

**VT DOWNING INVESTMENT FUNDS ICVC**  
**(Sub-fund VT Downing Small & Mid-Cap Income Fund)**

**Interim Report and Financial Statements (Unaudited)**  
**for the six month period ended 30 September 2022**

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## COMPANY OVERVIEW

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**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

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

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

David E. Smith CA

Valu-Trac Investment Management Limited  
Authorised Corporate Director

Date:

## SUB-FUND OVERVIEW

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|                                      |   |
|--------------------------------------|---|
| <b>Name of Sub-fund</b>              | VT Downing Small & Mid-Cap Income Fund  |
| <b>Size of Sub-fund</b>              | £41,400,079   |
| <b>Sub-fund objective and policy</b> | <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>  |
| <b>Use of derivatives</b>            | 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.   |
| <b>ESG:</b>                          | <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 <a href="https://www.downing.co.uk/responsible-investing">https://www.downing.co.uk/responsible-investing</a>.</p> |

## SUB-FUND OVERVIEW (Continued)

|  |   |
|--|---|
| <b>Performance assessment</b>              | <p>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.</p> <p>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.</p> <p>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.</p> |
| <b>Authorised Corporate Director (ACD)</b> | Valu-Trac Investment Management Limited   |
| <b>Ex-distribution dates</b>               | 31 March (annual), 30 June, 30 September and 31 December  |
| <b>Distribution dates</b>                  | 31 May (annual), 31 August, 30 November and the last day of February (interim)  |
| <b>Individual Savings Account (ISA)</b>    | The Sub-fund is a qualifying investment for inclusion in an ISA.  |
| <b>Treatment of income</b>                 | 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.  |
| <b>Initial charge</b>                      | 0%  |
| <b>Redemption charge</b>                   | None  |
| <b>Switching charge</b>                    | 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

£30,000<sup>1</sup> 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).

<sup>1</sup> 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.

### Performance overview

Over the six month period to 30 September 2022, the Fund generated a total shareholder return of -11.54% (Accumulation). This compares to -11.38% returned by the IA UK Equity Income sector. We would also highlight that the IA UK Smaller Companies sector returned -20.96%. As of the 30 September 2022, the Fund had a median market cap of £542 million, therefore we believe highlighting Fund performance against both sectors helps give investors a better idea of underlying stock selection performance.

Volatility in global markets was a continuing theme throughout the reporting period. The UK, like most of the world, entered this period in the face of the deplorable events occurring in Ukraine, and the subsequent consequences of increasingly tighter sanctions placed on Russia by the majority of nations. Whilst there is a degree of positivity to be taken from the solidarity of the global response to Russian aggression, it has undoubtedly had lasting impact on global relations, economies, and not least, markets. Globally, economies were still dealing with the effects of tight supply chains and inflationary pressures just as sanctions placed on Russia escalated this supply tightness and inflation from a cost push perspective. In the face of growing and accelerating inflationary pressures, most central banks in developed economies are entering a period of synchronised quantitative tightening that many market participants haven't witnessed since the run up to the Global Financial Crisis in the mid 2000's. Although many commentators point to the environment and economic policies exhibited in the 1980s as more akin to where global economies and markets are heading based on their current trajectory. This Fund doesn't seek to speculate on macroeconomics, but we do believe that the above points will translate to higher bouts of uncertainty that are likely to weigh on investor sentiment, and we wouldn't be surprised to see periods of large dramatic movements in financial markets in the months ahead. Whilst these market conditions are never conducive for generating short-term returns, they can be particularly helpful with creating opportunities that allow for superior long-term returns. There are currently several companies on our watchlist which we have previously owned or have wanted to own, but they had always traded at premium valuations which we couldn't justify. Many of these names are now getting closer to our determination of fair value and we hope that in periods of heightened volatility, we are afforded the opportunity to acquire stakes at a discount to our fair value assessment.

The Fund 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 their management teams. This is especially important as it gives confidence in capital allocation between investing for growth within the business, and shareholder returns. We believe the process still stands even in these uncertain times, firstly as we believe that whilst the companies held in the Fund aren't immune to the effects of the current macro climate, we believe these businesses are sufficiently resilient to withstand the headwinds and come out the other side on a stronger footing. We take confidence in this view - for example we are seeing the current macro environment either accelerate the structural tailwinds driving the earnings potential of the companies the Fund holds, or less efficient or lower quality competitors fall away. In other cases, some companies in the Fund are already beginning to use their superior returns on invested capital and strong balance sheets to invest both organically and inorganically to allow them to compound capital to a greater degree over the medium to long-term.

