

# VT Downing Small & Mid-Cap Income Fund



## September 2022 Commentary

In September, the Accumulation share class was down 8.71% while the IA UK Equity Income Total Return Index was down 7.27%. Key contributors were Conduit Holdings (up 10.32%) and iEnergiser Ltd (up 13.13%). Key detractors included Hilton Food Group (down 43.61%) and Lok'nStore (down 26.60%).

Conduit Holdings, the holding company of Conduit Re, a pure play global reinsurance business, issued no new news in the month. There has been ongoing evidence of premium inflation which the company should benefit from without the issue of inflation affecting legacy claims with a limited back book of business. There were also notable investments in the stock by the directors which shows optimism in the company going forward.

iEnergizer, an international business and process outsourcing business, issued a statement on current trading and the conclusion of the formal sales process (FSP). Current trading has been strong with Q1 performance significantly ahead of the comparative period last year. In June 2022, the company began a formal sale process. It subsequently engaged with a number of parties but given stronger trading during the process, the board felt that it was in the company's best interests to withdraw and terminate the FSP. It is no longer in active discussions with any interested parties.

Hilton Food, an international protein producer, announced positive interim results but has seen volumes come under pressure with the cost of living increasing and consumers becoming ever more cost-conscious. Given these factors, and combined with the impact of start-up costs of new facilities and rising interest rates, the board now anticipates that profitability for the year will be below expectations.

Lok'nStore, the self-storage company, issued no news in the month but saw its shares fall heavily on the same day as the Chancellor announced his mini-budget on the 23 September. We believe the company continues to trade well and make progress on its new store pipeline. We believe that the shares offer good value at current levels.

*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



■ A - IA UK Equity Income TR in GB [7.40%] ■ B - VT Downing Small & Mid-Cap Income Acc in GB [-1.50%]\*

\*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)	-8.71	-8.24	-11.54	-17.03	-15.10	0.54	-10.65
IA UK Equity Income TR index	-7.27	-6.21	-11.38	-11.42	-8.61	0.76	3.62
Quartile ranking	4	4	3	4	4	3	4

Discrete performance (%)					
	30/09/2021-30/09/2022	30/09/2020-30/09/2021	30/09/2019-30/09/2020	30/09/2018-30/09/2019	30/09/2017-30/09/2018
VT Downing Small & Mid-Cap Income Fund (Acc)	-15.10	39.38	-15.40	-9.97	-0.86
IA UK Equity Income TR index	-8.61	32.67	-17.24	-0.17	3.43
Quartile ranking	4	1	2	4	4

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

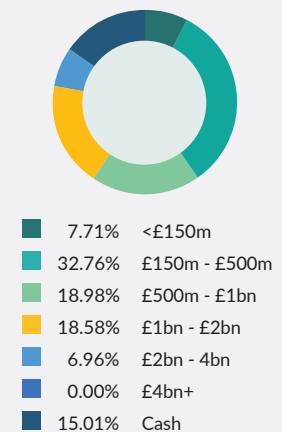


**Fund Manager**  
**Josh McCathie**

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

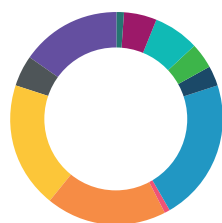
	% of fund
EMIS Group Plc	4.00
Alpha Financial Markets Consulting Plc	3.88
Drax Group Plc	3.85
Smart Metering Systems Plc	3.49
Frp Advisory Group Plc	3.44
Watkin Jones Plc	3.36
Diversified Energy Company Plc	3.24
Computacenter Plc	3.17
XPS Pensions Group Plc	3.06
Foresight Group Holdings Ltd	2.79
<b>Total</b>	<b>34.28</b>

Source: Valu-Trac Investment Management Ltd

# Portfolio summary

As at 30 September 2022

## Sector breakdown



1.31%	Basic Materials	3.22%	Energy	19.19%	Technology
5.05%	Consumer Durables	21.44%	Finance	4.72%	Utilities
6.78%	Consumer Non-Durables	1.02%	Healthcare	15.01%	Cash
3.90%	Consumer Services	18.36%	Industrials		

Source: Factset

## Key facts As at 30 September 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)  
£41.63m

### Yield

5.3%\*\*\*

### Income paid

Quarterly

### Number of holdings

42

### Prices as at 30 September 2022

Accumulation shares:	187.6384p
Income shares:	105.0266p

### Charges

Initial charge:	0%
Annual Mgmt charge:	0.75%
Ongoing charges <sup>^</sup>	
charged to capital****:	1.06%

<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  
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 February 2022

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

**Statistics correct as at 30/09/2022.** 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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