

VT DOWNING INVESTMENT FUNDS ICVC
(Sub-fund VT Downing Small & Mid-Cap Income Fund (Formerly
known as VT Downing Monthly Income Fund))

Annual Report and Financial Statements
for the year ended 31 March 2022

CONTENTS PAGE

	Page
Company Overview	1
Statement of the Authorised Corporate Director's (ACD's) Responsibilities	2
Statement of the Depositary's Responsibilities and Report of the Depositary	3
Independent Auditor's Report to the Shareholders of VT Downing Investment Funds ICVC (Sub-fund VT Downing Small & Mid-Cap Income Fund)	4
VT Downing Small & Mid-Cap Income Fund	
Sub-fund Overview	7
Investment Manager's review	9
Performance Record	11
Portfolio Statement	13
Summary of Material Portfolio Changes	15
Statement of Total Return	17
Statement of Changes in Net Assets Attributable to Shareholders	17
Balance Sheet	18
Notes to the Financial Statements	19
Distribution Tables	26
Information for Investors	30
Corporate Directory	31
 End Sub-section- Assessment of Value (unaudited)	
Assessment of Value - VT Downing Small & Mid-Cap Income Fund	1-5

COMPANY OVERVIEW

Type of Company: VT Downing Investment Funds ICVC is an investment company with variable capital incorporated in England and Wales under registered number IC000824, with Product Reference Number 521374, and authorised by the Financial Conduct Authority with effect from 04 June 2010. The Company has an unlimited duration.

Shareholders are not liable for the debts of the Company. A shareholder is not liable to make any further payment to the Company after he has paid the price on purchase of the shares.

STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR'S (ACD's) RESPONSIBILITIES

The rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook require the Authorised Corporate Director to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Company at the end of the financial year and its net revenue and net capital gains for the year. In preparing these financial statements the Authorised Corporate Director is required to:

- > comply with the Prospectus, the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014, the Instrument of Incorporation, generally accepted accounting principles and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the financial statements.
- > select suitable accounting policies and then apply them consistently;
- > make judgements and estimates that are reasonable and prudent;
- > prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The Authorised Corporate Director is required to keep proper accounting records and to manage the Company in accordance with the COLL regulations, the Instrument of Incorporation, and the Prospectus. The Authorised Corporate Director is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTOR'S STATEMENT

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Scheme's Sourcebook, we hereby certify the annual report.

Anne A. Laing CA

David E. Smith CA

Valu-Trac Investment Management Limited
Authorised Corporate Director

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), and the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- > the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- > the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- > the value of shares in the Company is calculated in accordance with the Regulations;
- > any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- > the Company's income is applied in accordance with the Regulations; and
- > the instructions of the Authorised Fund Manager ("the AFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- ii) has observed the Investment and borrowing powers and restrictions applicable to the Company.

NatWest Trustee and Depositary Services Limited
01 April 2022

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VT DOWNING INVESTMENT FUNDS ICVC (SUB-FUND VT DOWNING SMALL & MID-CAP INCOME FUND)

Opinion

We have audited the financial statements of VT Downing Investment Funds ICVC ("the Company") for the year ended 31 March 2022 which comprise the Statement of Total Return, Statement of Changes in Net Assets Attributable to Shareholders, Balance Sheet, the related Notes to the Financial Statements, including significant accounting policies and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

> give a true and fair view of the financial position of the Company at 31 March 2022 and of the net revenue and the net capital gains on the scheme property of the Company for the year then ended; and

> have been properly prepared in accordance with the IA Statement of Recommended Practice for Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are described further in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Authorised Corporate Director with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Authorised Corporate Director is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on Other Matters Prescribed by the COLL Regulations

In our opinion, based on the work undertaken in the course of the audit:

- > Proper accounting records for the Company have been kept and the accounts are in agreement with those records;
- > We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- > The information given in the report of the Authorised Corporate Director for the year is consistent with the financial statements.

Responsibilities of the Authorised Corporate Director

As explained more fully in the Authorised Corporate Director's Responsibilities Statement set out on page 2, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Authorised Corporate Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit is considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud, is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- > UK Generally Accepted Accounting Practice including Financial Reporting Standard 102 and the IA Statement of Recommended Practice for Authorised Funds
- > the Financial Conduct Authority's Collective Investment Schemes Sourcebook
- > the Company's Prospectus

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of the Authorised Corporate Director. We corroborated these enquiries through our review of any relevant correspondence with regulatory bodies and the Company's breaches register.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it was considered there was susceptibility to fraud. This evaluation also considered how the Authorised Corporate Director was remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how the Authorised Corporate Director oversees the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- > Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, review of a pre sign-off Net Asset Valuation (NAV) statement for any unexpected activity and reviewing judgements made by the Authorised Corporate Director in its calculation of accounting estimates for potential management bias; and

- > Assessing the Company's compliance with the key requirements of the Collective Investment Schemes Sourcebook and its Prospectus.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

Extent to which the audit is considered capable of detecting irregularities, including fraud (continued)

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of Our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ("the COLL Rules") issued by the Financial Conduct Authority under the Open-Ended Investment Companies Regulations 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor
Elgin

Date

SUB-FUND OVERVIEW

Name of Sub-fund	VT Downing Small & Mid-Cap Income Fund
Size of Sub-fund	£43,002,092
Sub-fund objective and policy	<p>The investment objective of the Sub-fund is to achieve a quarterly income, together with capital growth over the long term (5 years).</p> <p>The Sub-fund aims to meet its objective by investing at least 80% in shares of small (those with a market capitalisation of less than £1 billion) and medium sized (those with a market capitalisation of less than £5 billion) companies which are domiciled in, have their head office located in, or (which if not established in the UK) exercise the significant part of their business in the UK and which the Manager considers to have the ability to increase returns over time.</p> <p>The Sub-fund may also invest in other transferable securities (for example, without limitation, of non-small and medium sized companies and/or international equities) (including investment trusts), collective investment schemes, money market instruments, deposits, cash and near cash.</p> <p>The Sub-fund is actively managed.</p> <p>No more than 10% of the Scheme Property of the Sub-fund will be invested in other collective investment schemes (although such collective investment schemes could include those managed and/or operated by the ACD or Investment Manager).</p> <p>The Sub-fund will not have any particular industry or economic sector focus and as such weightings in these may vary as required.</p>
Use of derivatives	<p>Derivatives may be used for the purposes of efficient portfolio management. The use of derivatives for efficient portfolio management will generally not increase the risk profile of the Sub-fund.</p>
ESG:	<p>The Manager considers environmental, social and governance ("ESG") factors in determining whether a company or government is an appropriate investment for the Sub-fund at the time of purchase. The Manager's ESG guidelines are reviewed and applied on an ongoing basis by the Manager. However, the Manager has full discretion to invest in companies, regardless of any ESG considerations. Where an investment has ceased to be suitable (for example, due to a change or deterioration in its ESG characteristics in the opinion of the Manager), the Sub-fund may continue to hold such investment until such time it is possible and practicable in the Manager's view to liquidate the position in the interests of investors. The Manager's ESG criteria may change over time.</p> <p>As part of the investment process, the Manager considers ESG factors. The Manager conducts extensive analysis for each company against ESG components such as carbon emissions, water use, board composition, audit practises and executive remuneration, as well as examining a company's impact on consumers, employees and the wider society. The Manager utilises ESG research provided by Sustainalytics or for those companies with no Sustainalytics rating the Manager conducts their own research based on a proprietary questionnaire. The Managers Responsible Investment Policy is available to view at https://www.downing.co.uk/responsible-investing.</p>

SUB-FUND OVERVIEW (Continued)

Performance assessment Many funds sold in the UK are grouped into sectors by the Investment Association (the "IA") (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

The Sub-fund is not managed to or constrained by a benchmark. The ACD does, however, assess the performance of the Sub-fund against the IA UK Equity Income Sector, which includes a selection of funds which have broadly similar characteristics, particularly in terms of investment objective and time horizons.

Some independent data providers prepare and publish performance data on the funds in this sector and investors can use this to assess the Sub-fund's performance. This information can be found on the IA website or Morningstar website.

