

# VT Downing Small & Mid-Cap Income Fund



## June 2022 Commentary

In June, the Accumulation share class was down 2.98% while the IA UK Equity Income Total Return Index was down 6.17%. Key contributors were EMIS Group (up 43.23%) and iEnergiser (up 32.83%). Key detractors included Strix (down 14.21%) and Fonix Mobile (down 12.17%).

EMIS Group, a healthcare software developer, agreed a recommended all cash offer made by Bordeaux UK Holdings, an affiliate of Optum Health Solutions (UK) and a wholly owned subsidiary of UnitedHealth Group Incorp. The proposed acquisition values the ordinary share capital of EMIS at approximately £1.24bn. It represents a premium of approximately 49% of the closing price of 1.92p per EMIS share on 16 June 2022.

iEnergizer, a digital technology and media specialist, reported a strong set of FY results, with strong revenue and margin growth generating a substantial return and exceeding market expectations. Earlier in the month, the Board confirmed that it is undertaking a review of strategic options in order to maximise value for all existing shareholders. As part of this process, it has entered into preliminary discussions regarding a possible sale of the company.

Strix, a designer, manufacturer and supplier of kettle safety controls issued no news in the month. We believe that shares in the group have fallen, predominantly on concerns over supply chains in China where strict Covid restrictions remain in place in some areas.

Fonix Mobile, a mobile payments and messaging company, announced that certain directors, shareholders and employees had sold c.£10m worth of shares in the company to satisfy institutional demand. The sellers sold c.6.7m ordinary shares at a price of 150p per share, a 4.5% discount to its closing share price on 23 June.

*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)	-2.98	-3.60	-9.58	-9.58	-1.44	9.15	2.23
IA UK Equity Income TR index	-6.17	-5.51	-5.56	-5.56	-0.27	8.12	11.77
Quartile ranking	1	1	4	4	3	2	4

Discrete performance (%)					
	30/06/2021-30/06/2022	30/06/2020-30/06/2021	30/06/2019-30/06/2020	30/06/2018-30/06/2019	30/06/2017-30/06/2018
VT Downing Small & Mid-Cap Income Fund (Acc)	-1.44	30.81	-15.34	-8.71	2.59
IA UK Equity Income TR index	-0.27	25.44	-13.58	-2.51	6.04
Quartile ranking	3	1	3	4	4

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

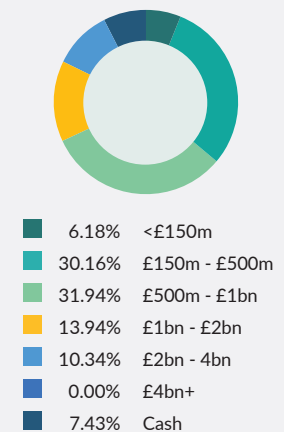


**Fund Manager**  
**Josh McCathie**

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
Watkin Jones Plc	4.07
EMIS Group Plc	4.00
Caretech Holdings Plc	3.75
Smart Metering Systems Plc	3.58
Drax Group Plc	3.49
Frp Advisory Group Plc	3.41
Alpha Financial Markets Consulting Plc	3.35
Computacenter Plc	2.87
Lokn Store Group Plc	2.81
Hilton Food Group Plc	2.62
<b>Total</b>	<b>33.95</b>

Source: Valu-Trac Investment Management Ltd

# Portfolio summary

As at 30 June 2022

## Sector breakdown



7.43%	Cash	15.52%	Financials
2.29%	Commodity and energy	7.75%	Healthcare
2.41%	Communications	6.80%	Industrials
10.66%	Consumer discretionary	16.90%	Information technology
4.78%	Consumer staples	6.18%	Property
2.57%	Energy	6.88%	Real Estate

1.85%	UK Corporate Bonds
2.95%	UK Equities
5.03%	Utilities

Source: Valu-Trac Investment Management Ltd

## Key facts As at 30 June 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)  
£40.96m

### Yield

4.6%\*\*\*

### Income paid

Quarterly

### Number of holdings

44

### Prices as at 30 June 2022

Accumulation shares:	204.4923p
Income shares:	115.8878p

### 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

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

Aegon	Hubwise
AJ Bell	James Brearley
All Funds	James Hay
Aviva	Novia
Canada Life International	Nucleus
Elevate	M&G
Embark	Quilter
Fidelity (Inst)	Standard life
Fidelity (FFN)	Transact
Hargreaves Lansdown	Zurich

\*\* 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.

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



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

**Statistics correct as at 30/06/2022.** 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 vein 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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