Over the period, the Fund has exited six positions in full and taken on four new positions. This includes exits of more consumer focussed companies where we feel near-term headwinds outweigh company fundamentals, and positions that were previously held as defensively positioned holdings which we are now beginning to rotate into those presenting compelling value. Of the new positions, one was a holding previously held in the Fund which had been sold. However, market volatility has presented the opportunity to buy this back at a discount to fair value.

### Key contributors and detractors

The key contributors to portfolio performance over the period were EMIS Group (+41.57%) and ContourGlobal (+35.87%), while Hilton Food Group (-54.99%) and Watkin Jones (-41.24%) were the most significant detractors.

EMIS Group, is a provider of clinical management systems, software and patient centric medical and wellbeing information to healthcare providers, commissioners, and pharmacies. EMIS Group was subject to an all cash offer from US listed United Health Group which was at 49% premium<sup>[1]</sup> to the prevailing EMIS Group share price. The deal is expected to close in Q4 of 2022. Whilst this represents a good return for the Fund, EMIS Group has long been a core holding and we were forecasting that the business was just about to enter a new period of growth through carving out a new and exciting opportunity in the Life Sciences industry. This is evidence of yet another high quality and unique UK listed company that has been acquired by overseas buyers that appreciate the long-term intrinsic value, and seek to acquire that value at a relatively cheap price.

ContourGlobal engages in acquiring and developing wholesale power generation with long-term contracts diversified across fuel types and geographies. ContourGlobal, was subject to an all cash offer from funds owned and advised by KKR, at a 36% premium<sup>[2]</sup> to the prevailing ContourGlobal share price. The deal is expected to close in Q4 2022. We understand why the group was taken private, given it was relatively misunderstood on the UK market, we could see the strong strategic value within the portfolio of power generating assets which present even greater value in the current climate. We were hoping the company was going to split out its renewable energy generation assets and thermal generation assets to unlock value. But given little value was being attributed to this potential on the UK market, we can understand why taking the company private was a compelling route to take.

## INVESTMENT MANAGER'S REVIEW (Continued)

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### Key contributors and detractors (continued)

Hilton Food Group, is a leading international multi-protein producer to retail partners, supplying high quality, traceable and assured food products with technical excellence and expertise. The group announced positive interim results, with volumes, revenue and adjusted operating profit up 3.6%, 19.2% and 5.6% respectively<sup>[3]</sup>. However, the company highlighted unprecedented raw material prices in its Seafood business, start-up costs of new facilities, and rising interest rates causing the board to guide to full year profitability being below expectations. Hilton Food Group has a long track record of delivering robust results and was seen as a somewhat “safe pair of hands” in the current uncertain environment. This positive perception therefore exacerbated the downside in the share price reaction when guidance was lowered. Having since spoken to with management and reappraised the investment case, we believe the causes of reduced profitability are short-term headwinds that the company will overcome and this presents an opportunity to add to the position at a cheap valuation.

Watkin Jones, is a leading UK developer and manager of purpose-built student accommodation, build to rent, and affordable social housing. The group issued a full year trading update just after the reporting period end which guided to underlying operating profit to be 10% below current market expectations. Although it was issued just after the reporting period to the 30 September 2022, it appears the market largely anticipated some weakness in trading, not least following the severe moves in gilts following the UK Government’s “mini-budget” announced on the 23 September. Watkin Jones’ business model is based on forward selling its developments to institutional investors. These investors are highly impacted by movements in gilts and as such two forward sales that were expected to close before the end of September, were subsequently delayed and this resulted in the disappointing trading update. Whilst this presents some short-term headwinds, Watkin Jones still has close to £1 billion of contracted revenue over the next three years and £75 million of net cash on the balance sheet, and its capital light business model will allow it to withstand these headwinds<sup>[4]</sup>. The underlying structural drivers of increased demand for high quality student accommodation, build to rent, and social housing remain and once a degree of calm returns to gilt markets, we expect institutional investors to return to seek the attractions of high quality, inflation linked rental income the underlying assets offer as in previous years.