Authorised Corporate Director (ACD) Valu-Trac Investment Management Limited

Ex-distribution dates 31 March (annual), 30 June, 30 September and 31 December

Distribution dates 31 May (annual), 31 August, 30 November and the last day of February (interim)

Individual Savings Account (ISA) The Sub-fund is a qualifying investment for inclusion in an ISA.

Treatment of income The ACD may even out the payments of income within an accounting period by carrying forward income otherwise distributable with a view to augmenting amounts to be paid out at a later date.

Initial charge 0%

Redemption charge None

Switching charge Please refer to section 3.4 of the Company prospectus

Share class information

Share class	Minimum initial	Minimum subsequent	Minimum holding	Monthly savings	Minimum redemption	Initial charge
Income shares	£1,000	£500	£1,000	N/A	N/A	0%
Accumulation Shares	£1,000	£500	£1,000	Yes	N/A	0%

The ACD may waive the minimum levels at its discretion.

Annual management charges

£30,000¹ per annum plus 0.75% per annum of the net asset value of the Sub-fund attributable to the relevant class (plus VAT if applicable).

¹ The fixed element of the fee shall rise annually in line with the rate of inflation (calculated in accordance with the Consumer Prices Index) on 1 January each year (from 1 January 2021). In the event of negative inflation, this fee will remain unchanged.

Changes to Sub-fund

On 01 November 2021 the Sub-fund changed its name from VT Downing Monthly Income Fund to VT Downing Small & Mid-Cap Income Fund.

On 01 November 2021 the Ex-distribution dates and Distribution dates were changed from monthly to quarterly dates which are shown above.

On 01 November 2021 there was a change in investment objective of the fund which is shown above.

INVESTMENT MANAGER'S REVIEW

Over the 12 months to 31 March 2022 the Fund generated a total shareholder return of 11.15% (Accumulation). This compares to 10.84% returned by the IA UK Equity Income Sector.

Volatility in global markets was a continuing theme throughout the reporting period. In the UK, the market was beginning to look more attractive as it recovered from the years of uncertainty caused by Brexit followed by the prolonged and continuing impact of the pandemic. Just as sentiment was improving, the awful events occurring in Ukraine have increased inflation concerns and added greater uncertainty to the direction of monetary policy. Whilst these events will have a lasting effect on global trade considerations, there is also a degree of positivity to be taken from the solidarity of the global response to Russia's actions. Higher levels of uncertainty are likely to continue to weigh on investor sentiment, and the Manager believes that our process of holding businesses with high returns on capital with a degree of structural growth will ensure they can continue to invest for future growth and will be well placed to weather this challenging period.

The Fund holds companies with resilient earnings and strong balance sheets. The Manager focuses on companies that can generate excess and sustainable returns on invested capital. This demonstrates that these businesses have a source of sustainable competitive advantage, but also indicates strong capital allocation decisions made by the management teams of those companies. This is especially important as it gives confidence in capital allocation between investing within growth in the business, and shareholder returns. The process leads on governance and engaging with the management teams of the companies that the Fund invests in. This primary due diligence also helps with understanding potential catalysts for value creation and why these businesses are demonstrating structural growth over the medium to long term. With this understanding of the business and environment it operates in, there is a focus on the future cash generation of the business. The Fund buys those companies that are trading at a discount to this intrinsic value.

A priority of the Manager is to ensure that the Fund will provide investors with a compelling and diversified yield to the market. Investors that bought the income share class on 31 March 2021 would have received a yield of 4.52% over the following 12 months.

Over the period the Fund has exited 14 positions in full, and taken on 20 new positions. This includes the exit of the final micro-cap position and the Fund now holds no core positions <£100m market cap, and positions that are <£100m market cap represent 0.13% of the Fund. Outside of full exits and new positions there has also been some meaningful rebalancing of positions based on the Manager's conviction levels.

Key contributors and detractors

The key contributors to portfolio performance over the period were Lok'nStore Group plc (83.00%) and Drax Group plc (+92.66%), while Morses Club plc (-77.13%) and Strix Group plc (-26.00%) were the most significant detractors.

Lok'n Store, a self-storage company, continued to deliver strong progress as demand for UK self-storage assets remained strong. The company's Net Asset Value per share increased by 48.4% over the last 12 months and has a fully secured and funded pipeline that increases lettable owned space by 35.5%. We believe the market has begun to increasingly appreciate the attractiveness of the self-storage model, but more so that Lok'n Store's unique model compared to listed comparators allows the company to recycle capital in a more efficient manner. In the period, the company announced the "sale and manage-back" of four freehold stores at a 22.8% uplift in the independent external valuation from July 2021, and 183.6% uplift on the historic costs of the stores. The stores will continue to be managed by Lok'nStore on behalf of the new owners and will continue to generate c£0.2m in annual management fees. Furthermore, the proceeds from the sale and manage-back are sufficient to fully fund the companies existing secured pipeline of new landmark sites.

Drax, a renewable energy company, reported in its full year results to 31 December 2021 that the period had been transformational for the group as it became the world's leading sustainable biomass generation and supply company. Drax has invested over £2 billion in renewable energy over the last decade and its plans to invest a further £3 billion over the next 10 years will support the global transition to a low-carbon economy. The group issued a trading update towards the end of April which reported on the company's positive performance in Q1 2022. It delivered a strong system support performance as its reliable renewable electricity continued to support UK energy security. Management believe that 2022 EBITDA will be around the top end of analysts' expectations, and the group to be significantly below 2x net debt-to-adjusted EBITDA by the end of the year.

INVESTMENT MANAGER'S REVIEW (Continued)

Morses Club, a provider of non-standard financial services, reported the cost base of the Home Collected Credit (HCC) division was impacted by a rapid increase in claim volumes submitted via claims management companies (CMCs). Given the scale of these complaints and the increased resource needed to deal with claims from CMCs, whether they are legitimate or not, resulted in anticipated increased costs and an impact on adjusted profit before tax for the current financial year. Although the HCC division traded well, increased costs resulted in the group revising its expectations for adjusted profit before tax for FY22 to be between 20% and 30% below current consensus^[1], subject to a year-end audit review.

Strix is a global leader in the design, manufacture and supply of kettle safety controls and other complementary water temperature management components. Strix announced results for the twelve months ended 31 December 2021 and reported revenue of £119.4 million. This was an increase of 28.8% on a constant currency basis versus the same period in the year prior and an increase of 26.6% on a constant currency basis versus the same period in 2019. This was driven by both organic growth and the acquisition of LAICA which has delivered strong revenue growth over the period. The group has implemented price increases on some of its legacy products in both kettle controls and water categories and will also be implementing further increases across the wider range. This alongside a range of other efficiency measures and foreign exchange rate and commodity hedging arrangements, will help to minimise the impact of any cost inflation. Notwithstanding the positive demand backdrop, there are a number of headwinds which continue to persist including increases in commodity prices, freight cost inflation, supply chain and adverse foreign exchange rates which implies the group will continue to face a challenging operating environment. Management reported that Strix is in a strong financial position with significant liquidity providing flexibility to continue to deploy capital. In recent weeks, directors have been buying shares.

Downing LLP
Investment Manager
13 May 2022

[1] Current consensus for adjusted profit before tax is £7.5m.

