

VT Downing Small & Mid-Cap Income Fund

December 2025 commentary

In December, the Accumulation share class was down 0.43% while the IA UK Smaller Companies Sector was up 0.83%. Key contributors were Restore (+12.31%) and Kitwave Group (+11.68%). Key detractors included Telecom Plus (-12.59%) and Fonix (-14.21%).

The most significant contributor to returns was Restore, a provider of secure business services. In a trading update, the group reported that it had made seven acquisitions and disposed of Harrow Green during the year. Having set out a medium-term target of achieving 20% adjusted operating margins, it now expects to exceed that target when it announces FY25 results.

Kitwave, a delivered wholesale business, made no announcements in the month. However, in the context of a difficult consumer spending environment, the company has delivered a good performance, and the board expects to report profit growth in line with market forecasts for the FY to 31 October 2025.

The largest detractor to performance was Telecom Plus, an integrated platform for subscription-style essential household services. The shares have fallen despite announcing positive results at the end of November. We believe that the change in sentiment comes despite a more rational post-2022 energy market. While some investors may question the Telecom Plus acquisition of around 215,000 TalkTalk broadband customers, we view it as a compelling opportunity for the business to cross-sell gas and electricity, making the deal a potentially powerful customer acquisition route.

Fonix, a mobile payments and messaging solutions provider, issued no significant news in December. We believe that the business's strategic expansion and diversified product portfolio are positive indicators for future growth, and the shares offer good value at current levels.

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.

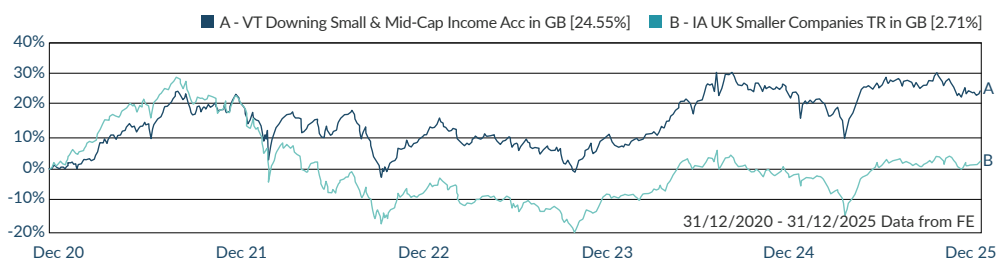
About the fund

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)	-0.43	-3.13	-3.76	0.46	0.46	13.53	24.55
IA UK Smaller Companies TR Index	0.83	-0.31	-0.59	4.15	4.15	11.68	2.71
Quartile ranking	3	4	4	3	3	2	1

Discrete performance (%)					
	31/12/2024 - 31/12/2025	31/12/2023 - 31/12/2024	31/12/2022 - 31/12/2023	31/12/2021 - 31/12/2022	31/12/2020 - 31/12/2021
VT Downing Small & Mid-Cap Income Fund (Acc)	0.46	11.54	1.32	-11.12	23.43
IA UK Smaller Companies TR Index	4.15	6.70	0.50	-25.17	22.92
Quartile ranking	3	1	2	1	3

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

Performance figures source: FE fundinfo 2025.



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	4.63
Restore PLC	4.03
Frp Advisory Group PLC	3.79
XPS Pensions Group PLC	3.55
TP ICAP PLC	3.36
Telecom Plus PLC	3.23
Redcentric PLC	3.13
JTC PLC	3.13
Safestore Holdings PLC	3.08
Coats Group PLC	3.03
Total	34.96

Source: Valu-Trac Investment Management Ltd.

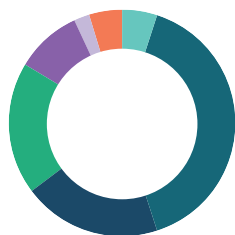


As at 1 December 2024

Portfolio summary

As at 31 December 2025

Market cap breakdown

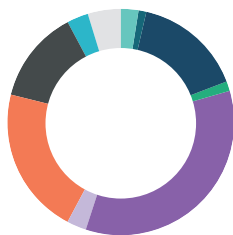


Market cap bands

5.24%	<£150m
39.87%	£150m-£500m
19.84%	£500m-£1bn
18.67%	£1bn-£2bn
9.55%	£2bn-£4bn
2.29%	£4bn+
4.54%	Cash

Source: Factset

Sector breakdown



2.50%	Basic Materials
1.16%	Consumer Non-Durables
15.69%	Consumer Services
1.38%	Energy
34.41%	Finance
2.89%	Healthcare
21.02%	Industrials
13.18%	Technology
3.23%	Utilities
4.54%	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 December 2025)

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) £32.46m

Yield:

4.9%

Income paid:

Quarterly

Number of holdings:

45

Prices as at 31 December 2025

Accumulation shares: 228.2225p

Income shares: 110.2168p

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,
Level 4, Dashwood House, 69 Old Broad Street,
London EC2M 1QS

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 12 June 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.