

MI Downing UK Micro-Cap Growth Fund

November
2018

About the Fund

MI Downing UK Micro-Cap Growth Fund ("the Fund") aims to invest in a concentrated portfolio of between 25-30 UK companies within the Numis Smaller Companies Indices - typically those with market capitalisations between £20 million and £150 million.

The Fund seeks to generate capital growth, whilst retaining a strong focus on capital preservation. The Fund aims to outperform returns from other UK small-cap equity funds by selecting investments that the Manager believes are undervalued by the market.

Why Downing Micro-Cap?

- ▶ Experienced and qualified team headed by Judith MacKenzie.
- ▶ Private equity approach to micro-cap companies, drawing on Downing's private equity and venture capital heritage.
- ▶ Investment Committee oversight provides access to many years of investment experience.
- ▶ Value strategy with rigorous bottom up approach.
- ▶ Exhaustive diligence process that can take up to 18 months.
- ▶ Concentrated portfolio of typically 25 to 30 investments which we believe provides diversification.
- ▶ Access to strategic investments.
- ▶ Only invests in profitable businesses with strong management teams and a sustainable competitive advantage.

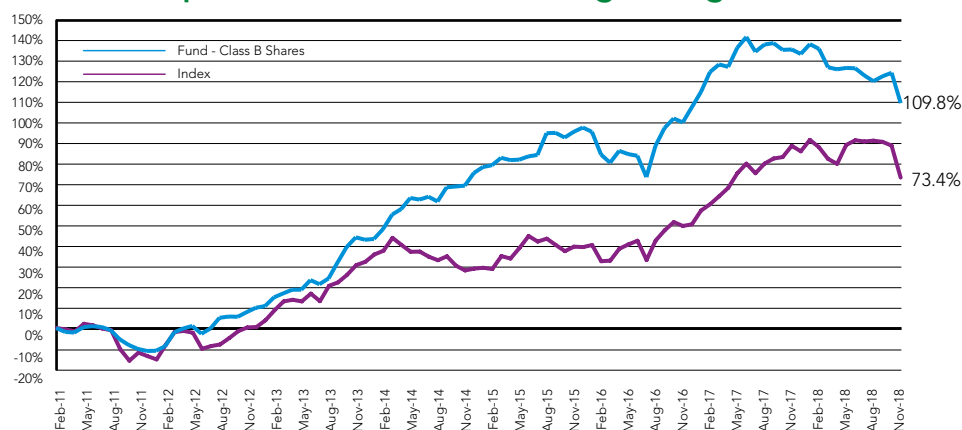
Market commentary

In the month, the Fund was down 6.59%, outperforming the benchmark which was down 8.26%. Positive contributors included Norman Broadbent (up 13.95%) and Synectics (up 6.28%). Detractors included Gama Aviation (down 33.69%), and ADEPT Technology (down 13.41%).

Norman Broadbent announced unaudited results for the six months ended 30 June, highlighting significant progress towards a return to profitability. Management stated that the group had delivered slightly ahead of expectations and is now well positioned to grow. Synectics made no material announcements in October. At the end of September, the company appointed Simon Beswick as Finance Director Designate with immediate effect. He will join the board as FD on 30 November. His background and skills in engineering and technology companies will strengthen the senior leadership team.

Gama announced that 2018 full year results are likely to be \$3 million behind expectations, with underlying operating profit of around \$17-17.5 million. This is disappointing post a recent fundraise where expectations have not been managed appropriately. We believe the downgrade is a combination of lower than expected growth and higher costs from investment, and a growth strategy which hasn't yet generated the anticipated revenue. The appointment of a new CFO should provide financial rigour and help with forecasting and setting achievable expectations. ADEPT Technology issued no material news during October, however the share price fell after a good run up to the 400p level then came back on very small private client selling. Strong cash generation has funded an increase to dividends declared during the year and the board is confident that its focus on underlying profitability and cash generation will support a progressive dividend policy.