PERFORMANCE RECORD

Financial Highlights

Income Shares

	Year to 31 March 2022	Year to 31 March 2021	Year to 31 March 2020
Changes in net assets per unit	GBP	GBP	GBP
Opening net asset value per unit	113.83	87.43	117.57
Return before operating charges	14.03	31.71	(23.47)
Operating charges (note 1)	(1.26)	(0.96)	(1.20)
Return after operating charges *	12.77	30.75	(24.67)
Distributions on income units	(5.15)	(4.34)	(5.47)
Closing net asset value per unit	121.45	113.83	87.43
*after direct transactions costs of:	0.18	0.32	0.29
Performance			
Return after charges	11.22%	35.17%	(20.95%)
Other information			
Closing net asset value	£41,952,948	£40,925,206	£31,697,683
Closing number of units	34,542,898	35,951,911	36,253,436
Operating charges (note 2)	1.07%	0.95%	1.00%
Direct transaction costs	0.15%	0.32%	0.24%
Prices			
Highest unit price	134.29	114.06	131.10
Lowest unit price	110.55	85.91	79.12

Accumulation Shares

	Year to 31 March 2022	Year to 31 March 2021	Year to 31 March 2020
Changes in net assets per unit	GBP	GBP	GBP
Opening net asset value per unit	190.85	140.34	180.57
Return before operating charges	23.44	52.08	(38.35)
Operating charges (note 1)	(2.16)	(1.57)	(1.88)
Return after operating charges *	21.28	50.51	(40.23)
Closing net asset value per unit	212.13	190.85	140.34
Distributions on accumulation units	8.75	7.22	8.58
*after direct transactions costs of:	0.30	0.52	0.45
Performance			
Return after charges	11.15%	35.99%	(22.28%)
Other information			
Closing net asset value	£1,266,802	£1,949,674	£4,866,140
Closing number of units	597,191	1,021,573	3,467,388
Operating charges (note 2)	1.07%	0.95%	1.00%
Direct transaction costs	0.15%	0.32%	0.24%
Prices			
Highest unit price	228.33	190.85	208.15
Lowest unit price	190.51	138.29	127.09

PERFORMANCE RECORD (Continued)

Financial Highlights (Continued)

1. The operating charges per unit figure is calculated by applying the operating charges percentage to the average net asset valuation per share throughout the period.
2. The ongoing charges figure is based on the expenses incurred during the period annualised, as a proportion of the average net asset value of the Sub-fund together with the ongoing charges included within the underlying Closed Ended Funds held within the Sub-fund's holdings. Note the 2021 and 2020 operating charges percentage excludes the underlying costs of investment trust funds which are now included following the latest IA guidance issued in 2020.

Risk Profile

Based on past data, the Sub-fund is ranked a '6' on the synthetic risk and reward indicator scale (of 1 to 7) as described fully in the Key Investor Information Document. The Sub-fund is ranked 6 because weekly historical performance data indicates that significant rises and falls in market prices would have occurred historically.

PORTFOLIO STATEMENT

As at 31 March 2022

Holding	Value £	% of net assets
ENERGY (31.03.2021: 4.98%)		
947,000 Diversified Energy Company PLC	1,106,096	2.57
571,000 Gresham House Energy Storage Fund PLC	782,270	1.82
	<u>1,888,366</u>	<u>4.39</u>
INDUSTRIALS (31.03.2021: 18.24%)		
425,760 Alpha Financial Markets Consulting PLC	1,379,462	3.21
420,179 Gateley Holdings PLC	844,560	1.96
376,717 Volex PLC	1,033,146	2.40
699,402 Watkin Jones PLC	1,797,463	4.18
13,000 XP Power Ltd	442,650	1.03
	<u>5,497,281</u>	<u>12.78</u>
CONSUMER GOODS (31.03.2021: 9.52%)		
99,000 Britvic PLC	801,900	1.86
105,000 Hilton Food Group PLC	1,309,350	3.04
361,173 Real Good Food PLC	7,404	0.02
	<u>2,118,654</u>	<u>4.92</u>
HEALTH CARE (31.03.2021: 7.14%)		
278,164 Caretech Holdings PLC	1,993,045	4.63
100,000 EMIS Group PLC	1,336,000	3.11
	<u>3,329,045</u>	<u>7.74</u>
CONSUMER SERVICES (31.03.2021: 7.44%)		
244,000 Bloomsbury Publishing PLC	973,560	2.26
56,551 Zegona Communications PLC	46,655	0.11
72,000 Dunelm Group PLC	804,600	1.87
11,500 Games Workshop Group PLC	843,238	1.96
134,094 Lokn Store Group PLC	1,391,225	3.24
355,000 Moneysupermarket.Com Group PLC	681,423	1.58
141,000 Redrow PLC	736,584	1.71
410,000 Supreme PLC	748,250	1.74
41,000 Vistry Group PLC	389,377	0.91
	<u>6,614,912</u>	<u>15.38</u>
UTILITIES (31.03.2021: 16.30%)		
550,000 ContourGlobal PLC	1,055,450	2.45
220,000 Drax Group PLC	1,725,900	4.01
	<u>2,781,350</u>	<u>6.46</u>

PORTFOLIO STATEMENT (continued)
As at 31 March 2022

Holding	Value £	% of net assets
FINANCIALS (31.03.2021: 29.77%)		
192,000 Brewin Dolphin Holdings PLC	982,080	2.28
250,000 Conduit Holdings Ltd	938,125	2.18
215,000 Foresight Group Holdings Ltd	778,300	1.81
739,000 Frp Advisory Group PLC	905,275	2.11
123,350 Polar Capital Holdings PLC	780,189	1.81
290,000 Randall & Quilter Investment Holdings Ltd	421,225	0.98
68,000 Secure Trust Bank PLC	863,600	2.01
585,289 XPS Pensions Group PLC	731,611	1.70
	6,400,405	14.88
TECHNOLOGY (31.03.2021: 1.50%)		
51,000 Computacenter PLC	1,513,680	3.52
72,000 FDM Group (Holdings) PLC	754,560	1.75
636,000 Fonix Mobile PLC	969,900	2.26
127,000 iEnergizer Ltd	497,840	1.16
870,700 Redcentric PLC	986,068	2.29
177,000 Smart Metering Systems PLC	1,390,335	3.23
686,000 Strix Group PLC	1,408,015	3.27
857,663 Digital 9 Infrastructure	937,426	2.19
	8,457,824	19.67
PROPERTY (31.03.2021: 0.00%)		
733,000 Impact Healthcare REIT PLC	883,998	2.06
459,159 Urban Logistics Reit PLC	876,994	2.04
622,000 Tritax EuroBox PLC	661,186	1.54
	2,422,178	5.64
FIXED INTEREST (31.03.2021: 2.64%)		
772,932 Real Good Food 12% C Sec Guar Ln Note 19/05/2023	579,699	1.36
238,752 Real Good Food Var Loan Note 19/05/2023	179,063	0.43
	758,762	1.79
Portfolio of investments (31.03.2021: 97.53%)	40,268,777	93.65
Net other assets (31.03.2021: 3.04%)	2,950,975	6.86
Mid to bid adjustment (31.03.2021: (0.57%))	(217,660)	(0.51)
	43,002,092	100.00

SUMMARY OF MATERIAL PORTFOLIO CHANGES

	£
Total sales for the year (note 14)	26,461,050
Alliance Pharma PLC	620,455
Alpha Financial Markets Consulting PLC	226,363
Anglo Pacific Group PLC	1,084,563
Augean PLC	910,001
Bloomsbury Publishing PLC	86,493
Brewin Dolphin Holdings PLC	462,854
Brickability Group PLC	415,350
Caretech Holdings PLC	663,610
Chesnara PLC	1,651,744
Computacenter PLC	103,672
ContourGlobal PLC	722,113
Digital 9 Infrastructure	27,598
Diversified Energy Company PLC	741,164
Diversified Gas & Oil PLC	461,414
Drax Group PLC	381,934
Future PLC	500,658
GCP Infrastructure Investments Ltd	14,323
Go-Ahead Group PLC	600,566
IG Design Group PLC	1,262,787
Impact Healthcare REIT PLC	334,141
John Laing Group PLC	420,697
JTC PLC	583,875
K3 Capital Group PLC	1,179,069
Kainos Group PLC	976,501
Lokn Store Group PLC	1,175,200
Moneysupermarket.Com Group PLC	340,175
Morses Club PLC	154,512
Ramsdens Holdings PLC	1,169,237
Round Hill Music Royalty Fund Limited	527,908
Sabre Insurance Group PLC	354,308
Sequoia Economic Infrastructure Income Fund Ltd	844,157
Smart Metering Systems PLC	282,348
Stock Spirits Group PLC	1,194,713
Strix Group PLC	375,503
Telecom Plus PLC	1,066,220
Urban Logistics Reit PLC	427,058
Volex PLC	1,337,479
Watkin Jones PLC	765,428
Zegona Communications PLC	1,354,559
Real Good Food Var Loan Note 19/05/2023	444,000
Real Good Food Var Loan Note 19/05/2022	113,372
Lok'n Store Group PLC	102,928

The above sales represent all of the sales during the year.

