/2018-31/10/2019	31/10/2017-31/10/2018
VT Downing Small & Mid-Cap Income Fund (Acc)	-15.22	38.88	-17.22	0.93	-10.36
IA UK Equity Income TR index	-5.63	38.27	-20.23	5.55	-3.64
Quartile ranking	4	2	1	4	4

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

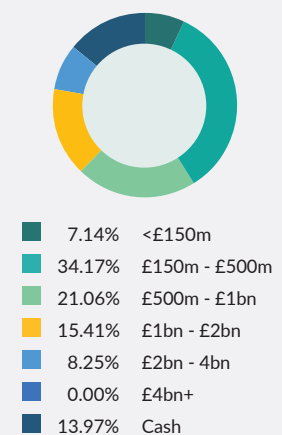


Fund Manager
Josh McCathie

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

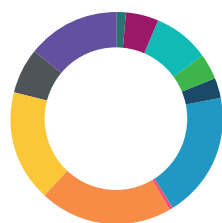
	% of fund
EMIS Group Plc	3.88
Drax Group Plc	3.38
Frp Advisory Group Plc	3.36
Smart Metering Systems Plc	3.30
Alpha Financial Markets Consulting Plc	3.24
Diversified Energy Company Plc	3.14
Computacenter Plc	3.04
XPS Pensions Group Plc	2.89
Fonix Mobile Plc	2.82
Redcentric Plc	2.77
Total	31.82

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 31 October 2022

Sector breakdown



1.40%	Basic Materials	3.15%	Energy	17.20%	Technology
5.06%	Consumer Durables	19.10%	Finance	6.87%	Utilities
8.72%	Consumer Non-Durables	0.60%	Healthcare	13.97%	Cash
3.73%	Consumer Services	20.22%	Industrials		

Source: Factset

Key facts As at 31 October 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)
£42.46m

Yield

5.0%***

Income paid

Quarterly

Number of holdings

44

Prices as at 31 October 2022

Accumulation shares:	185.7921p
Income shares:	104.0184p

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
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

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.



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

www.downingincomefund.co.uk

Statistics correct as at 31/10/2022. 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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