Cumulative performance under Downing management



The graph shows the cumulative performance under Downing management (since Feb 2011)

Cumulative performance - Class B Shares (%)

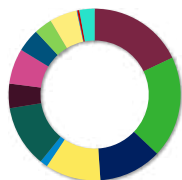
	1m	3m	6m	YTD	1y	3y	5y
Fund	-6.59	-4.85	-7.56	-12.05	-11.12	7.17	45.45
Index	-8.26	-9.43	-8.42	-9.58	-8.23	24.11	32.69

Discrete performance - Class B Shares (%)

	31/10/2017 31/10/2018	31/10/2016 31/10/2017	31/10/2015 31/10/2016	31/10/2014 31/10/2015	31/10/2013 31/10/2014
Fund	-11.12	17.77	2.38	15.50	17.50
Index	-8.23	26.13	7.23	9.07	-1.98

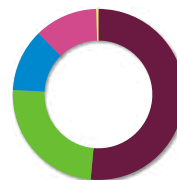
Index: Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all Fund data is Maitland Institutional Services, source of all index data is Numis. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. Investors cannot invest directly in an index. **Downing is responsible for Fund performance from 4 Feb 2011**, the effective date of the investment management mandate. **Please note that past performance is not a reliable indicator of future results.**

Portfolio by sector



17.94%	Food producers & processors
19.14%	Electronic & electrical equipment
11.85%	Support services
10.42%	Software & computer services
1.45%	Cash
11.64%	Transport
4.61%	Construction & building
6.66%	Telecom services
4.36%	General retailers
3.40%	Personal care & household products
5.17%	Real estate
0.11%	Pharmaceuticals
0.39%	Oil & gas
2.86%	Speciality & other finance

Portfolio by company size



Market cap bands	Percentage
£0m - £50m	51.44%
£50m - £100m	24.40%
£100m - £150m	11.85%
£150m - £200m	11.92%
£200m+	0.39%

Top 5 portfolio holdings

Company	% of Fund
Real Good Food	12.34*
Pennant International	7.90
Norman Broadbent	7.11**
Synectics	6.84
Adept Technology Group	6.66

*Holding includes a 0.66% equity and 11.68% debt split

**Holding includes a 5.86% equity and 1.25% debt split

Source of all Fund data: Factset as at 31 October 2018

Lead Fund Manager: Judith MacKenzie

Judith is a Partner at Downing, having joined in 2009. Previously, she was a Partner at Acuity Capital, managing AIM-quoted VCT & IHT investments and the CF Acuity RAM Fund.

Prior to this, Judith spent seven years as a senior investment manager with Aberdeen Asset Management Growth Capital, as co-Manager of the five Aberdeen VCTs, investing in both public and private companies.

She has held various non-executive and advisory roles in Scottish Government and private companies, and is a Fellow of the Securities Institute.



Trustnet/F.E (for the three-year period to 31/07/2018)

Key facts as at 31 October 2018

Structure

London listed Open Ended Investment Company (OEIC), established as a "UCITS scheme".

Incorporation date & date of transfer to Downing and change of ACD

September 2008 / February 2011

Fund size

(B and C Share Class combined)
£22.3m

Share price

Class B 192.31p
Class C 122.66p

Number of company holdings

25*

Dividends

Accumulation only

Liquidity

Daily pricing and daily dealing

ISIN codes:

B Accumulation GB00B2403R79
C Accumulation GB00B7SB5C00

*This does not include the two holdings which have been written down to zero.

Minimum initial investment

B Accumulation - £1,000
C Accumulation - £1,000

B Share and C Share class monthly savings plan available. Monthly contributions of £100 can be made via standing order on the first business day of each month.

Fund charges

Initial charges

B & C Accumulation: 5.00%

Ongoing charges

B Accumulation: 1.25%
C Accumulation: 1.00%

Ongoing charges are based on expenses, including the annual management charge, for the year ending 31 January 2018. These figures may vary. It excludes portfolio transaction costs.

Management charge

B Accumulation = 1.00% per annum
C Accumulation = 0.75% per annum

Performance charge

There are performance fees on the C Share class only. Full details can be found in the Key Investor Information Document.

Contact details

Manager

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How to apply

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Visit www.downing.co.uk to access the Application Form

Platforms hosting the Fund

A J Bell	James Hay
Aegon	Novia Global
Ascentric	Novia Financial
Aviva	Nucleus Financial
Cofunds Institutional	SEI Investments
Cofunds Retail	Standard Life
Hargreaves Lansdown	Transact

Risk warning: your capital is at risk. Investments & the income derived from them can fall as well as rise and investors may not get back the full amount invested. Investments in smaller companies will normally involve greater risk or volatility than investments in larger, more established companies. Performance figures above are taken from daily valuations provided by Maitland Institutional Services. Downing is responsible for Fund performance from 4 February 2011, the effective date of the investment mandate. Return is the total return (value of the investments plus cash including income after all expenses and charges), ignoring taxation. Please note that past performance is not a guide to future performance.

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