Downing LLP  
Investment Manager to the Fund  
18 October 2022

[1] <https://otp.tools.investis.com/clients/uk/emis1/rns/regulatory-story.aspx?cid=192&newsid=1596112>

[2] [https://otp.tools.investis.com/clients/uk/contourglobal\\_plc/rns/regulatory-story.aspx?cid=2319&newsid=1584109](https://otp.tools.investis.com/clients/uk/contourglobal_plc/rns/regulatory-story.aspx?cid=2319&newsid=1584109)

[3] [https://polaris.brighterir.com/public/hilton\\_food\\_group\\_plc/news/rns/story/w9ekg1r](https://polaris.brighterir.com/public/hilton_food_group_plc/news/rns/story/w9ekg1r)

[4] [https://otp.tools.investis.com/clients/uk/watkin\\_jones/rns/regulatory-story.aspx?cid=1374&newsid=1630725](https://otp.tools.investis.com/clients/uk/watkin_jones/rns/regulatory-story.aspx?cid=1374&newsid=1630725)

## PERFORMANCE RECORD

### Financial Highlights

#### Income Shares

|                                      | Period ended 30<br>September 2022 | Year to 31 March<br>2022 | Year to 31 March<br>2021 |
|--------------------------------------|-----------------------------------|--------------------------|--------------------------|
|                                      | GBp                               | GBp                      | GBp                      |
| Changes in net assets per share      |                                   |                          |                          |
| Opening net asset value per share    | 121.4517                          | 113.8332                 | 87.4300                  |
| Return before operating charges      | (13.3518)                         | 14.0285                  | 31.7062                  |
| Operating charges (note 1)           | (0.5700)                          | (1.2600)                 | (0.9600)                 |
| Return after operating charges *     | (13.9218)                         | 12.7685                  | 30.7462                  |
| Distributions on income shares       | (2.4781)                          | (5.1500)                 | (4.3430)                 |
| Closing net asset value per share    | 105.0518                          | 121.4517                 | 113.8332                 |
| *after direct transactions costs of: | 0.1359                            | 0.1765                   | 0.3186                   |
| Performance                          |                                   |                          |                          |
| Return after charges                 | (11.46%)                          | 11.22%                   | 35.17%                   |
| Other information                    |                                   |                          |                          |
| Closing net asset value              | £40,611,509                       | £41,952,948              | £40,925,206              |
| Closing number of shares             | 38,658,543                        | 34,542,898               | 35,951,911               |
| Operating charges (note 2)           | 1.01%                             | 1.07%                    | 0.95%                    |
| Direct transaction costs             | 0.12%                             | 0.15%                    | 0.32%                    |
| Prices                               |                                   |                          |                          |
| Highest share price                  | 124.6385                          | 134.2860                 | 114.0643                 |
| Lowest share price                   | 105.0266                          | 110.5539                 | 85.9100                  |

#### Accumulation Shares

|                                      | Period ended 30<br>September 2022 | Year to 31 March<br>2022 | Year to 31 March<br>2021 |
|--------------------------------------|-----------------------------------|--------------------------|--------------------------|
|                                      | GBp                               | GBp                      | GBp                      |
| Changes in net assets per share      |                                   |                          |                          |
| Opening net asset value per share    | 212.1266                          | 190.8503                 | 140.3400                 |
| Return before operating charges      | (23.4782)                         | 23.4363                  | 52.0803                  |
| Operating charges (note 1)           | (1.0100)                          | (2.1600)                 | (1.5700)                 |
| Return after operating charges *     | (24.4882)                         | 21.2763                  | 50.5103                  |
| Closing net asset value per share    | 187.6384                          | 212.1266                 | 190.8503                 |
| Distributions on accumulation shares | 4.3520                            | 8.7454                   | 7.2159                   |
| *after direct transactions costs of: | 0.2399                            | 0.3022                   | 0.5243                   |
| Performance                          |                                   |                          |                          |
| Return after charges                 | (11.54%)                          | 11.15%                   | 35.99%                   |
| Other information                    |                                   |                          |                          |
| Closing net asset value              | £1,033,178                        | £1,266,802               | £1,949,674               |
| Closing number of shares             | 550,622                           | 597,191                  | 1,021,573                |
| Operating charges (note 2)           | 1.01%                             | 1.07%                    | 0.95%                    |
| Direct transaction costs             | 0.12%                             | 0.15%                    | 0.32%                    |
| Prices                               |                                   |                          |                          |
| Highest share price                  | 217.6936                          | 228.3317                 | 190.8503                 |
| Lowest share price                   | 187.6384                          | 190.5109                 | 138.2900                 |

