VT Downing Small & Mid-Cap Income Fund

May 2023 Commentary

In May, the Accumulation share class was down 1.59% while the IA UK Equity Income Total Return Index was down 3.23%. Key contributors were Hollywood Bowl (up 12.89%) and Sabre Insurance (up 11.39%). Key detractors included Watkin Jones (down 33.64%) and Telecom Plus (down 14.73%).

Hollywood Bowl, the bowling alley operator, issued strong interim results which reflect the demand for high-quality and value for money experiences. The group reported like-for-like revenue growth[1] of 3.5% and a record first-half revenue of £110.2m. The company is trading in line with management expectations for FY2023 and continued balance sheet strength will allow it to invest for further growth.

Sabre Insurance, a motor insurance underwriter, issued a trading update for the first four months of 2023. The group reported gross written premium in Motor has increased year on year, with profitability in line with expectations and ahead of the same period last year. High single-digit growth in overall gross written premium is anticipated for the full year.

Watkin Jones, an affordable house builder, announced results for the six months to 31 March 2023 that were in line with expectations. Management reported that the group is managing build costs and its supply chain well, and it is encouraged by the early signs of build inflation reducing.

Telecom Plus, a supplier of bundled utility services, announced no news in the month and we continue to believe that the shares offer good value at current levels.

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] *Like-for-like (LFL) revenue growth is total revenue excluding any new centres and Canada. New centres are included in the LFL growth calculation for the period, after they complete the calendar anniversary of their opening date. LFL revenues in H1 FY2023 and H1 FY2022 exclude the impact of TRR of VAT on bowling.*

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



A - IA UK Equity Income TR in GB [20.27%] **B - VT Downing Small & Mid-Cap Income Acc in GB [3.80%]***

**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)	-1.59	-4.06	0.63	-1.64	-6.19	22.63	-4.79
IA UK Equity Income TR index	-3.23	-5.07	0.37	0.90	-1.45	32.59	10.45
Quartile ranking	1	2	2	4	4	4	4

Discrete performance (%)	31/05/2022 -31/05/2023	31/05/2021 - 31/05/2022	31/05/2020 - 31/05/2021	31/05/2019 - 31/05/2020	31/05/2018 - 31/05/2019
VT Downing Small & Mid-Cap Income Fund (Acc)	-6.19	2.55	27.47	-15.66	-7.94
IA UK Equity Income TR index	-1.45	5.69	27.30	-12.21	-5.11
Quartile ranking	4	3	2	3	4

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

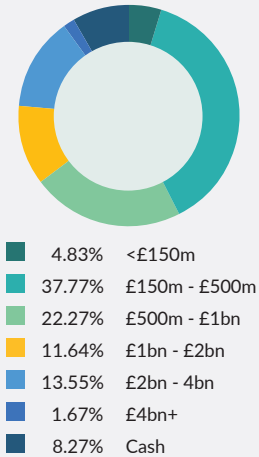


Fund Manager
Josh McCathie

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 9 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

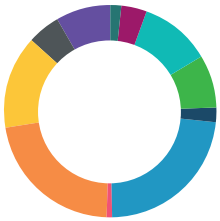
	% of fund
Conduit Holdings Ltd	3.79
XPS Pensions Group Plc	3.75
Computacenter Plc	3.52
Smart Metering Systems Plc	3.25
Fonix Mobile Plc	3.17
Foresight Group Holdings Ltd	3.04
Alpha Financial Markets Consulting Plc	3.03
Moneysupermarket.Com Group Plc	2.88
Britvic Plc	2.88
Frp Advisory Group Plc	2.78
Total	**32.09**

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 31 May 2023

Sector breakdown



1.68%	Basic materials	2.31%	Energy	14.20%	Technology
3.88%	Consumer durables	22.96%	Finance	4.98%	Utilities
10.88%	Consumer non-durables	1.06%	Healthcare	8.27%	Cash
8.02%	Consumer services	21.76%	Industrials		

Source: Factset

Key facts As at 31 May 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)
£42.36m

Yield
4.4%***

Income paid
Quarterly

Number of holdings
48

Prices as at 31 May 2023

Accumulation shares:	197.7278p
Income shares:	108.4730p

Charges

Initial charge:	0%
Annual Mgmt charge:	0.75%
Ongoing charges^ charged to capital****:	0.97%

^ **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.
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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

Awarded date 1 February 2023

As at 31 December 2022

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

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 30 December 2022. This figure may vary from year to year. It excludes portfolio transaction costs.

Statistics correct as at 31/05/2023. 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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