SUMMARY OF MATERIAL PORTFOLIO CHANGES (continued)

	£
Total purchases for the year (note 14)	21,885,556
Alpha Financial Markets Consulting PLC	851,895
Augean PLC	760,355
Bloomsbury Publishing PLC	77,065
Britvic PLC	917,164
Computacenter PLC	392,936
Conduit Holdings Ltd	1,218,193
ContourGlobal PLC	170,511
Digital 9 Infrastructure	949,225
Diversified Energy Company PLC	110,880
Drax Group PLC	531,645
Dunelm Group PLC	951,762
EMIS Group PLC	742,394
Fonix Mobile PLC	947,114
Foresight Group Holdings Ltd	973,990
Frp Advisory Group PLC	271,780
Games Workshop Group PLC	249,998
Gateley Holdings PLC	191,535
Gresham House Energy Storage Fund PLC	702,365
Hilton Food Group PLC	593,302
iEnergizer Ltd	465,146
JTC PLC	177,812
Kainos Group PLC	161,677
Moneysupermarket.Com Group PLC	1,256,291
Morses Club PLC	681,773
Redcentric PLC	1,186,619
Redrow PLC	940,822
Secure Trust Bank PLC	852,836
Stock Spirits Group PLC	887,971
Strix Group PLC	274,187
Supreme PLC	776,749
Tritax EuroBox PLC	698,897
XP Power Ltd	159,756
XPS Pensions Group PLC	821,567
Zegona Communications PLC	39,425
FDM Group	81,139
Randall & Quilter Investment Holdings Ltd	425,147
Vistry Group PLC	393,633

The above purchases represent all of the purchases during the year.

STATEMENT OF TOTAL RETURN

For the year ended 31 March 2022

			2022	2021
	Notes	£	£	£
Income				
Net capital gains	2		3,298,215	11,517,118
Revenue	3	1,865,759		1,968,367
Expenses	4	(404,876)		(422,455)
Interest payable and similar charges	6	(5,236)		(9,134)
Net revenue before taxation		1,455,647		1,536,778
Taxation	5	-		(32,185)
Net revenue after taxation			1,455,647	1,504,593
Total return before distributions			4,753,862	13,021,711
Finance costs: distributions	6		(1,875,135)	(1,902,375)
Changes in net assets attributable to shareholders from investment activities			2,878,727	11,119,336

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31 March 2022

	2022	2021
	£	£
Opening net assets attributable to shareholders	42,633,998	36,563,823
Amounts receivable on creation of shares	3,290,330	17,659,715
Amounts payable on cancellation of shares	(5,867,321)	(22,934,623)
Dividend reinvested	66,358	193,445
Dilution levies	-	32,302
Changes in net assets attributable to shareholders from investment activities (see above)	2,878,727	11,119,336
Closing net assets attributable to shareholders	43,002,092	42,633,998

BALANCE SHEET

As at 31 March 2022		2022	2021
	Notes	£	£
ASSETS			
Investment assets		40,051,117	41,334,043
Current assets			
Debtors	7	630,933	105,586
Cash and bank balances	8	3,660,351	1,602,423
Total current assets		<u>4,291,284</u>	<u>1,708,009</u>
Total assets		<u>44,342,401</u>	<u>43,042,052</u>
LIABILITIES			
Current liabilities			
Distribution payable on income shares		(568,284)	(268,238)
Bank overdraft	8	-	(52,645)
Creditors	9	(772,025)	(87,171)
Total current liabilities		<u>(1,340,309)</u>	<u>(408,054)</u>
Net assets attributable to shareholders		<u>43,002,092</u>	<u>42,633,998</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

The principal accounting policies, which have been applied in both the current and prior year, are set out below:

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Association (IA) in May 2014 and to the amendments to the SORP issued by the IA in June 2017. The functional currency is Sterling.

(b) Basis of valuation of investments

The listed investments of the Sub-fund have been valued at bid-market prices at the closing valuation point at 12 noon on 31 March 2022. Unlisted loan notes are stated at their fair value at balance sheet date. In determining fair value, the valuation point is 12 noon on 31 March 2022 with reference to quoted bid prices from reliable external sources.

All transactions in foreign currencies are converted into Sterling at the rates of exchange ruling at the date of such transactions. Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates at the closing valuation point on 31 March 2022.

(c) Recognition of revenue

Dividends, interest and property income distributions on equities are recognised when the security is quoted ex-dividend. Rebates from the Investment Manager are recognised on an accruals basis. Other revenue is accounted for on a receipts basis. Revenue on debt securities is accounted for on an effective yield basis.

Equalisation received by the way of distributions from OEICs/unit trust investment is not included in revenue but is reflected as a reduction in the book cost of that investment.

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Sub-fund, and where applicable is included in the distribution. In the case of an enhanced stock dividend the value of the enhancement is treated as capital.

Special dividends are treated as repayments of capital or revenue depending on the facts of each particular case.

(d) Expenses

All expenses are accounted for on an accruals basis and are charged to capital of the Sub-fund.

(e) Current taxation

Tax is provided using tax rates and laws which have been enacted or substantively enacted at the balance sheet date.

Corporation tax is provided on income liable to corporation tax less deductible expenses.

Where tax has been deducted from revenue that tax can, in some instances, be set off against the corporation tax payable, by way of double tax relief.

(f) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date will result in an obligation to pay less or receive more tax.

Deferred tax assets are recognised only to the extent that the ACD considers that it is more likely than not there will be taxable profits from which underlying timing differences can be deducted.

(g) Equalisation

Equalisation will be applied to the Sub-fund. An allocation of income in respect of each share issued or sold by the ACD during an accounting period in respect of which that income allocation is made may include a capital sum ("income equalisation") representing the ACD's best estimate of the amount of income included in the price of that share.

(h) Distributions

Where the revenue from investments exceeds the expenses of the Sub-fund, before 01 November 2021 monthly distributions were allocated to all holders of income and accumulation shares one month in arrears. After 01 November 2021 quarterly distributions are allocated to all holders of income and accumulation shares two month in arrears.

(i) Unclaimed distributions

If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the relevant Sub-fund (or if that no longer exists the ACD). Application to claim distributions that have not been paid should be made to the ACD before this six year period has elapsed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Net capital gains

	2022	2021
	£	£
The net capital gains comprise:		
Non-derivative securities gains	3,292,565	11,517,072
Currency gains	7,971	4,112
Transaction charges	(2,321)	(4,066)
Total net capital gains	<u>3,298,215</u>	<u>11,517,118</u>

3 Revenue

	2022	2021
	£	£
Non-taxable dividends	1,593,137	1,678,733
Property income distributions (PIDs)	117,151	148,107
Interest distributions	16,934	122,483
Interest on debt securities	138,490	8,983
Investment manager's fee rebate	-	10,061
Bank interest received	47	-
Total revenue	<u>1,865,759</u>	<u>1,968,367</u>

4 Expenses

	2022	2021
	£	£
Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:		
Annual management charge	<u>371,612</u>	<u>370,476</u>
	<u>371,612</u>	<u>370,476</u>
 Payable to the depositary, associates of the depositary, and agents of either of them:		
Depositary fee	18,000	13,785
Safe custody fee	<u>1,771</u>	<u>2,885</u>
	<u>19,771</u>	<u>16,670</u>
 Audit fee	8,100	9,435
Legal fees	1,080	4,093
Printing costs	-	4,802
Other expenses	<u>4,313</u>	<u>16,979</u>
	<u>13,493</u>	<u>35,309</u>
 Total expenses	<u>404,876</u>	<u>422,455</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Taxation

	2022 £	2021 £
(a) Analysis of charge in the year		
Irrecoverable overseas tax	-	32,185
Total tax charge for the year (note 5b)	-	32,185
(b) Factors affecting current tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company 20.00% (2021: 20.00%) The differences are explained below:		
Net revenue before UK corporation tax	1,455,647	1,536,778
Corporation tax at 20.00% (2021:20.00%)	291,129	307,356
<u>Effects of:</u>		
Revenue not subject to UK corporation tax	(318,627)	(335,747)
Current year expenses not utilised	27,498	28,391
Irrecoverable overseas tax	-	32,185
Total tax charge for the year (note 5a)	-	32,185

(c) Provision for deferred taxation

At 31 March 2022 there is a potential deferred tax asset of £309,740 (31 March 2021: £282,242) in relation to surplus management expenses. It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised.

