

VT Downing Small & Mid-Cap Income Fund



November 2023 Commentary

In November, the Accumulation share class was up 5.47% while the IA UK Equity Income Total Return Index was up 4.24%. Key contributors were Zegona Communications (up 417.63%) and TP ICAP (up 19.67%). Key detractors included Sabre Insurance Group (down 4.76%) and Alpha Financial Markets Consulting (down 5.26%).

Zegona Communications, an investor in European telecommunications, media, and technology, raised €300m from a share placing. The funds will go towards the group's acquisition of the Spanish arm of Vodafone at an enterprise value of €5 billion, including debt. Importantly, Zegona will receive a €900m investment indirectly from Vodafone.

TP ICAP, an intermediary in the financial, energy, and commodities markets, issued a trading update at the end of October and the shares appreciated over November. The group particularly benefited from buoyant energy market conditions, with Energy & Commodities (E&C) leveraging its market-leading position across all the main asset classes. The business continues to trade in line with the board's expectations.

Sabre Insurance, a motor insurance underwriter, made a series of changes to its management team. Following the sad death of chairman Andy Pomfret, Rebecca Shelley, an independent director became acting chair. A non-executive director took over as chair of the remuneration committee on an interim basis, and another non-exec stepped down from the board. The group was subject to a cyber-attack although no sensitive customer data is believed to have been accessed nor will there be a material financial impact as a result of the incident.

Alpha Financial Markets Consulting, a consultancy firm, issued interim results, reporting a resilient performance in a more competitive environment. Revenue increased by 7.5% and net fee income¹ increased by 7.2%, mostly on an organic basis². However, there has been a lengthening sales cycle and increased competition as a result of overcapacity in the global consulting market. Current conditions remain challenging but are progressively rebalancing.

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.

¹ The group uses alternative performance measures ("APMs") to provide stakeholders further metrics to aid understanding of the underlying trading performance. Margins are expressed as a percentage of net fee income.

² Organic net fee income growth excludes Shoreline, acquired during the period.

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 [21.65%] ■ B - VT Downing Small & Mid-Cap Income Acc in GB [1.56%]*

*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)	5.47	-1.50	-2.16	-3.76	-1.54	11.51	4.97
IA UK Equity Income TR index	4.24	0.96	1.19	2.05	1.52	23.12	21.76
Quartile ranking	1	4	4	4	4	4	4

Discrete performance (%)					
	30/11/2022 - 30/11/2023	30/11/2021 - 30/11/2022	30/11/2020 - 30/11/2021	30/11/2019 - 30/11/2020	30/11/2018 - 30/11/2019
VT Downing Small & Mid-Cap Income Fund (Acc)	-1.54	-8.97	24.42	-11.71	6.63
IA UK Equity Income TR index	1.52	3.54	17.14	-10.49	10.49
Quartile ranking	4	4	1	3	4

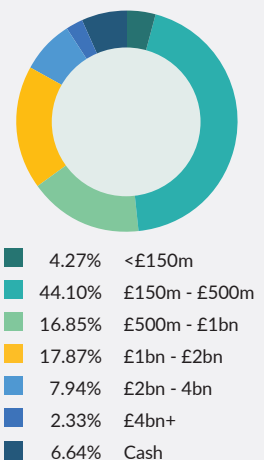
Past performance is not a reliable indicator of future results. Performance figures source: FE Analytics.



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
Conduit Holdings Ltd	4.90
XPS Pensions Group Plc	4.71
Telecom Plus Plc	3.82
Frp Advisory Group Plc	3.53
Britvic Plc	3.13
Lokn Store Group Plc	2.96
Hollywood Bowl Group Plc	2.90
Hilton Food Group Plc	2.85
Fonix Mobile Plc	2.83
Foresight Group Holdings Ltd	2.77
Total	34.40

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 30 November 2023

Sector breakdown



8.53% Consumer Non-Durables
11.89% Consumer Services
0.99% Energy

34.53% Finance
23.33% Industrials
10.32% Technology

3.77% Utilities
6.64% Cash

Source: Factset

Key facts As at 30 November 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)
£38.47m

Yield

4.8%***

Income paid

Quarterly

Number of holdings

40

Prices as at 30 November 2023

Accumulation shares: 193.4550p
Income shares: 103.4583p

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.

www.downingincomefund.co.uk

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	1.5106p

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.

Risk warning: Your capital is at risk. The value of your investment is not guaranteed and may go down as well as up and you may not get back the amount invested. Any subscription to the fund should be made on the basis of the relevant product literature available from Downing LLP, or from the ACD, Valu-Trac Investment Management Limited and your attention is drawn to the charges and risk factors contained therein.

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