## PERFORMANCE RECORD (Continued)

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1. The operating charges per share 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 investment trust funds held within the Sub-fund's holdings. Note the 2021 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 30 September 2022

| Holding   | Value £          | % of net assets |
|---|------------------|-----------------|
| <b>ENERGY (31.03.2022: 4.39%)</b>                     |                  |                 |
| 1,043,000 Diversified Energy Company PLC              | 1,347,556        | 3.25            |
| 182,310 Downing Renewables & Infrastructure Trust PLC | 202,820          | 0.49            |
| 524,000 Gresham House Energy Storage Fund PLC         | 871,150          | 2.10            |
|   | <u>2,421,526</u> | <u>5.84</u>     |
| <b>INDUSTRIALS (31.03.2022: 12.78%)</b>               |                  |                 |
| 403,741 Alpha Financial Markets Consulting PLC        | 1,614,964        | 3.90            |
| 482,753 Gateley Holdings PLC                          | 929,300          | 2.24            |
| 335,000 Ibstock PLC                                   | 551,075          | 1.33            |
| 210,000 Restore PLC                                   | 816,900          | 1.97            |
| 924,402 Watkin Jones PLC                              | 1,399,545        | 3.38            |
|   | <u>5,311,784</u> | <u>12.82</u>    |
| <b>CONSUMER GOODS (31.03.2022: 4.92%)</b>             |                  |                 |
| 134,644 Britvic PLC                                   | 964,388          | 2.33            |
| 162,000 Hilton Food Group PLC                         | 864,270          | 2.09            |
| 361,173 Real Good Food PLC                            | 3,792            | 0.01            |
|   | <u>1,832,450</u> | <u>4.43</u>     |
| <b>HEALTH CARE (31.03.2022: 7.74%)</b>                |                  |                 |
| 57,164 Caretech Holdings PLC                          | 427,873          | 1.03            |
| 88,000 EMIS Group PLC                                 | 1,664,080        | 4.02            |
|   | <u>2,091,953</u> | <u>5.05</u>     |
| <b>CONSUMER SERVICES (31.03.2022: 15.38%)</b>         |                  |                 |
| 244,000 Bloomsbury Publishing PLC                     | 880,840          | 2.13            |
| 102,000 Dunelm Group PLC                              | 738,990          | 1.78            |
| 12,500 Games Workshop Group PLC                       | 709,063          | 1.71            |
| 123,094 Lokn Store Group PLC                          | 947,824          | 2.29            |
| 469,000 Moneysupermarket.Com Group PLC                | 845,607          | 2.04            |
| 783,000 Supreme PLC                                   | 598,995          | 1.45            |
| 56,551 Zegona Communications PLC                      | 43,262           | 0.10            |
|   | <u>4,764,581</u> | <u>11.50</u>    |
| <b>UTILITIES (31.03.2022: 6.46%)</b>                  |                  |                 |
| 163,000 ContourGlobal PLC                             | 409,945          | 0.99            |
| 262,000 Drax Group PLC                                | 1,602,130        | 3.87            |
|   | <u>2,012,075</u> | <u>4.86</u>     |
| <b>PROPERTY (31.03.2022: 5.64%)</b>                   |                  |                 |
| 869,000 Tritax EuroBox PLC                            | 533,566          | 1.29            |
| 507,159 Urban Logistics Reit PLC                      | 639,020          | 1.54            |
|   | <u>1,172,586</u> | <u>2.83</u>     |

