

VT Downing Small & Mid-Cap Income Fund



August 2022 Commentary

In August, the Accumulation share class was down 4.93% while the IA UK Equity Income Total Return Index was down 2.59%. Key contributors were FRP Advisory Group (up 13.17%) and Gresham House Energy Storage Fund (up 7.50%). Key detractors included Watkin Jones (down 16.64%) and Drax (down 18.56%).

FRP Advisory Group, a specialist business advisory firm, reported that following the removal of UK government support measures and the onset of serious headwinds facing UK corporates, the group has seen an increase in the level of enquiries for restructuring services in recent months. The group has continued to grow profitably and its balance sheet remains strong.

Gresham House Energy Storage Fund invests in a portfolio of operational battery storage systems in the UK. The company announced no news in the month but its shares rose as concerns over the energy crisis continued to grow. The group is benefitting from rising volatility in the electricity market as it sells power to the grid when prices are high and charges up the batteries when they are lower.

Watkin Jones, a property manager and developer, issued no news in the month. However, shares in many major property firms fell after analysts at Berenberg warned that the sector was facing its toughest market in over a decade as spiralling inflation and impending inflation would increase the cost of debt, forcing firms to cut investment and delay new developments. We remain confident in the group's business model and strong contracted pipeline.

Drax Group, a renewable energy company, issued no news during the month. The group has previously benefitted from high electricity prices and strong demand for renewable energy. However, there is the possibility that the government may introduce a windfall tax on electricity generation companies as it looks for ways to tackle the energy crisis.

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 [15.81%] ■ B - VT Downing Small & Mid-Cap Income Acc in GB [7.90%]*

*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)	-4.93	-2.48	0.62	-9.12	-7.95	11.64	-1.87
IA UK Equity Income TR index	-2.59	-5.10	-2.00	-4.48	-2.69	11.88	12.00
Quartile ranking	4	1	1	4	4	3	4

Discrete performance (%)					
	31/08/2021 - 31/08/2022	31/08/2020 - 31/08/2021	31/08/2019 - 31/08/2020	31/08/2018 - 31/08/2019	31/08/2017 - 31/08/2018
VT Downing Small & Mid-Cap Income Fund (Acc)	-7.95	35.74	-10.65	-11.35	-0.85
IA UK Equity Income TR index	-2.69	31.26	-12.41	-3.78	4.04
Quartile ranking	4	2	2	4	4

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

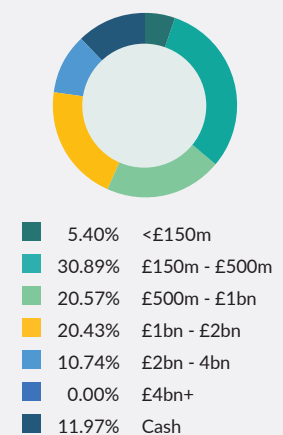


Fund Manager
Josh McCathie

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

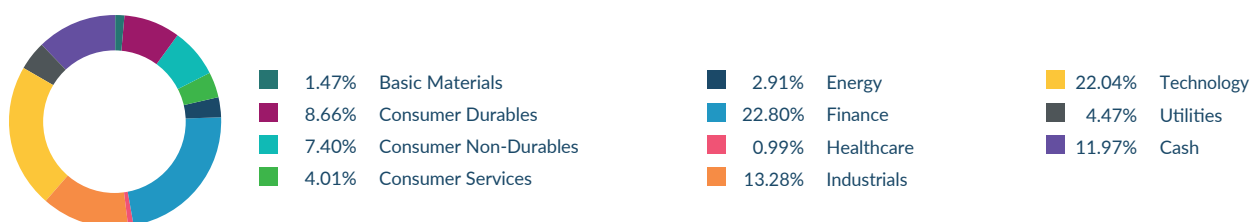
	% of fund
EMIS Group Plc	3.86
Smart Metering Systems Plc	3.72
Drax Group Plc	3.52
Alpha Financial Markets Consulting Plc	3.49
Frp Advisory Group Plc	3.41
Watkin Jones Plc	3.36
Computacenter Plc	2.95
Lokn Store Group Plc	2.91
Diversified Energy Company Plc	2.90
Foresight Group Holdings Ltd	2.84
Total	32.96

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 31 August 2022

Sector breakdown



Source: Factset

Key facts As at 31 August 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)
£42.90m

Yield

4.0%***

Income paid

Quarterly

Number of holdings

43

Prices as at 31 August 2022

Accumulation shares: 205.5387p
Income shares: 116.4810p

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

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.

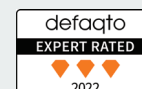
Platforms and wraps

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

Statistics correct as at 31/08/2022. 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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