

VT Downing Small & Mid-Cap Income Fund



August 2023 Commentary

In August, the Accumulation share class was down 0.56% while the IA UK Equity Income Total Return Index was down 1.73%. Key contributors were Supreme (+16.11%) and EMIS Group (+31.40%). Key detractors included Moneysupermarket.com (-8.05%) and Alpha Financial Markets Consulting (-10.47%).

Supreme, a manufacturer, brand owner, and distributor of batteries, lighting, vaping, and sports nutrition products, issued no material news in the month. The stock went ex-dividend on 31 August which could explain some of the share price increase towards the end of the month.

EMIS Group, a connected healthcare software and systems provider, saw its shares rise on news that a £1.24bn take-over deal with US United Health Group had been provisionally cleared by the Competition and Markets Authority (CMA). A consultation on the findings of the CMA has been launched before a final decision is due in October.

Moneysupermarket.com, a price comparison website, issued no significant news in the month and the company went ex-dividend on 3 August. We believe that the shares offer good value at current levels and directors have been purchasing stock.

Alpha Financial Markets Consulting is a global provider of specialist consultancy services. Like Moneysupermarket.com, the group issued no significant news in the month and we believe the shares currently offer good value.

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 (five years).

Performance



■ A - IA UK Equity Income TR in GB [20.50%] ■ B - VT Downing Small & Mid-Cap Income Acc in GB [3.11%]*

*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)	-0.56	-0.67	-4.71	-2.30	-4.44	19.39	-5.43
IA UK Equity Income TR index	-1.73	0.23	-4.90	1.09	4.04	32.89	12.00
Quartile ranking	1	4	3	4	4	4	4

Discrete performance (%)					
	31/08/2022 - 31/08/2023	31/08/2021 - 31/08/2022	31/08/2020 - 31/08/2021	31/08/2019 - 31/08/2020	31/08/2018 - 31/08/2019
VT Downing Small & Mid-Cap Income Fund (Acc)	-4.44	-7.95	35.74	-10.65	-11.32
IA UK Equity Income TR index	4.04	-2.69	31.26	-12.41	-4.41
Quartile ranking	4	4	1	2	4

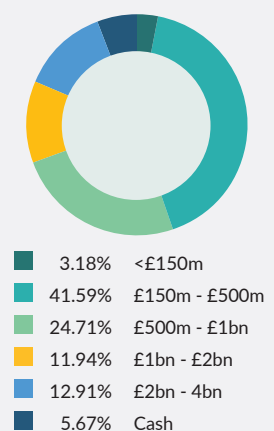
Past performance is not a reliable indicator of future results. Performance figures source: FE Analytics.

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 has over nine 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

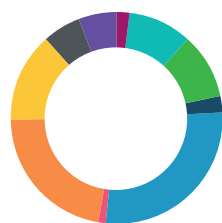
	% of fund
Conduit Holdings Ltd	4.50
XPS Pensions Group Plc	4.42
Telecom Plus Plc	3.33
Computacenter Plc	3.18
Foresight Group Holdings Ltd	3.14
Britvic Plc	3.09
Moneysupermarket.Com Group Plc	3.04
Frp Advisory Group Plc	3.01
Fonix Mobile Plc	2.75
Lokn Store Group Plc	2.74
Total	33.20

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 31 August 2023

Sector breakdown



2.02%	Consumer durables	27.59%	Finance	5.89%	Utilities
9.80%	Consumer non-durables	1.05%	Healthcare	5.67%	Cash
9.97%	Consumer services	21.92%	Industrials		
2.54%	Energy	13.55%	Technology		

Source: Factset

Key facts As at 31 August 2023

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)
£41.14m

Yield

4.4%***

Income paid

Quarterly

Number of holdings

45

Prices as at 31 August 2023

Accumulation shares:	196.4045p
Income shares:	106.5872p

Charges

Initial charge:	0%
Annual Mgmt charge:	0.75%
Ongoing charges [^] charged to capital****:	0.93%

[^] 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

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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



Awarded date 1 February 2023

As at 30 June 2023

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
31/12/2022	1.1963p
31/03/2023	1.0496p
30/06/2023	1.1652p

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 past twelve months as a percentage of the fund price as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions

**** The ongoing charges figure is based on expenses and the net asset value as at 31 July 2023. This figure may vary from year to year. It excludes portfolio transaction costs.

www.downingincomefund.co.uk

Statistics correct as at 31/08/2023. Performance figures source: FE Analytics. Fund performance is based on accumulation shares, indices include net reinvested income. Performance figures are for the period from when the mandate was updated (31/03/2017) to focus on small and mid caps, in a similar vein to how the fund is currently run. 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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