

VT Downing Unique Opportunities Fund



October 2020 Commentary

In October, the price of accumulation class shares in the VT Downing Unique Opportunities Fund rose from 128.2712 pence to 131.4459 pence. There were 16 risers and 14 fallers.

Amongst the top contributors, [Kainos](#) published a trading statement indicating that profits would be significantly ahead of market expectations. This was due to both continuing strong demand for the digital transformation of UK Central Government services, and to new business wins in its Workday (enterprise software) implementation and testing services. [EKF Diagnostics](#) also issued a positive trading update pointing to a significantly improved performance in the core business, together with continuing orders for its Primestore MTM sample collection device for Covid-19 testing. Leasing software provider [Alfa Financial Software](#) announced two new contracts plus a five-year extension to another major contract, demonstrating the strength of its intellectual property.

Amongst the detractors, only two declined by slightly more than 10% in the month. [Aveva](#) reiterated confidence in its full year forecasts but acknowledged the slippage of two software contracts from the second to the third quarter. We await publication of the document with details of the planned rights issue to part-fund the acquisition of OSI, which is likely overhanging the shares. [Tracsis](#) produced no new news, so we assume the market has been fretting about depressed rail travel and the future of the train operating companies more generally. Nonetheless, software to support the operation of the UK rail network remains mission critical.

As the stock market grapples with uncertainties surrounding Covid-19, the US election and much else, many individual shares move around from month to month, driven by sentiment, trading flows and the like. However, the fundamentals of good businesses do over time shine through in their market valuations, as the stock market's long term function as a weighing machine supersedes its short term function as a voting machine.

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 25-40 holdings. As fund manager, Rosemary seeks to invest in equities she considers to have a unique outlook and opportunity for growth. These businesses will be identified as having sustainable competitive advantages that are difficult to replicate, which can create high barriers for new entrants and have the potential to generate superior returns over the long term.

Investment Objective

The fund's objective is to achieve capital growth and income over the long term (5+ years). It seeks to invest at least 80% in equities listed on UK markets (including the London Stock Exchange, AIM, and the ICAP Securities and Derivatives Exchange (ISDX)). The remainder will be invested in other equities, fixed income, money market instruments, deposits, warrants, cash and near cash.

The unique characteristics sought include:

- » having intangible assets e.g. brands, patents or regulatory licenses
- » having cost advantages stemming from process, location, scale or access to a unique asset
- » being the leading network in a business segment
- » there being high switching costs, which generate high customer retention rates



Fund Manager
Rosemary Banyard

Rosemary began her career with James Capel & Co where she was a senior investment analyst for 12 years. She rose to prominence and developed a reputation as a leading female fund manager in the UK after joining Schroders in 1997.

Rosemary spent nearly 20 years at Schroders and was for many years lead manager of the award-winning¹ Schroder UK Mid Cap Fund Plc as well as heading up several other UK equity mandates, managing total assets of circa £1 billion.

The Schroder UK Mid Cap Trust returned 17%² p.a. while Rosemary was manager and in her two and a half years (to June 2019) managing money at Sanford DeLand the CFP SDL Free Spirit Fund returned 31%³, placing it in the top decile of the IA UK All Companies sector.

Rosemary joined Downing in March 2020 to launch the **VT Downing Unique Opportunities Fund (DUO)**.

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

1. Investment Week - Best UK Growth Trust 2013 & 2014. Outstanding Industry Contribution Award 2015 - 1st May 2003 - 31st March 2016. (Lead manager)

2. Schroder UK Mid Cap Fund Plc Annual Reports & Accounts 2015. Rosemary was lead manager of this fund from 01/05/03 to 31/03/16

3. Financial Express 03/01/17 - 28/06/19



Rosemary was awarded the Citywire AA rating in October 2020.

ELITE RADAR
on our watchlist: FundCalibre.com

Awarded August 2020.

