

# VT Downing Small & Mid-Cap Income Fund

## January 2026 commentary

In January, the Accumulation share class was up 3.16% while the IA UK Smaller Companies Sector was up 5.38%. Key contributors were Cohort (+28.70%) and Kitwave (+28.76%). Key detractors included Dunelm (-17.87%) and Kainos (-9.45%).

The most significant contributor to returns was Cohort, a defence technology company. The group issued its interim report, highlighting increased revenue performance in H1. As expected, adjusted operating profit was slightly short of last year's record performance due to the margin mix in Sensors and Effectors. The group's FY performance expectations remain unchanged.

The board of Kitwave, a delivered wholesale business, announced it had accepted a £251 million takeover offer from New York investment company, OEP Capital Advisers. The cash bid values each Kitwave share at 295 pence. In response, shares in Kitwave soared over 40% by the end of the month. The deal, which would be implemented by way of a scheme of arrangement, is expected to become effective during the first quarter of the year.

Dunelm, a homewares retailer, delivered a Q2 and H1 trading update and reported total sales of £926m, up 3.6%. However, following a strong Q1, trading was more challenging in Q2, highlighting ongoing challenges for consumers. Previous guidance indicated that profits would be more heavily weighted towards the second half than the prior year, with H1 PBT also impacted by the Q2 trading performance. The board now expects PBT for the first half to be approximately £112m - £114m, and PBT for the FY to be at the lower end of consensus expectations."

Kainos, a services and software company, announced no news in January, and we believe the shares represent good value at current levels.

*Adjusted figures exclude the effects of marking forward exchange contracts to market value (£324k credit; 2024:£100k charge), amortisation of other intangible assets (£2.6m; 2024:£1.0m) exceptional items (£0.5m credit; 2024: nil) and acquisition costs (£nil; 2024: £0.2m).*

*"Company compiled consensus average of analysts' expectations for FY26 PBT is £222m, with a range of £214m to £227m"*

*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.*

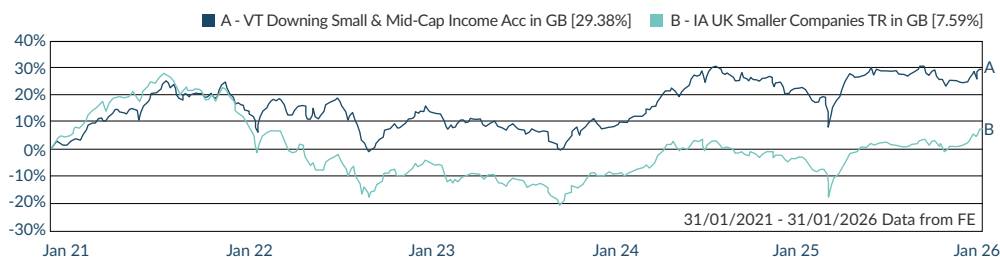
## About the fund

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



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

Cumulative performance (%)							
	1m	3m	6m	YTD	1y	3y	5y
VT Downing Small & Mid-Cap Income Fund (Acc)	3.16	0.80	0.40	3.16	5.14	12.96	29.38
IA UK Smaller Companies TR Index	5.38	4.24	5.00	5.38	10.61	14.00	7.59
Quartile ranking	4	4	4	4	4	3	1

Discrete performance (%)						
	31/01/2025 - 31/01/2026	31/01/2024 - 31/01/2025	31/01/2023 - 31/01/2024	31/01/2022 - 31/01/2023	31/01/2021 - 31/01/2022	
VT Downing Small & Mid-Cap Income Fund (Acc)	5.14	14.22	-5.94	-1.61	16.41	
IA UK Smaller Companies TR Index	10.61	5.94	-2.72	-16.33	12.80	
Quartile ranking	4	1	4	1	2	

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

Performance figures source: FE fundinfo.



**Josh McCathie**  
Fund Manager

Josh McCathie serves as the Manager to the VT Downing Small & Mid-Cap Income Fund and VT Downing Unique Opportunities Fund.

Josh joined Downing in 2018 and brings over 10 years' investment management experience, having previously worked at BRI Wealth Management focusing on research of UK equities.

Josh is a CFA charterholder.

Top 10 portfolio holdings	%
Galliford Try Plc	3.97
Redcentric Plc	3.57
XPS Pensions Group Plc	3.51
Fonix Plc	3.50
Frp Advisory Group Plc	3.38
Safestore Holdings Plc	3.16
Coats Group Plc	3.04
Hollywood Bowl Group Plc	3.03
Telecom Plus Plc	2.87
Restore Plc	2.83
Total	32.86

Source: Valu-Trac Investment Management Ltd.



As at 31 December 2025

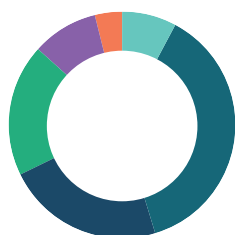


As at 1 December 2024

# Portfolio summary

As at 31 January 2026

## Market cap breakdown

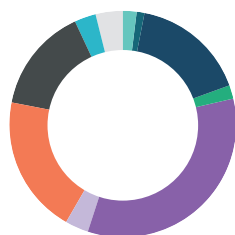


### Market cap bands

7.87%	<£150m
37.48%	£150m-£500m
22.49%	£500m-£1bn
18.96%	£1bn-£2bn
9.40%	£2bn-£4bn
0.00%	£4bn+
3.80%	Cash

Source: Factset

## Sector breakdown



1.97%	Basic Materials
1.33%	Consumer Non-Durables
16.42%	Consumer Services
1.88%	Energy
33.58%	Finance
3.30%	Healthcare
19.71%	Industrials
15.14%	Technology
2.87%	Utilities
3.80%	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
30/06/2025	1.5140p
30/09/2025	1.3511p
31/12/2025	1.2422p*

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

## Key facts (As at 31 January 2026)

### Fund objective

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

### Launch date:

14 June 2010

### IA sector:

UK Smaller Companies

### Currency:

UK Sterling

### Types of shares:

Income & Accumulation

### Fund size:

(Income & Accumulation shares combined) £28.81m

### Yield:

4.8%

### Income paid:

Quarterly

### Number of holdings:

44

### Prices as at 31 January 2026

Accumulation shares: 235.4321p

Income shares: 113.6986p

### Charges

Initial charge: 0%

Annual Mgmt charge: 0.75%

Ongoing charges

charged to capital<sup>\*\*\*</sup>: 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,  
Level 4, Dashwood House, 69 Old Broad Street,  
London EC2M 1QS

Tel: +44 (0) 1343 880 217

[www.valu-trac.com](http://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/](http://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 2025. This figure may vary from year to year. It excludes portfolio transaction costs.

This document has been approved as a financial promotion. Capital is at risk. The value of any investments may go up as well as down. Downing LLP is authorised and regulated by the Financial Conduct Authority (Reference No. 545025). Registered in England and Wales (No. OC341575). Registered Office: 10 Lower Thames Street London EC3R 6AF.