31 July 2024

# VT Downing Small & Mid-Cap Income Fund

## July 2024 commentary

In July, the Accumulation share class was up 5.79% while the IA UK Equity Income Total Return Index was up 4.04%. Key contributors were Galliford Try (up 28.66%) and Zegona Communications (up 29.66%). Key detractors included Hostelworld (down 11.54%) and Computacenter (down 6.77%).

Galliford Try, a UK construction company, issued a trading update that highlighted the group's strong performance and confident outlook. Full-year revenue and pre-exceptional profit before tax is expected to be above the upper end of current analyst forecasts[1] when the group issues FY results in September. Management confidence is underpinned by a strong order book and a long-term pipeline of future opportunities.

Zegona Communications, an acquirer and operator of European TMT businesses, completed the takeover of Vodafone Spain in May. In July, the group announced that Vodafone Spain and MasOrange had signed proposed terms for a network sharing agreement. It will deliver a highly efficient fibre infrastructure with leading fixed-line technology at the forefront of the industry and is expected to create significant incremental value for all Zegona stakeholders.

Hostelworld, a social network powered online travel agent, issued a trading statement that highlighted a record performance for bookings in Asia and Central America. We believe that the group is well positioned to capitalise on market demand as it reiterated it expects to report FY 2024 adjusted EBITDA in line with market consensus[2].

Computacenter, an independent technology and services provider, issued a trading update and reported that the group had delivered a solid underlying performance in Germany and North America. However, in the UK, demand for hardware was weaker than expected. Encouragingly, the product order backlog has grown significantly since the start of the year, driven by notable Technology Sourcing wins in North America.

*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 range of analyst forecasts for revenue and pre-exceptional profit before tax for the year ended 30 June 2024 is £1.435bn to £1.643bn and £26.7m to £29.2m respectively as at 1 July 2024.*

*2. Company compiled market consensus FY 2024 adjusted EBITDA is €21.4M as of 09 July 2024.*

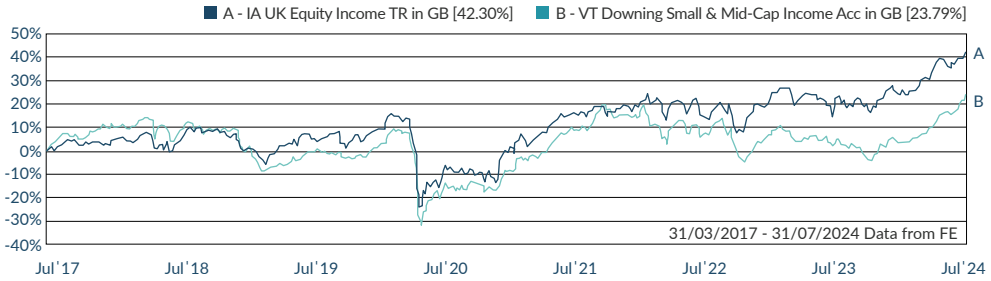
## About the fund

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




| Cumulative performance (%) | 1m | 3m | 6m | YTD | 1y | 3y | 5y |
|---|---|---|---|---|---|---|---|
| VT Downing Small & Mid-Cap Income Fund (Acc) | 5.79 | 11.14 | 20.28 | 15.77 | 19.38 | 11.66 | 25.08 |
| IA UK Equity Income TR index | 4.04 | 5.95 | 13.15 | 11.54 | 16.05 | 22.81 | 32.70 |
| Quartile ranking | 1 | 1 | 1 | 1 | 1 | 4 | 4 |

| Discrete performance (%) | 31/07/2023 - 31/07/2024 | 31/07/2022 - 31/07/2023 | 31/07/2021 - 31/07/2022 | 31/07/2020 - 31/07/2021 | 31/07/2019 - 31/07/2020 |
|---|---|---|---|---|---|
| VT Downing Small & Mid-Cap Income Fund (Acc) | 19.38 | -8.64 | 2.38 | 33.30 | -15.96 |
| IA UK Equity Income TR index | 16.05 | 3.12 | 2.62 | 30.49 | -17.19 |
| Quartile ranking | 1 | 4 | 3 | 2 | 2 |