Portfolio summary

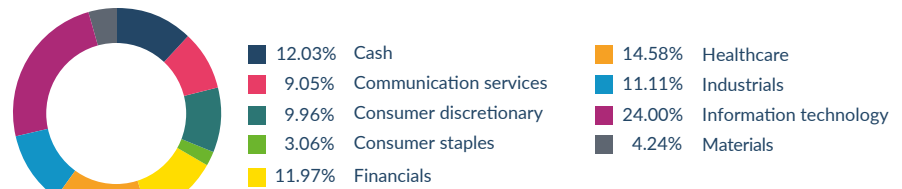
As at 31 October 2020

Top 10 holdings

	% of fund
Kainos Group Plc	4.01
Craneware Plc	3.87
Games Workshop Group Plc	3.77
EKF Diagnostics Holdings Plc	3.71
Alfa Financial Software Holdings Plc	3.52
Chemring Group Plc	3.37
Strix Group Plc	3.30
4imprint Group Plc	3.27
MJ Gleeson Plc	3.25
Impax Asset Management Group Plc	3.19

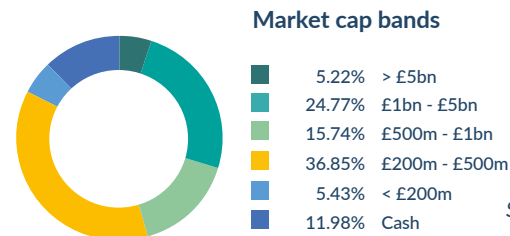
Source: Valu-Trac Investment Management Ltd.

Portfolio by sector



Source: Valu-Trac Investment Management

Portfolio by company size



Source: Factset

Key facts As at 31 October 2020

Structure

London listed Open Ended Investment Company (OEIC), established as a "UCITS scheme".

Launch date

17 March 2020

Fund Size

£10.02m (Accumulation and Income share classes combined)

Share price

Class A: 131.4459 (Acc.)

Class A: 134.4167 (Inc.)

No of holdings

30

Minimum initial investment

Class A lump sum: £1,000

Dividends

TBC

Liquidity

Daily pricing and daily dealing

ISA Eligible: Yes

Sector

IA All Companies Sector

ISIN Codes:

Class A Accumulation: GB00BHNC2614

Class A Income: GB00BHNC2721

Contact details

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Authorised Corporate Director

Valu-Trac Investment

Management Ltd

Orton, Moray

IV32 7QE

Tel: +44 (0) 1343 880 217

www.valu-trac.com

Fund charges

Initial charge: 0%

Annual management charge:

0.75% p.a.

Ongoing charges*

1.00% p.a.

How to apply:

Telephone: +44 (0) 1343 880 217 or
visit: www.valu-trac.com/administration-services/clients/downing/

Also on the following platforms:

Aegon

AJ Bell

Allfunds

Hargreaves Lansdown

Interactive Investor

James Brearley

Nucleus

Transact

Zurich

We are currently working with other
platforms so please let us know if
yours is not listed above.

*** Please note:** As the fund only launched on 17 March 2020, the ongoing charges figure shown here is an estimate of the charges and may vary from year to year. It excludes portfolio transaction costs.

The Investment Manager of the fund has undertaken to absorb any costs that would otherwise cause the fund to have ongoing charges in excess of 1%.

www.downingunique.co.uk

Risk warning: Your capital is at risk. Investments into this fund should be held for the long term (5+ years). The value of your investment and income derived from it can fall as well as rise and investors may not get back the full amount invested. This fund has a small and mid-cap bias. Investments in smaller companies are generally higher risk compared to investments in blue chip companies. The fund does not have any particular industry or economic sector focus and as such weightings in these may vary as required and investments may be in the same sectors. Past performance is not a guide to future returns. Please refer to the latest full Prospectus and KIID before investing; your attention is drawn to the risk, fees and taxation factors contained therein.

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