6 Finance costs

	2022 £	2021 £
Interim dividend distributions	1,280,937	1,596,978
Final dividend distribution	585,167	268,238
	1,866,104	1,865,216
Add: Revenue deducted on cancellation of shares	33,706	46,768
Deduct: Revenue received on issue of shares	(24,675)	(9,609)
Net distribution for the year	1,875,135	1,902,375
Interest payable and similar charges	5,236	9,134
Total finance costs	1,880,371	1,911,509
Reconciliation of distributions		
Net revenue after taxation	1,455,647	1,504,593
Expenses paid from capital (net of rebates)	404,876	412,394
Relief on expenses allocated to capital	(53,477)	-
Balance brought forward	14,612	-
Balance carried forward	53,477	(14,612)
Net distribution for the year	1,875,135	1,902,375

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Debtors	31.03.2022	31.03.2021
	£	£
Amounts receivable for issue of shares	8,283	21,015
Amounts receivable on trades	428,639	19,454
Accrued revenue:		
Interest on debt securities	1,670	4,101
Dividends receivable	189,370	41,125
Property income distribution	-	8,727
Withholding tax reclaimable	-	8,186
Prepayments	14	21
Investment manager's fee rebate receivable	2,957	2,957
Total debtors	630,933	105,586

8 Cash and bank balances	31.03.2022	31.03.2021
	£	£
Cash and bank balances	3,660,351	1,602,423
Bank overdraft	-	(52,645)

9 Creditors	31.03.2022	31.03.2021
	£	£
Amounts payable for redemption of shares	36,977	6,919
Amounts payable on trades	681,739	-
Payable to the ACD	23,858	22,337
Accrued expenses	29,451	57,915
Total creditors	772,025	87,171

10 Shares held

Shares held - Income Shares

Opening shares at 01.04.2021	35,951,911
Shares issued during the year	10,921,538
Shares cancelled during the year	(12,330,551)
Shares converted during the year	-
Closing shares as at 31.03.2022	34,542,898

Shares held - Accumulation Shares

Opening shares at 01.04.2021	1,021,573
Shares issued during the year	934,243
Shares cancelled during the year	(1,358,625)
Shares converted during the year	-
Closing shares as at 31.03.2022	597,191

11 Risk management policies

In pursuing its investment objective as stated on page 7, the Sub-fund holds a number of financial instruments. The Sub-fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued revenue.

The main risks arising from the Sub-fund's financial instruments, those of its underlying holdings and the ACD's policies for managing these risks are summarised below. These policies have been applied throughout the year.

Market price risk

Market price risk is the risk that the value of the Sub-fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Sub-fund holds. It represents the potential loss the Sub-fund might suffer through holding market positions in the face of price movements.

The Sub-fund's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

If market prices at the balance sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 31.03.2022 would have increased/decreased by £4,005,112 (2021: £4,133,404).

Foreign currency risk

Foreign currency risk is the risk that the value of the Sub-fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

The Sub-fund's investment portfolio is invested in funds that are registered overseas and collective investment schemes which invest in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The AFM may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the Sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to Sterling on or near the date of receipt. A portion of the net assets of the Sub-fund is denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by currency movements.

Net currency assets and liabilities consist of:

	Net monetary assets and liabilities		Non-monetary assets and liabilities		Total net assets	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
Sterling	2,950,975	1,307,759	40,051,117	41,334,043	43,002,092	42,641,802
USD	-	44,861	-	-	-	44,861
Euros	-	(52,665)	-	-	-	(52,665)
Total	2,950,975	1,299,955	40,051,117	41,334,043	43,002,092	42,633,998

Interest rate risk

Interest rate risk is the risk that the value of the Sub-fund's investment holdings will fluctuate as a result of changes in interest rates. The Sub-fund invests in both fixed and floating rate securities and is subject to interest rate risk exposure on these holdings along with interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Maturity of financial liabilities

The financial liabilities of the Sub-fund as at 31 March 2022 are payable either within one year or on demand.

Liquidity risk

The Sub-fund's assets comprise mainly of readily realisable securities. The main liability of the Sub-fund is the redemption of any shares that the investors wish to sell. Assets of the Sub-fund may need to be sold if insufficient cash is available to finance such redemptions.

Credit risk

Certain transactions in securities that the Sub-fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Sub-fund has fulfilled its responsibilities. The Sub-fund only buys and sells investments through brokers which have been approved by the ACD as acceptable counterparties and fund management companies. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 Risk management policies (continued)

Credit risk (continued)

Credit risk also arises on cash held within financial institutions and debt securities. Credit risk on cash balances is mitigated by ensuring that cash is held with financial institutions that are at least investment grade credit related. Direct credit risk arises from holdings that are debt securities as any default or perceived risk of default will affect the valuation of such holdings. On debt securities credit risk is mitigated by ensuring that credit ratings are monitored regularly and in line with the investment objective and profile of the Sub-fund.

Fair value disclosure

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices and the lowest priority to un-observable inputs. The criteria applied to the fair values levels in these financial statements are as follows:

Level 1: Unadjusted quoted price in an active market for an identical instrument;

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1;

Level 3: Valuation techniques using unobservable inputs.

Valuation Technique	Assets (£000's)	Liabilities (£000's)
Level 1: Unadjusted quoted price in an active market for an identical instrument	39,292	-
Level 3: Valuation techniques using unobservable inputs.	759	
Total	40,051	-

12 Contingent assets and liabilities

At 31 March 2022, the Sub-fund had no contingent liabilities or commitments (31 March 2021: £nil).

13 Post balance sheet events

As indicated in the accounting policies in Note 1, the investments have been valued at the closing valuation point on 31 March 2022. Since that date, the Sub-fund's quoted price has moved as follows for each share class:

	Price (GBP) at 31 March 2022	Price (GBP) at 28 June 2022
Income Shares	121.45	118.52
Accumulation Shares	212.13	207.00

14 Direct transaction costs

	2022 £	%	2021 £	%
Analysis of total purchase costs				
Purchases in the year before transaction costs	21,827,574		33,215,176	
Commissions	8,550	0.04%	24,971	0.07%
Taxes & levies	49,432	0.23%	92,410	0.28%
Total purchase costs	57,982	0.26%	117,381	0.35%
Total purchases including transaction costs	21,885,556		33,332,557	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Direct transaction costs (continued)

	2022		2021	
Analysis of total sale costs	£	%	£	%
Sales in the year before transaction costs	26,469,826		33,811,775	
Commissions	(8,767)	(0.03%)	(21,834)	(0.06%)
Levies	(9)	(0.00%)	(171)	(0.00%)
Total sales costs	(8,776)	(0.03%)	(22,005)	(0.06%)
Total sales net of transaction costs	26,461,050		33,789,770	

The following represents the total of each type of transaction cost, expressed as a percentage of the Sub-fund's average net asset value in the year:

	2022	% of average	2021	% of average
	£	net asset value	£	net asset value
Commissions	17,317	0.04%	46,805	0.11%
Taxes & levies	49,441	0.11%	92,581	0.20%
	66,758	0.15%	139,386	0.31%

15 Portfolio Dealing Spread

The average portfolio dealing spread at 31 March 2022 is 1.14% (2021: 1.02%).

16 Related Party transactions

Valu-Trac Investment Management Limited, as ACD is a related party due to its ability to act in respect of the operations of the Sub-fund.

Amounts paid to the ACD and its associates are disclosed in note 4. The amounts due to the ACD and its associates at the balance sheet date are disclosed in note 9.