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

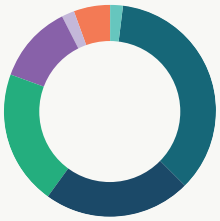


**Josh McCathie**
Fund Manager

**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



**Market cap bands**

| | |
|---|---|
| 1.99% | <£150m |
| 35.51% | £150m-£500m |
| 22.55% | £500m-£1bn |
| 20.65% | £1bn-£2bn |
| 11.88% | £2bn-£4bn |
| 1.90% | £4bn+ |
| 5.52% | Cash |

*Source: Factset*

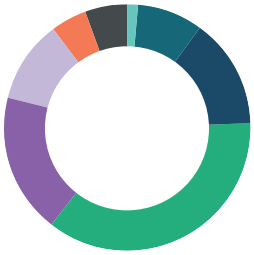
| Top 10 portfolio holdings | % |
|---|---|
| Telecom Plus Plc | 4.57 |
| Britvic Plc | 4.55 |
| XPS Pensions Group Plc | 4.45 |
| Bloomsbury Publishing Plc | 3.89 |
| Conduit Holdings Ltd | 3.74 |
| Frp Advisory Group Plc | 3.48 |
| WH Smith Plc | 3.13 |
| Foresight Group Holdings Ltd | 3.06 |
| Kitwave Group Plc | 2.96 |
| Hollywood Bowl Group Plc | 2.95 |
| Total | 36.78 |

*Source: Valu-Trac Investment Management Ltd.*

# Portfolio summary

As at 31 July 2024

## Sector breakdown



| | | | |
|---|---|---|---|
| 1.56% | Basic Materials | 18.25% | Industrials |
| 8.62% | Consumer Non-Durables | 10.86% | Technology |
| 14.40% | Consumer Services | 4.57% | Utilities |
| 36.22% | Finance | 5.52% | Cash |

*Source: Factset*

## Key facts *(As at 31 July 2024)*

**Fund objective**
To achieve a quarterly income, together with long-term capital growth

**Launch date:**
14 June 2010

**IA sector:**
UK Equity Income

**Currency:**
UK Sterling

**Types of shares:**
Income & Accumulation

**Fund size:**
(Income & Accumulation shares combined) £40.04m

**Yield:**
4.1%**

**Income paid:**
Quarterly

**Number of holdings:**
42

**Prices** as at 31 July 2024
Accumulation shares: 235.7965p
Income shares: 122.1326p

**Charges**
Initial charge: 0%
Annual Mgmt charge: 0.75%
Ongoing charges
charged to capital***: 1.00%

**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 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.

**Advisory Committee:**
**Judith MacKenzie:** Non-Independent Member
**Donald Robertson:** Independent Member
**Darrell O'Dea:** Independent Member

### Quarterly distribution:

| Period to | Income |
|---|---|
| 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 |
| 31/03/2024 | 0.9790p |
| 30/06/2024* | 1.1720p |

*Source: Valu-Trac Investment Management Ltd and Downing*
** Estimated*

## How to apply

Telephone: +44 (0) 1343 880217 or visit:
www.valu-trac.com/administration-services/clients/downing/dsmi/

### Platforms and wraps:

- 7IM
- Aegon
- AJ Bell
- All Funds
- Aviva
- Barclays
- Canada Life International
- Elevate
- Embark
- Embark Advance
- Fidelity (Inst)
- Fidelity (FFN)
- Hargreaves Lansdown
- Hubwise
- Interactive Investor
- iWeb
- James Brearley
- Novia
- Nucleus
- M&G
- Praemium
- Quilter
- Raymond James
- Standard life
- Transact

*** 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 05 February 2024. This figure may vary from year to year. It excludes portfolio transaction costs.*

defaqto Single-Asset Return Focused 2024 EXPERT RATED

defaqto REVIEWED

As at 20 December 2023

CITYWIRE GOLD

As at 31 December 2023

**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, 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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