31 March 2025

VT Downing Small & Mid-Cap Income Fund

March 2025 commentary

In March, the Accumulation share class was down 1.92% while the IA UK Equity Income Total Return Index was down 2.25%. Key contributors were Zegona Communications (+16.89%) and Forterra (+12.02%). Key detractors included Fonix (-18.64%) and WHSmith (-12.79%).

Zegona, an investor in the European telecoms, media and technology sector, announced the successful repricing of its €1.29bn debt. This includes a €920m Term Loan B Facility, which has been upsized by €370m and now totals €1.29bn. The repricing initiative has achieved a reduction of 125 basis points in the interest rate margin, lowering it from 4.25% to 3.00% pa. This strategic move enhances the company's financial flexibility and positions it better for future investments following the completion of the Vodafone Spain acquisition.

Forterra, a manufacturer of essential clay and concrete building products, issued FY results and reported strong cash generation and improved performance in the second half of the reporting period. Revenue was flat YoY, however, there was a double-digit increase in H2 relative to the year prior and in H1 24. There has been good strategic progress at Desford, Wilnecote and Accrington with its solar farm also commencing generation.

Fonix, a mobile payments and messaging solutions provider, announced interim results and reported gross profits up 6.5% and adjusted EBITDA[1] up 6.8%. With a solid base of recurring revenue from existing clients and the addition of new customers, including News UK, Lebara, and Grace Media, along with the upcoming launch of services in Portugal, we believe Fonix is well-placed for a strong second half of the financial year.

WHSmith, the travel retailer, announced the sale of its UK High Street business to focus on higher growth travel retail markets. By removing exposure to the UK High Street, management believes it will enhance revenue growth, PBT margin, the rate of growth in trading profit and EPS, and maintain the group's free cash flow generation.

[1]Adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest, R&D tax credits and tax from the measure of profit.

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.

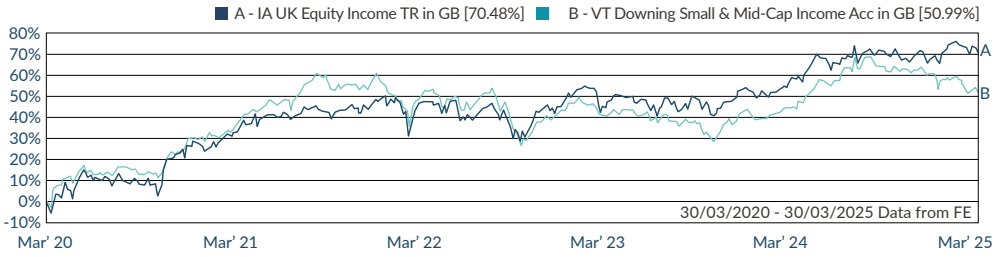
About the fund

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 an enduring 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)	-1.92	-6.06	-7.84	-6.06	4.31	0.61	50.99
IA UK Equity Income TR index	-2.25	1.32	-0.03	1.32	7.51	15.97	70.48
Quartile ranking	2	4	4	4	3	4	4

Discrete performance (%)	31/03/2024 - 31/03/2025	31/03/2023 - 31/03/2024	31/03/2022 - 31/03/2023	31/03/2021 - 31/03/2022	31/03/2020 - 31/03/2021
VT Downing Small & Mid-Cap Income Fund (Acc)	4.31	3.60	-6.90	11.15	35.02
IA UK Equity Income TR index	7.51	7.62	0.23	10.84	32.62
Quartile ranking	3	4	4	2	2

Please note that past performance is not a reliable indicator of future results.

Performance figures source: FE Analytics.

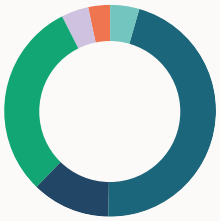


Josh McCathie
Fund Manager

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

4.49%	<£150m
46.38%	£150m-£500m
11.19%	£500m-£1bn
30.65%	£1bn-£2bn
--	£2bn-£4bn
4.12%	£4bn+
3.17%	Cash

Source: Factset

Top 10 portfolio holdings	%
Telecom Plus Plc	4.44
Zegona Communications Plc	4.12
Galliford Try Plc	4.08
Frp Advisory Group Plc	3.90
Mony Group Plc	3.72
WH Smith Plc	3.61
Hollywood Bowl Group Plc	3.49
Kitwave Group Plc	3.42
TP ICAP Plc	3.38
Redcentric Plc	3.23
Total	37.39

Source: Valu-Trac Investment Management Ltd.

Portfolio summary

As at 31 March 2025

Sector breakdown



4.24%	Basic Materials	17.43%	Industrials
5.31%	Consumer Non-Durables	11.93%	Technology
19.38%	Consumer Services	4.44%	Utilities
34.10%	Finance	3.17%	Cash

Source: Factset

Quarterly distribution:

Period to	Income
30/09/2022	1.3105p
30/12/2022	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
30/09/2024	1.4397p
31/12/2024	1.1290p
31/03/2025*	1.3029p

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

Key facts *(As at 31 March 2025)*

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) £32.67m

Yield:
4.7%

Income paid:
Quarterly

Number of holdings:
41

Prices as at 31 March 2025
Accumulation shares: 213.4244p
Income shares: 106.8063p

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

How to apply

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

Platforms and wraps:

- Abrdn - Wrap
- Abrdn - Wrap DFM Hub
- Abrdn - Elevate
- Abrdn - Fundzone
- Aegon
- Aegon Platform
- AJ Bell
- AJ Bell - Investcentre
- Allfunds EO
- M&G/ Ascentric
- Aviva
- Canada Life
- Embark Platform/ Scottish Widows
- Fidelity - Platform
- FNZ
- FNZ Institutional
- Fundment
- Fusion/Benchmark Capital
- Halifax
- Hargreaves Lansdown
- Hubwise
- Interactive Investor
- Iweb
- J Brearley
- Novia - Wealthtime
- Nucleus
- Quilter
- Seven IM
- Standard Life
- Standard Life - Fundzone
- Scottish Widows - Fund Supermarket
- Stocktrade (Embark Group)
- 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 31 December 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 1 December 2024

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