DISTRIBUTION TABLES

1st Interim distribution in pence per share

Group 1: Shares purchased prior to 01 April 2021

Group 2 : Shares purchased on or after 01 April 2021 and on or before 30 April 2021

01 April 2021 to 30 April 2021

Accumulation	Net Revenue 28.05.2021	Equalisation	Distribution 28.05.2021	Distribution 29.05.2020
Group 1	0.5868p	-	0.5868p	0.8036p
Group 2	0.0779p	0.5089p	0.5868p	0.8036p
Income	Net Revenue 28.05.2021	Equalisation	Distribution 28.05.2021	Distribution 29.05.2020
Group 1	0.3500p	-	0.3500p	0.5000p
Group 2	0.0052p	0.3448p	0.3500p	0.5000p

2nd Interim distribution in pence per share

Group 1: Shares purchased prior to 01 May 2021

Group 2 : Shares purchased on or after 01 May 2021 and on or before 31 May 2021

01 May 2021 to 31 May 2021

Accumulation	Net Revenue 30.06.2021	Equalisation	Distribution 30.06.2021	Distribution 30.06.2020
Group 1	0.5876p	-	0.5876p	0.5654p
Group 2	-	0.5876p	0.5876p	0.5654p
Income	Net Revenue 30.06.2021	Equalisation	Distribution 30.06.2021	Distribution 30.06.2020
Group 1	0.3500p	-	0.3500p	0.3500p
Group 2	-	0.3500p	0.3500p	0.3500p

3rd Interim distribution in pence per share

Group 1: Shares purchased prior to 01 June 2021

Group 2 : Shares purchased on or after 01 June 2021 and on or before 30 June 2021

01 June 2021 to 30 June 2021

Accumulation	Net Revenue 30.07.2021	Equalisation	Distribution 30.07.2021	Distribution 31.07.2020
Group 1	0.5884p	-	0.5884p	0.5674p
Group 2	0.0002p	0.5882p	0.5884p	0.5674p
Income	Net Revenue 30.07.2021	Equalisation	Distribution 30.07.2021	Distribution 31.07.2020
Group 1	0.3500p	-	0.3500p	0.3500p
Group 2	-	0.3500p	0.3500p	0.3500p

4th Interim distribution in pence per share

Group 1: Shares purchased prior to 01 July 2021

Group 2 : Shares purchased on or after 01 July 2021 and on or before 31 July 2021

01 July 2021 to 31 July 2021

Accumulation	Net Revenue 31.08.2021	Equalisation	Distribution 31.08.2021	Distribution 28.08.2020
Group 1	0.5900p	-	0.5900p	0.5694p
Group 2	-	0.5900p	0.5900p	0.5694p
Income	Net Revenue 31.08.2021	Equalisation	Distribution 31.08.2021	Distribution 28.08.2020
Group 1	0.3500p	-	0.3500p	0.3500p
Group 2	-	0.3500p	0.3500p	0.3500p

DISTRIBUTION TABLES (Continued)**5th Interim distribution in pence per share**

Group 1: Shares purchased prior to 01 August 2021

Group 2 : Shares purchased on or after 01 August 2021 and on or before 31 August 2021

01 August 2021 to 31 August 2021

Accumulation	Net Revenue 30.09.2021	Equalisation	Distribution 30.09.2021	Distribution 30.09.2020
Group 1	0.5916p	-	0.5916p	0.5714p
Group 2	-	0.5916p	0.5916p	0.5714p
Income	Net Revenue 30.09.2021	Equalisation	Distribution 30.09.2021	Distribution 30.09.2020
Group 1	0.3500p	-	0.3500p	0.3500p
Group 2	-	0.3500p	0.3500p	0.3500p

6th Interim distribution in pence per share

Group 1: Shares purchased prior to 01 September 2021

Group 2 : Shares purchased on or after 01 September 2021 and on or before 30 September 2021

01 September 2021 to 30 September 2021

Accumulation	Net Revenue 29.10.2021	Equalisation	Distribution 29.10.2021	Distribution 30.10.2020
Group 1	0.5931p	-	0.5931p	0.5734p
Group 2	-	0.5931p	0.5931p	0.5734p
Income	Net Revenue 29.10.2021	Equalisation	Distribution 29.10.2021	Distribution 30.10.2020
Group 1	0.3500p	-	0.3500p	0.3500p
Group 2	-	0.3500p	0.3500p	0.3500p

7th Interim distribution in pence per share

Group 1: Shares purchased prior to 01 October 2021

Group 2 : Shares purchased on or after 01 October 2021 and on or before 31 October 2021

01 October 2021 to 31 October 2021

Accumulation	Net Revenue 30.11.2021	Equalisation	Distribution 30.11.2021	Distribution 30.11.2020
Group 1	0.5937p	-	0.5937p	0.5755p
Group 2	-	0.5937p	0.5937p	0.5755p
Income	Net Revenue 30.11.2021	Equalisation	Distribution 30.11.2021	Distribution 30.11.2020
Group 1	0.3500p	-	0.3500p	0.3500p
Group 2	-	0.3500p	0.3500p	0.3500p

8th Interim distribution in pence per share

Group 1: Shares purchased prior to 01 November 2021

Group 2 : Shares purchased on or after 01 November 2021 and on or before 30 November 2021

01 November 2021 to 30 November 2021

Accumulation	Net Revenue 31.12.2021	Equalisation	Distribution 31.12.2021	Distribution 31.12.2020
Group 1	-	-	-	0.5776p
Group 2	-	-	-	0.5776p
Income	Net Revenue 31.12.2021	Equalisation	Distribution 31.12.2021	Distribution 31.12.2020
Group 1	-	-	-	0.3500p
Group 2	-	-	-	0.3500p

DISTRIBUTION TABLES (Continued)**9th Interim distribution in pence per share**

Group 1: Shares purchased prior to 01 December 2021

Group 2 : Shares purchased on or after 01 December 2021 and on or before 31 December 2021

01 December 2021 to 31 December 2021

Accumulation	Net Revenue 31.01.2022	Equalisation	Distribution 31.01.2022	Distribution 29.01.2021
Group 1	-	-	-	0.3500p
Group 2	-	-	-	0.3500p

Income	Net Revenue 31.01.2022	Equalisation	Distribution 31.01.2022	Distribution 29.01.2021
Group 1	-	-	-	0.3500p
Group 2	-	-	-	0.3500p

10th Interim distribution in pence per share

Group 1: Shares purchased prior to 01 November 2021

Group 2 : Shares purchased on or after 01 November 2021 and on or before 31 December 2021

01 November 2021 to 31 December 2021

Accumulation	Net Revenue 28.02.2022	Equalisation	Distribution 28.02.2022
Group 1	1.7871p	-	1.7871p
Group 2	0.0555p	1.7316p	1.7871p

Income	Net Revenue 28.02.2022	Equalisation	Distribution 28.02.2022
Group 1	1.0500p	-	1.0500p
Group 2	0.0637p	0.9863p	1.0500p

11th Interim distribution in pence per share

Group 1: Shares purchased prior to 01 January 2022

Group 2 : Shares purchased on or after 01 January 2022 and on or before 31 January 2022

01 January 2022 to 31 January 2022

Accumulation	Net Revenue 28.02.2022	Equalisation	Distribution 28.02.2022	Distribution 26.02.2021
Group 1	-	-	-	0.3500p
Group 2	-	-	-	0.3500p

Income	Net Revenue 28.02.2022	Equalisation	Distribution 28.02.2022	Distribution 26.02.2021
Group 1	-	-	-	0.3500p
Group 2	-	-	-	0.3500p

12th Interim distribution in pence per share

Group 1: Shares purchased prior to 01 February 2022

Group 2 : Shares purchased on or after 01 February 2022 and on or before 28 February 2022

01 February 2022 to 28 February 2022

Accumulation	Net Revenue 31.03.2022	Equalisation	Distribution 31.03.2022	Distribution 31.03.2021
Group 1	-	-	-	0.3500p
Group 2	-	-	-	0.3500p