**PORTFOLIO STATEMENT (continued)**

**As at 30 September 2022**

| <b>Holding</b>   | <b>Value £</b>    | <b>% of net assets</b> |
|--|-------------------|------------------------|
| <b>FINANCIALS (31.03.2022: 14.88%)</b>                   |                   |                        |
| 311,556 Conduit Holdings Ltd                             | 1,083,436         | 2.62                   |
| 318,508 Foresight Group Holdings Ltd                     | 1,160,962         | 2.80                   |
| 910,600 Frp Advisory Group PLC                           | 1,434,195         | 3.46                   |
| 281,000 Integrafin Holding                               | 616,795           | 1.49                   |
| 954,873 Record PLC                                       | 652,178           | 1.58                   |
| 76,000 Secure Trust Bank PLC                             | 585,200           | 1.41                   |
| 250,000 TP ICAP PLC                                      | 478,000           | 1.15                   |
| 1,015,000 XPS Pensions Group PLC                         | 1,273,825         | 3.08                   |
|  | <b>7,284,591</b>  | <b>17.59</b>           |
| <b>TECHNOLOGY (31.03.2022: 19.67%)</b>                   |                   |                        |
| 70,000 Computacenter PLC                                 | 1,320,900         | 3.19                   |
| 92,638 FDM Group (Holdings) PLC                          | 578,061           | 1.40                   |
| 683,000 Fonix Mobile PLC                                 | 1,133,780         | 2.74                   |
| 127,000 iEnergizer Ltd                                   | 596,265           | 1.44                   |
| 1,000,700 Redcentric PLC                                 | 1,108,275         | 2.68                   |
| 607,000 Strix Group PLC                                  | 736,291           | 1.78                   |
| 181,202 Smart Metering Systems PLC                       | 1,454,146         | 3.51                   |
| 801,789 Digital 9 Infrastructure                         | 805,798           | 1.95                   |
|  | <b>7,733,516</b>  | <b>18.69</b>           |
| <b>FIXED INTEREST (31.03.2022: 1.79%)</b>                |                   |                        |
| 772,932 Real Good Food 12% C Sec Guar Ln Note 19/05/2023 | 579,699           | 1.41                   |
| 238,752 Real Good Food Var Loan Note 19/05/2023          | 179,064           | 0.44                   |
|  | <b>758,763</b>    | <b>1.85</b>            |
| <b>Portfolio of investments (31.03.2022: 93.65%)</b>     | <b>35,383,825</b> | <b>85.46</b>           |
| <b>Net other assets (31.03.2022: 6.86%)</b>              | <b>6,260,864</b>  | <b>15.13</b>           |
| <b>Mid to bid adjustment (31.03.2022: (0.51%))</b>       | <b>(244,610)</b>  | <b>(0.59)</b>          |
|  | <b>41,400,079</b> | <b>100.00</b>          |

## SUMMARY OF MATERIAL PORTFOLIO CHANGES

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|   | £                 |
|---|-------------------|
| <b>Total sales for the period</b>             | <b>10,835,073</b> |
| Alpha Financial Markets Consulting PLC        | 377,403           |
| Brewin Dolphin Holdings PLC                   | 983,282           |
| Caretech Holdings PLC                         | 1,636,012         |
| ContourGlobal PLC                             | 974,570           |
| Digital 9 Infrastructure                      | 164,558           |
| Downing Renewables & Infrastructure Trust PLC | 211,381           |
| Drax Group PLC                                | 72,674            |
| EMIS Group PLC                                | 223,044           |
| Gresham House Energy Storage Fund PLC         | 104,949           |
| Impact Healthcare REIT PLC                    | 802,158           |
| Lokn Store Group PLC                          | 106,076           |
| Natwest Group PLC                             | 982,227           |
| Polar Capital Holdings PLC                    | 576,457           |
| Randall & Quilter Investment Holdings Ltd     | 269,511           |
| Redrow PLC                                    | 718,474           |
| Strix Group PLC                               | 321,556           |
| Urban Logistics Reit PLC                      | 203,059           |
| Vistry Group PLC                              | 801,355           |
| Volex PLC                                     | 901,320           |
| XP Power Ltd                                  | 405,007           |

