

VT Downing Small & Mid-Cap Income Fund



January 2024 Commentary

In January, the Accumulation share class was down 3.75% while the IA UK Equity Income Total Return Index was down 1.42%. Key contributors were Galliford Try (up 9.33%) and Intermediate Capital (up 7.50%). Key detractors included Argentex (down 34.44%) and the Gresham House Energy Storage Fund (down 55.28%).

Galliford Try, a construction group, issued a positive trading statement covering the first half of its financial year. Results indicate strong momentum and good progress against its Sustainable Growth Strategy. Trading is ahead both of the same period the year prior and against board expectations, with revenue for the FY now anticipated to be ahead of current market expectations.

Intermediate Capital, a flexible capital provider, issued a Q3 trading statement and highlighted fee-earning assets under management were up 6.5% in the quarter. Fundraising of \$3.6bn¹ in the period was driven by two flagship strategies: Senior Debt Partners and Strategic Equity. Momentum is continuing into the final quarter of the group's financial year.

Argentex, a currency management and payment solutions provider, announced in November that it expected to report revenue and operating profit at similar levels to the year prior. However, the board now expects revenues to be down by c.1.2% and operating profit down c.29%. The business has made significant investment in people, technology, and overseas expansion during a challenging period for markets and it has incurred some costs not previously anticipated.

Gresham Energy Storage, an investment trust investing in utility-scale battery energy storage systems (BESS), issued a trading update. The company continues to be impacted by the weak revenue environment due to a combination of headwinds for the sector. The group believes that the rising need for BESS as renewable generation increases remains true. The revenue environment is expected to improve, however, there is some uncertainty about the timing and trajectory of this.

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 Includes \$0.2bn of leverage attributable to equity that was raised in previous periods.

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 [25.76%] ■ B - VT Downing Small & Mid-Cap Income Acc in GB [2.92%]*

*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)	-3.75	6.88	-0.75	-3.75	-5.94	7.73	9.53
IA UK Equity Income TR index	-1.42	7.77	2.56	-1.42	1.17	23.67	25.36
Quartile ranking	4	3	4	4	4	4	4

Discrete performance (%)					
	31/01/2023- 31/01/2024	31/01/2022- 31/01/2023	31/01/2021- 31/01/2022	31/01/2020- 31/01/2021	31/01/2019- 31/01/2020
VT Downing Small & Mid-Cap Income Fund (Acc)	-5.94	-1.61	16.41	-10.67	13.81
IA UK Equity Income TR index	1.17	2.92	18.76	-9.01	11.41
Quartile ranking	4	4	3	3	2

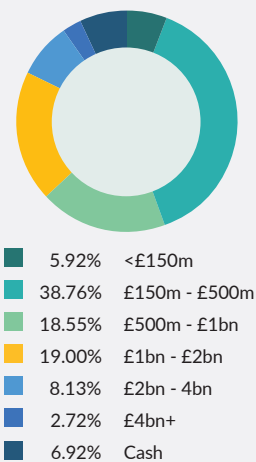
Past performance is not a reliable indicator of future results. Performance figures source: FE Analytics.



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	4.80
XPS Pensions Group Plc	4.30
Telecom Plus Plc	3.83
Frp Advisory Group Plc	3.65
Britvic Plc	3.41
Hollywood Bowl Group Plc	3.26
Galliford Try Plc	3.14
Foresight Group Holdings Ltd	3.05
Bloomsbury Publishing Plc	3.03
Lok'nStore Group Plc	2.94
Total	35.41

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 31 January 2024

Sector breakdown



8.81% Consumer Non-Durables
12.61% Consumer Services
33.28% Finance

24.25% Industrials
10.24% Technology

3.89% Utilities
6.92% Cash

Source: Factset

Key facts As at 31 January 2024

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)
£37.23m

Yield

4.9%***

Income paid

Quarterly

Number of holdings

39

Prices as at 31 January 2024

Accumulation shares: 196.0406p
Income shares: 103.5108p

Charges

Initial charge: 0%
Annual Mgmt charge: 0.75%
Ongoing charges[^]
charged to capital****: 0.92%

[^] 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



As at 20 December 2023

As at 31 December 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
31/12/2023	1.3821p

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 29 December 2023. This figure may vary from year to year. It excludes portfolio transaction costs.

www.downingincomefund.co.uk

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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