Income	Net Revenue 31.03.2022	Equalisation	Distribution 31.03.2022	Distribution 31.03.2021
Group 1	-	-	-	0.3500p
Group 2	-	-	-	0.3500p

DISTRIBUTION TABLES (Continued)**Final distribution in pence per share**

Group 1: Shares purchased prior to 01 March 2022

Group 2 : Shares purchased on or after 01 March 2022 and on or before 31 March 2022

01 March 2022 to 31 March 2022

Accumulation	Net Revenue 29.04.2022	Equalisation	Distribution 29.04.2022	Distribution 30.04.2021
Group 1	-	-	-	1.3622p
Group 2	-	-	-	1.3622p

Income	Net Revenue 29.04.2022	Equalisation	Distribution 29.04.2022	Distribution 30.04.2021
Group 1	-	-	-	0.3430p
Group 2	-	-	-	0.2520p

Final distribution in pence per share

Group 1: Shares purchased prior to 01 January 2022

Group 2 : Shares purchased on or after 01 January 2022 and on or before 31 March 2022

01 January 2022 to 31 March 2022

Accumulation	Net Revenue 31.05.2022	Equalisation	Distribution 31.05.2022
Group 1	2.8271p	-	2.8271p
Group 2	2.8271p	-	2.8271p

Income	Net Revenue 31.05.2022	Equalisation	Distribution 31.05.2022
Group 1	1.6452p	-	1.6452p
Group 2	1.6452p	-	1.6452p

EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue included in the purchase price of the shares. It is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

Information for corporate shareholders

A corporate shareholder receives the distribution shown on the voucher enclosed with this report as follows:

- i) 85.39% of the total dividend allocation together with the tax credit is received as franked investment income.
- ii) 14.61% of the dividend allocation is received as an annual payment received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

INFORMATION FOR INVESTORS

Distribution

Distributions of the revenue of the Company were made to shareholders on or before 31 March each year and interim allocations of revenue on or before the last working day of the month but this changed on 01 November 2021 to quarterly distributions on 31 August, 30 November, last day of February and 31 May (final).

Individual shareholders

Income tax: Tax-free annual dividend allowance now standing at £2,000 (2021/22). UK resident shareholders are now subject to new, higher rates of tax on dividend income in excess of the annual allowance. UK resident shareholders are subject to tax on dividend income in excess of the annual allowance.

Capital gains tax: Individual shareholders resident in the UK for tax purposes may be liable to capital gains tax on realisation of their shares as with other chargeable assets. However, the first £12,300 (2021/22) of gains each year are presently tax free for individuals. Gains in excess of that amount are charged at the rate of tax applicable to the individual tax payer.

Taxation

The Company will pay no corporation tax on its profits for the year ended 31 March 2022. Capital gains within the Company will not be taxed.

Corporate shareholders

Companies resident for tax purposes in the UK which hold shares should note that OEIC distributions are streamed into both franked and unfranked income. The unfranked income element will be treated as an annual payment which has been subject to income tax at prevailing rates and will be liable to tax accordingly. On realisation of their shares, UK resident companies may be liable to pay corporation tax on any capital gains.

The above information on taxation is only a general summary, and shareholders should consult their own tax advisors in relation to their own circumstances. Shareholders should also note that the position as outlined may change to reflect future changes in tax legislation.

Issue and redemption of shares

Valu-Trac Investment Management Limited is the ACD and Registrar. Valu-Trac Investment Management Limited will receive requests for the purchase or sale of shares at any time during normal business hours between 8.30am and 5.30pm. Instructions may be given by email to the below email addresses or by sending an application form to the Registrar. Application forms are available from the Registrar. Email Downing@valu-trac.com

The price of shares will be determined by reference to a valuation of the Company's net assets at 12 noon on each dealing day.

The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of shares has been issued will not be returned to the applicant. Instead, smaller denomination shares will be issued in such circumstances.

A contract note giving details of the shares purchased and the price used will be issued by the Registrar by the end of the business day following the valuation point by reference to which the purchase price is determined. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Ownership of shares will be evidenced by an entry on the Company's Register of Shareholders. Certificates will not be issued. Statements in respect of periodic distributions of revenue will show the number of shares held by the recipient in respect of which the distribution is made. Individual statements of a shareholder's shares will also be issued at any time on request by the registered holder.

Where shares are redeemed, payment will be made not later than the close of business on the fourth business day following the next valuation point after receipt by the ACD of a request for redemption.

The most recent issue and redemption prices are available from the ACD.

Remuneration: Information about the authorised fund manager (AFM) remuneration policies and disclosures is available from Valu-Trac Investment Management Limited on its website which can be found on the link below.
<https://www.valu-trac.com/VIML%20Remuneration%20Policy%20Statement.pdf>

The AFM does not employ any staff directly from the Company, so there are no quantitative disclosures in this report.

CORPORATE DIRECTORY

Authorised Corporate Director & Registrar	<p>Valu-Trac Investment Management Limited Orton Fochabers Moray IV32 7QE</p> <p>Telephone: 01343 880344 Fax: 01343 880267 Email: downing@valu-trac.com</p> <p>Authorised and regulated by the Financial Conduct Authority Registered in England No 2428648</p>
Investment Manager	<p>Downing LLP 6th Floor St Magnus House 3 Lower Thames Street London EC3R 6HD</p> <p>Authorised and regulated by the Financial Conduct Authority</p>
Depository	<p>NatWest Trustee and Depository Services Limited House A Floor 0, 175 Glasgow Road Gogarburn Edinburgh EH12 1HQ</p> <p>Authorised regulated by the Financial Conduct Authority</p>
Auditor	<p>Johnston Carmichael LLP Chartered Accountants Commerce House South Street Elgin IV30 1JE</p>

Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Downing Small & Mid-Cap Income Fund on the outcome of the AFM's assessment of the value provided to shareholders

For the year ended 31st March 2022

This assessment is to establish what VT Downing Small & Mid-Cap Income Fund (the fund) has delivered to you in return for the price you have had to pay.

Our assessment has been conducted against the seven factors outlined by the FCA and the fund has been rated via a 'traffic light' system, where green (G) indicates good value: amber (A) room for improvement, and red (R) poor value. The dashboard below shows an overall summary of the assessment.

	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
VT Downing Small & Mid-Cap Income Fund	● G	● G	● G	● G	● G	● G	● G	● G

The AFM is the Authorised Corporate Director of the sub-fund, Valu-Trac Investment Management Limited (Valu-Trac). The Investment Manager is Downing LLP. The fund launched on the 14 June 2010.

The investment objective of the fund is to achieve a quarterly income, together with capital growth over the long term (5 years).

The Fund aims to meet its objective by investing at least 80% in shares of small (those with a market capitalisation of less than £1 billion) and medium sized (those with a market capitalisation of less than £5 billion) companies which are domiciled in, have their head office located in, or (which if not established in the UK) exercise the significant part of their business in the UK and which the Manager considers to have the ability to increase returns over time.

The fund may also invest in other transferable securities (for example, without limitation, of non-small and medium sized companies and/or international equities) (including investment trusts), collective investment schemes, money market instruments, deposits, cash and near cash. The fund is actively managed.

No more than 10% of the Scheme Property of the fund will be invested in other collective investment schemes (although such collective investment schemes could include those managed and/or operated by the ACD or Investment Manager).

The fund will not have any particular industry or economic sector focus and as such weightings in these may vary as required.

Derivatives may be used for the purposes of efficient portfolio management.