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

**SUMMARY OF MATERIAL PORTFOLIO CHANGES (continued)**

|   | £                 |
|---|-------------------|
| <b>Total purchases for the year (note 14)</b> | <b>12,192,935</b> |
| Alpha Financial Markets Consulting PLC        | 266,916           |
| Britvic PLC                                   | 284,542           |
| Computacenter PLC                             | 416,986           |
| Conduit Holdings Ltd                          | 204,929           |
| Digital 9 Infrastructure                      | 99,602            |
| Diversified Energy Company PLC                | 121,648           |
| Downing Renewables & Infrastructure Trust PLC | 410,644           |
| Drax Group PLC                                | 349,885           |
| Dunelm Group PLC                              | 240,909           |
| FDM Group (Holdings) PLC                      | 176,399           |
| Fonix Mobile PLC                              | 70,550            |
| Foresight Group Holdings Ltd                  | 421,316           |
| Frp Advisory Group PLC                        | 240,241           |
| Games Workshop Group PLC                      | 62,266            |
| Gateley Holdings PLC                          | 124,377           |
| Gresham House Energy Storage Fund PLC         | 29,000            |
| Hilton Food Group PLC                         | 455,733           |
| Ibstock PLC                                   | 687,948           |
| Impact Healthcare REIT PLC                    | 37,440            |
| Integrafin Holding                            | 776,744           |
| Moneysupermarket.Com Group PLC                | 206,469           |
| Natwest Group PLC                             | 1,104,112         |
| Record PLC                                    | 710,830           |
| Redcentric PLC                                | 134,645           |
| Redrow PLC                                    | 176,704           |
| Restore PLC                                   | 881,743           |
| Secure Trust Bank PLC                         | 83,675            |
| Smart Metering Systems PLC                    | 36,982            |
| Strix Group PLC                               | 187,180           |
| Supreme PLC                                   | 473,111           |
| TP ICAP PLC                                   | 441,537           |
| Tritax EuroBox PLC                            | 195,383           |
| Urban Logistics Reit PLC                      | 280,144           |
| Vistry Group PLC                              | 594,327           |
| Watkin Jones PLC                              | 438,653           |
| XP Power Ltd                                  | 211,640           |
| XPS Pensions Group PLC                        | 557,725           |

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

## STATEMENT OF TOTAL RETURN

For the six-months ended 30 September

|  | 2022               | 2021             |
|--|--------------------|------------------|
|  | £                  | £                |
| Income   |                    |                  |
| Net capital (losses)/gains   | (6,199,768)        | 5,671,406        |
| Revenue  | 951,078            | 1,142,055        |
| Expenses   | (190,985)          | (204,769)        |
| Interest payable and similar charges   | (21)               | (3,311)          |
| Net revenue before taxation  | 760,072            | 933,975          |
| Taxation   | -                  | -                |
| Net revenue after taxation   | 760,072            | 933,975          |
| Total return before distributions  | (5,439,696)        | 6,605,381        |
| Finance costs: distributions   | (897,580)          | (775,799)        |
| <b>Changes in net assets attributable to shareholders from investment activities</b> | <b>(6,337,276)</b> | <b>5,829,582</b> |

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the six-months ended 30 September

|   | 2022              | 2021              |
|---|-------------------|-------------------|
|   | £                 | £                 |
| <b>Opening net assets attributable to shareholders</b>                                    | 43,002,092        | 42,633,998        |
| Amounts receivable on creation of shares  | 6,457,620         | 1,203,749         |
| Amounts payable on cancellation of shares   | (1,762,174)       | (3,039,610)       |
| Dividend reinvested   | 24,054            | 22,813            |
| Dilution levies   | 15,763            | -                 |
| Changes in net assets attributable to shareholders from investment activities (see above) | (6,337,276)       | 5,829,582         |
| <b>Closing net assets attributable to shareholders</b>                                    | <b>41,400,079</b> | <b>46,650,532</b> |

The Investment Association SORP requires that comparatives are shown for the above report. As comparatives are shown for the comparable interim period the net asset value at the end of the period will not agree to the net asset value at the start of the period. The Company net asset value as at 31 March 2022 was £43,002,092.

