VT Downing Small & Mid-Cap Income Fund

July 2023 Commentary

In July, the Accumulation share class was up 0.10% while the IA UK Equity Income Total Return Index was up 2.68%. Key contributors were XPS Pensions Group (up 9.74%) and Foresight Group (up 10.34%). Key detractors included Record (down 11.06%) and Fonix Mobile (down 7.71%).

XPS Pensions, a consulting and administration business, announced that it has entered into an option agreement to sell XPS Pensions (Nexus) to SEI to create a market-leading defined contribution proposition for employers and pension scheme members. The deal creates a strategic partnership between XPS and SEI, under which XPS will provide wide-ranging services to continue to support NPT and SEI. The transaction is subject to regulatory approval.

Foresight, a sustainably-led infrastructure and private equity investment manager, issued full-year results and reported a period of highly profitable growth. The group's predictable long-term revenue model provides a strong platform for continued growth, with recurring revenue of 86.6%. Assets under management increased by 38% and funds under management grew by 35%, driving a 38% increase in revenue.

Record, a specialist currency and asset manager, issued a first-quarter trading update and reported performance fees of £0.5m were earned during the period, and a decline of 2% in assets under management equivalent (AUME). We believe that while the update was largely in-line with expectations, the share price was unduly punished, a familiar feature reflecting continuing poor sentiment towards UK PLC.

Fonix Mobile, a mobile payments and messaging provider, provided a positive update on trading and reported revenue and profit had continued to grow, ending the year marginally ahead of market expectations. The share price has been volatile over the period and the stock represents a relatively large position in the fund.

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 (5 years).

Performance



A - IA UK Equity Income TR in GB [22.62%] B - VT Downing Small & Mid-Cap Income Acc in GB [3.69%]*

**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)	0.10	-1.70	-5.23	-1.74	-8.64	24.67	-5.12
IA UK Equity Income TR index	2.68	-1.34	-1.35	2.87	3.13	38.10	12.24
Quartile ranking	4	3	4	4	4	4	4

Discrete performance (%)	31/07/2022 -31/07/2023	31/07/2021 - 31/07/2022	31/07/2020 - 31/07/2021	31/07/2019 - 31/07/2020	31/07/2018 - 31/07/2019
VT Downing Small & Mid-Cap Income Fund (Acc)	-8.64	2.38	33.30	-15.96	-9.45
IA UK Equity Income TR index	3.13	2.62	30.49	-17.19	-1.85
Quartile ranking	4	3	2	2	4

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



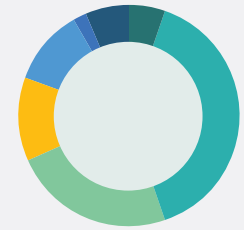
Fund Manager

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 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



5.38%	<£150m
39.37%	£150m - £500m
23.84%	£500m - £1bn
12.09%	£1bn - £2bn
11.20%	£2bn - 4bn
1.93%	£4bn+
6.19%	Cash

Source: Factset

Top 10 Holdings

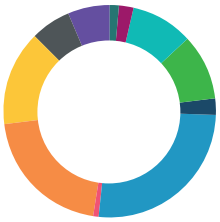
	% of fund
XPS Pensions Group Plc	4.40
Conduit Holdings Ltd	4.36
Telecom Plus Plc	3.45
Moneysupermarket.Com Group Plc	3.25
Foresight Group Holdings Ltd	3.18
Computacenter Plc	3.17
Frp Advisory Group Plc	3.11
Lokn Store Group Plc	2.89
Britvic Plc	2.89
Drax Group Plc	2.87
Total	**33.57**

Source: Valu-Trac Investment Management Ltd

Portfolio summary

As at 31 July 2023

Sector breakdown



1.61%	Basic materials	2.62%	Energy	14.24%	Technology
2.03%	Consumer durables	25.92%	Finance	6.26%	Utilities
9.61%	Consumer non-durables	1.03%	Healthcare	6.19%	Cash
9.90%	Consumer services	20.59%	Industrials		

Source: Factset

Key facts As at 31 July 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)
£41.44m

Yield
4.4%***

Income paid
Quarterly

Number of holdings
45

Prices as at 31 July 2023

Accumulation shares:	197.5171p
Income shares:	107.1910p

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.
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

defaqto FUND REVIEWED — *Awarded date 1 February 2023*

defaqto EXPERT RATED Equity Income 2022

CITYWIRE GOLD — *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.

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

Statistics correct as at 31/07/2023. 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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