

VT Downing Small & Mid-Cap Income Fund

February 2026 commentary

In February, the Accumulation share class was down 0.67% while the IA UK Smaller Companies Sector was down 0.20%. Key contributors were Cohort (+12.02%) and Serica Energy (+24.65%). Key detractors included XPS Pensions (-10.59%) and Fonix (-11.58%).

The most significant contributor to returns was Cohort, a defence technology company. The group announced at the end of January that its subsidiary Marlborough Communications has been awarded a £14m contract by a UK government customer for the immediate delivery of uncrewed air systems, together with in-service support for two years. In addition, MCL has received an order valued at £3.9m to supply tactical audio systems to a UK customer.

Serica Energy, an oil and gas company, issued no news in February. The group issued a trading update in January that set a positive tone, highlighting that the company entered 2026 as a stronger, more resilient company with production and revenues expected to grow materially through completed and ongoing acquisitions. The suggested improvement in fundamentals and future cash generation is likely to have supported the share price.

XPS Pensions, a consulting and administration business, announced that its Chief Financial Officer transferred a block of shares to his wife at nil consideration as part of a regulatory disclosure. Although not unusual, director share dealings can be interpreted negatively by the market and weigh on sentiment in the short term.

Fonix, a specialist in mobile operator payments, messaging and telephony, issued no news in the month. The group issued a positive trading update in late January, and we believe the shares offer compelling 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.

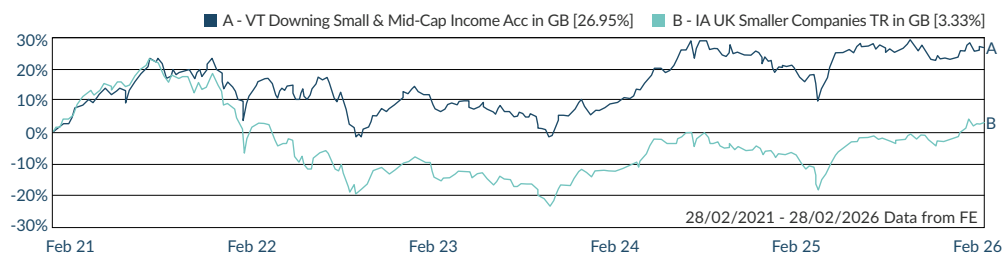
About the fund

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)	-0.67	2.03	0.99	2.47	7.48	13.47	26.95
IA UK Smaller Companies TR Index	-0.20	6.03	6.50	5.16	13.95	13.99	3.33
Quartile ranking	3	4	4	4	4	2	1

Discrete performance (%)						
	28/02/2025 - 28/02/2026	29/02/2024 - 28/02/2025	28/02/2023 - 29/02/2024	28/02/2022 - 28/02/2023	28/02/2021 - 28/02/2022	
VT Downing Small & Mid-Cap Income Fund (Acc)	7.48	8.93	-3.08	0.90	10.88	
IA UK Smaller Companies TR Index	13.95	4.22	-4.02	-11.32	2.22	
Quartile ranking	4	1	3	1	1	

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	4.12
Redcentric Plc	3.58
Fonix Plc	3.20
XPS Pensions Group Plc	3.18
Hollywood Bowl Group Plc	3.16
FRP Advisory Group Plc	3.15
Safestore Holdings Plc	3.10
Telecom Plus Plc	2.96
Mitie Group Plc	2.86
Coats Group Plc	2.84
Total	32.15

Source: Valu-Trac Investment Management Ltd.



As at 1st February 2026



As at 1 December 2024

Portfolio summary

As at 28 February 2026

Market cap breakdown

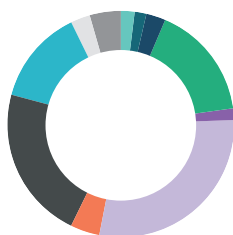


Market cap bands

7.48%	<£150m
40.26%	£150m-£500m
24.16%	£500m-£1bn
15.42%	£1bn-£2bn
8.51%	£2bn-£4bn
0.00%	£4bn+
4.17%	Cash

Source: Factset

Sector breakdown



2.13%	Basic Materials
1.50%	Consumer Durables
2.93%	Consumer Non-Durables
16.35%	Consumer Services
1.55%	Energy
28.64%	Finance
4.25%	Healthcare
21.92%	Industrials
13.60%	Technology
2.96%	Utilities
4.17%	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
30/06/2025	1.5140p
30/09/2025	1.3511p
31/12/2025	1.2422p

Source: Valu-Trac Investment Management Ltd and Downing

Key facts (As at 28 February 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) £28.58m

Yield¹:

4.8%

Income paid:

Quarterly

Number of holdings:

47

Prices as at 28 February 2026

Accumulation shares: 233.8593p

Income shares: 112.9390p

Charges

Initial charge: 0%

Annual Mgmt charge: 0.75%

Ongoing charges

charged to capital²: 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
- lweb
- J Brearley
- Novia - Wealthtime
- Nucleus
- Quilter
- Seven IM
- Standard Life
- Standard Life - Fundzone
- Scottish Widows - Fund Supermarket
- Stocktrade (Embark Group)
- Transact

¹ 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

² 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.

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