**BALANCE SHEET**

| As at  | 30.09.2022       |                   | 31.03.2022       |                    |
|--|------------------|-------------------|------------------|--------------------|
|  | £                | £                 | £                | £                  |
| <b>ASSETS</b>                                  |                  |                   |                  |                    |
| Investment assets                              |                  | 35,139,215        |                  | 40,051,117         |
| <b>Current assets</b>                          |                  |                   |                  |                    |
| Debtors  | 1,087,061        |                   | 630,933          |                    |
| Cash and bank balances                         | <u>6,131,063</u> |                   | <u>3,660,351</u> |                    |
| <b>Total current assets</b>                    |                  | <u>7,218,124</u>  |                  | <u>4,291,284</u>   |
| <b>Total assets</b>                            |                  | 42,357,339        |                  | 44,342,401         |
| <b>LIABILITIES</b>                             |                  |                   |                  |                    |
| <b>Current liabilities</b>                     |                  |                   |                  |                    |
| Distribution payable on income shares          | (496,880)        |                   | (568,284)        |                    |
| Creditors                                      | <u>(460,380)</u> |                   | <u>(772,025)</u> |                    |
| <b>Total current liabilities</b>               |                  | <u>(957,260)</u>  |                  | <u>(1,340,309)</u> |
| <b>Net assets attributable to shareholders</b> |                  | <u>41,400,079</u> |                  | <u>43,002,092</u>  |

**Accounting Policies**

The accounting policies applied are consistent with those of the financial statements for the year ended 31 March 2022 and are described in those financial statements.

The financial statements have been prepared in accordance with FRS 102, the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Association (IA) in May 2014 and the amendments to the SORP issued by the IA in June 2017.

## DISTRIBUTION TABLES

### Q1 Interim distribution in pence per share

Group 1: Shares purchased prior to 01 April 2022

Group 2 : Shares purchased on or after 01 April 2022 and on or before 30 June 2022

01 April 2022 to 30 June 2022

| Accumulation | Net Revenue<br>31.08.2022 | Equalisation | Distribution<br>31.08.2022 |
|--------------|---------------------------|--------------|----------------------------|
| Group 1      | 2.0839p                   | -            | 2.0839p                    |
| Group 2      | 1.7025p                   | 0.3814p      | 2.0839p                    |

| Income  | Net Revenue<br>31.08.2022 | Equalisation | Distribution<br>31.08.2022 |
|---------|---------------------------|--------------|----------------------------|
| Group 1 | 1.1928p                   | -            | 1.1928p                    |
| Group 2 | 0.7512p                   | 0.4416p      | 1.1928p                    |

### Q2 Interim distribution in pence per share

Group 1: Shares purchased prior to 01 July 2022

Group 2 : Shares purchased on or after 01 July 2022 and on or before 30 September 2022

01 July 2022 to 30 September 2022

| Accumulation | Net Revenue<br>30.11.2022 | Equalisation | Distribution<br>30.11.2022 |
|--------------|---------------------------|--------------|----------------------------|
| Group 1      | 2.2681p                   | -            | 2.2681p                    |
| Group 2      | 1.8944p                   | 0.3737p      | 2.2681p                    |

| Income  | Net Revenue<br>30.11.2022 | Equalisation | Distribution<br>30.11.2022 |
|---------|---------------------------|--------------|----------------------------|
| Group 1 | 1.2853p                   | -            | 1.2853p                    |
| Group 2 | 0.6001p                   | 0.6852p      | 1.2853p                    |

### Prior period distributions

On the 01 November 2021, the fund changed the Ex-distribution dates and the Distribution dates from monthly to quarterly intervals.

Below are the comparators for the distributions in the six month period ending 30 September 2021.

| Distribution period                    | Paydate           | Accumulation<br>Rate | Income<br>Rate |
|--|-------------------|----------------------|----------------|
| 01 April 2021 to 30 April 2021         | 28 May 2021       | 0.5868p              | 0.3500p        |
| 01 May 2021 to 31 May 2021             | 30 June 2021      | 0.5876p              | 0.3500p        |
| 01 June 2021 to 30 June 2021           | 30 July 2021      | 0.5884p              | 0.3500p        |
| 01 July 2021 to 31 July 2021           | 31 August 2021    | 0.5900p              | 0.3500p        |
| 01 August 2021 to 31 August 2021       | 30 September 2021 | 0.5916p              | 0.3500p        |
| 01 September 2021 to 30 September 2021 | 29 October 2021   | 0.5931p              | 0.3500p        |

### 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 INVESTORS

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### 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 (2022/23). 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 (2022/23) 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 period ended 30 September 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](mailto: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/Pillar%203%202021-09.pdf>

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

## CORPORATE DIRECTORY

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