	At and for the year ended				
	31-Mar 2022	31-Mar 2021	31-Mar 2020	31-Mar 2019	31-Mar 2018
Value of fund (per performance record)					
Income Shares	£41,953k	£40,925k	£31,698k	£33,826k	£36,234k
Accumulation Shares	£1,267k	£1,950k	£4,866k	£6,330k	£9,705k
Shares outstanding					
Income Shares	34,543k	35,952k	36,253k	28,771k	26,963k
Accumulation Shares	597k	1,022k	3,467k	3,505k	4,922k
NAV per share					
Income Shares	121.45p	113.83p	87.43p	117.57p	134.38p
Accumulation Shares	212.13p	190.85p	140.34p	180.57p	197.18p
Dividend per share					
Income Shares	5.15p	4.34p	5.47p	5.90p	6.95p
Accumulation Shares	8.75p	7.22p	8.58p	8.83p	9.90p
Net gains/(losses) (before expenses)					
Capital gains/(losses)	£3,301k	£11,521k	(£10,653k)	(£5,381k)	(£2,436k)
Total Net gains/(losses)	£5,166k	£13,479k	(£8,724k)	(£3,253k)	(£1,204k)

From 01 December 2020 the source of all data is Valu-Trac Administration Services unless otherwise stated

Source of data prior to 01 December 2020 - Maitland Institutional Services Limited

In carrying out the assessment of value the following criteria were considered:

1. Quality of service

The AFM considers that a good level of service was provided to shareholders by all parties involved commensurate to the amount paid by the fund for those services. The AFM monitors the following operational services:

Depository – NatWest Trustee and Depository Services Limited

Custodian – RBC Investor Services Trust, UK branch (RBC)

The external audit is conducted by Johnston Carmichael LLP.

These services are essential in ensuring that the fund operated efficiently and in the case of the Depository and Custodian the service is supervised on an on-going daily basis by the AFM. As a shareholder this means that you can be certain that your requests such as investment and redemption of the fund's units will always be carried out exactly as set out in the documentation.

Valu-Trac does not delegate any of the core functions of the fund such as fund administration, fund accounting and transfer agency. This means that the AFM directly employs and supervises the individuals who are carrying out this work and that those undertaking the work are appropriately qualified and experienced. Due to this high level of supervision and control of these functions the AFM believes that the shareholders can be certain that their instructions will be carried out efficiently and that the reporting they receive is timely and focused. The AFM has worked closely with Downing LLP to coordinate mailings such as annual letters with dividend vouchers and financial reports to avoid excessive correspondence whilst providing all required reporting on a timely and clear basis. This also has ensured that the AFM has responded to any enquiries from shareholders fully and promptly.

The AFM has also assessed the costing of each of these services to comparable providers and has concluded that the company is receiving good value for the services provided by each party (detailed analysis on how we have arrived at this conclusion can be provided on request).

2. Performance

The AFM has assessed performance of the fund net of all the charges that are outlined in its prospectus. The investment objective of the fund is to achieve a quarterly income, together with capital growth over the long term (5 years). The fund is not managed to or constrained by a benchmark. The AFM does, however, assess the performance of the fund against the IA UK Equity Income Sector (the comparator), which includes a selection of funds which have broadly similar characteristics, particularly in terms of investment objective and time horizons.

The performance for 2022 is presented below along with the results of the fund over the last 5 years versus the IA UK Equity Income Sector.

To show income, the yields net of fees is shown on the table below, this is the dividend per share compare as a percentage of the relevant price per share.

	2022 Income Yield	Annualised 5-year Income Yield	Comparator Annualised Income Yield
Income Shares	4.52%	4.07%	3.79%
Accumulation Shares	4.58%	4.53%	3.79%

Source Benchmark Data - Morningstar

To show long-term capital growth, the table below shows the movement in capital for the period under review and for five years.

	2022 Capital Return	5-years capital return
Income Shares	6.70%	(11.19%)
Accumulation Shares	6.57%	(11.72%)

The total returns generated (Income + Capital) after operating costs are shown on the table below.

Total Returns	2022 performance	2022 Comparator Performance	5-year performance	5-year Comparator Performance
Income Shares (dividends added back)	11.22%	10.84%	9.14%	21.19%
Accumulation Shares	11.15%	10.84%	10.91%	21.19%

Source Benchmark Data - Morningstar

The AFM has also assessed the risk the fund took to achieve the above performance and has concluded that the fund has not taken excessive risk to achieve this performance (detailed analysis on how we have arrived at this conclusion can be provided on request).

3. AFM costs - general

The costs charged during the year ended 31 March 2022 were as follows:

	£	% of average fund value
Investment manager's fee	341,030	0.75%
ACD fee	30,582	0.07%
Depositary fee	18,000	0.04%
Audit fee	8,100	0.02%
Safe custody fee	1,771	0.00%
Legal fee	1,080	0.00%
Other fees	4,313	0.01%
Transaction fees (capital)	2,321	0.00%
Total costs	407,197	0.89%

Gains for the year (capital and revenue) less costs were £4,754k, there was no taxation.

The prospectus does allow for a dilution levy charge. The ACD's policy is that it may require a dilution levy on the purchase and redemption of shares if, in its opinion, the existing shareholders (for purchases) or remaining shareholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the Scheme Property of a fund is in continual decline; on a fund experiencing large levels of net purchases relative to its size; on "large deals" (typically being a purchase or redemption of Shares to a size exceeding 5% of the Net Asset Value of the relevant fund); in any case where the ACD is of the opinion that the interests of existing or remaining Shareholders require the imposition of a dilution levy. There were no dilution levies applied on purchases and redemptions of shares during the year.

The AFM has considered the costs charged to the fund by comparing the operating charges of the fund to the average OCF of the largest 10 funds in the IA UK Equity Income sector, retail classes where available. This is shown below.

	Operating charges (excluding capital transaction fees)
VT Downing Small & Mid-Cap Income Fund	1.07%
IA UK Equity Income sector (average of 10 largest funds)	1.09%

Source - Morningstar

The AFM has concluded these costs and in particular the Investment Manager's fee are appropriate and justified for the fund. It should be noted that a portion of the fund operating charge is the costs of underlying funds it holds at 0.18%, excluding this the operating charges would be 0.89% as shown above.

4. Economies of scale

The AFM has assessed to what extent it has been able to achieve any savings as a result of economies of scale. Where any such savings have been made this has in every case been passed on to the shareholders. An example of this is the depositary fees charges being on a sliding scale so reduce in cost as the fund exceeds certain thresholds. As the AFM grows its total assets across all schemes it uses this purchasing power to benefit all schemes.

5. Comparable market rates

The AFM has compared the charges of this fund with that of comparable funds. The AFM selected funds that are in the IA UK Equity Income sector along with similar style funds that the AFM administer. The AFM believes that the shareholders of the fund are achieving efficient market rates as a whole and are not excessive as discussed in section 3. As the AFM assets grow in total it continues to strive for extra efficiencies wherever this can be achieved for all of its schemes.

6. Comparable services

The services provided to this fund and the costs are also comparable amongst other similar funds operated by the AFM and is aligned with its normal operating model.

7. Classes of units

The operating charges for each share class over the last five years are given below, While the operating charges for the period under review is higher than prior years this is due to the costs of underlying trusts of 0.18% now being included which were not included in the prior years' operating charges.

	At and for the year ended				
	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar
	2022	2021	2020	2019	2018
Ongoing Operating charges					
Income Shares	1.07%	0.95%	1.00%	1.00%	1.00%
Accumulation Shares	1.07%	0.95%	1.00%	1.00%	1.00%

While there are two types of share classes in the fund, the income shares and the accumulation shares, both share classes are charged the same investment manager fee of 0.75% with expenses applied proportionally to both share classes. Therefore, all shareholders of this fund are treated equally in all respects.

CONCLUSION

As mentioned in the introduction, we have rated the fund based on a 'traffic light assessment system. This is shown in the table below, where green (G) indicates good value; amber (A) indicates room for improvement, and red (R) indicates poor value.

	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
VT Downing Small & Mid-Cap Income Fund	● G	● G	● G	● G	● G	● G	● G	● G

In taking all of these criteria into consideration the AFM concludes that in assessing whether the payments out of the scheme property as set out in the prospectus are justified in the context of the overall value delivered to shareholders, while the fund total return is behind the comparator over the objective period, it has outperformed the comparator in total returns in the period under review and provided greater dividend yields both in the period under review and the objective period which is the main objective of the fund. The AFM notes that while the capital return over 5-years was negative for the fund, in the last two years the capital return was 38.91% for the income shares and 39.78% for the Accumulation Shares. Therefore, the AFM concludes that the shareholders of VT Downing Small & Mid-Cap Income Fund are receiving good value.

28 June 2022