

VT Downing Small & Mid-Cap Income Fund



September 2023 Commentary

In September, the Accumulation share class was down 0.95% while the IA UK Equity Income Total Return Index was up 1.41%. Key contributors were Computacenter (up 17.09%) and Galliford Try (up 24.23%). Key detractors included Gresham House Energy Storage (down 19.44%) and Drax Group (down 20.51%).

Computacenter, a technology partner, announced results for the six months to 30 June 2023. A strong performance in the first half sets the business on course for its nineteenth year of uninterrupted full-year adjusted diluted earnings per share growth. Coupled with this performance, management has seen good progress in Q3 to date. The industry has returned to normal supply conditions and the group has seen a significant generation of cash as its inventory has reduced.

Galliford Try, a construction and engineering business, issued FY results and reported strong performance against all operations. The group delivered increased revenue and profits and earnings per share were ahead of forecasts. The new financial year has started well with trading at the upper end of expectations and management has increased confidence in the delivery of FY26 objectives.

Gresham House Energy Storage Fund, an investment trust, issued a trading update and reported revenues in H1 2023 were lower and below budget, impacting dividend cover. Interim results, published later in the month, stated that strong dividend cover in 2021 and 2022 has allowed it to maintain its committed dividend increase for 2023, despite the reduced revenues. As more projects come online and installed capacity increases later in 2023 and into 2024, management expects full run-rate dividend cover to return.

Drax, a renewable energy company, issued no significant news in the month. Reports suggest the shares were hit by the company's use of factoring and other tools to improve its working capital. The cost of using tools such as deferred letters of credit has also increased.

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 [22.20%] ■ B - VT Downing Small & Mid-Cap Income Acc in GB [2.13%]*

*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)	-0.95	-1.40	-1.49	-3.22	3.68	22.70	-6.56
IA UK Equity Income TR index	1.41	2.33	0.60	2.51	13.60	37.95	13.98
Quartile ranking	4	4	4	4	4	4	4

Discrete performance (%)					
	30/09/2022 - 30/09/2023	30/09/2021 - 30/09/2022	30/09/2020 - 30/09/2021	30/09/2019 - 30/09/2020	30/09/2018 - 30/09/2019
VT Downing Small & Mid-Cap Income Fund (Acc)	3.68	-15.10	39.38	-15.40	-9.97
IA UK Equity Income TR index	13.60	-8.47	32.67	-17.24	-0.17
Quartile ranking	4	4	1	2	4

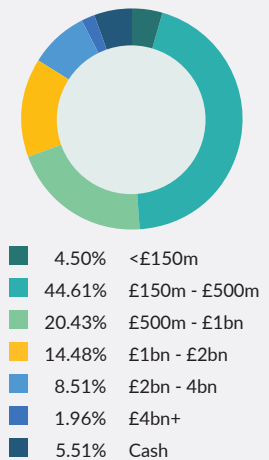
Past performance is not a reliable indicator of future results. Performance figures source: FE Analytics.



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
XPS Pensions Group Plc	4.90
Conduit Holdings Ltd	4.52
Telecom Plus Plc	3.18
Frp Advisory Group Plc	3.18
Britvic Plc	3.16
Computacenter Plc	3.15
Moneysupermarket.Com Group Plc	2.94
Fonix Mobile Plc	2.89
Foresight Group Holdings Ltd	2.77
Lokn Store Group Plc	2.69
Total	33.38

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 30 September 2023

Sector breakdown



9.96%	Consumer Non-Durables	28.14%	Finance	5.31%	Utilities
10.35%	Consumer Services	25.28%	Industrials	5.51%	Cash
2.31%	Energy	13.14%	Technology		

Source: Factset

Key facts As at 30 September 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)
£40.18m

Yield

4.8%***

Income paid

Quarterly

Number of holdings

44

Prices as at 30 September 2023

Accumulation shares:	194.5475p
Income shares:	104.0555p

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
30/09/2023**	1.5239p

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.

** Estimated

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 30/09/2023. 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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