

# MI Downing UK Micro-Cap Growth Fund

June  
2017



## About the Fund

MI Downing UK Micro-Cap Growth Fund ("the Fund") invests 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 & qualified team headed by Judith MacKenzie - Citywire AA<sup>1</sup> and F.E. Five Crown<sup>2</sup> rated.
- ▶ Private equity approach to micro cap companies, drawing on Downing's private equity and venture capital heritage.
- ▶ Investment Committee oversight provides access to 100+ years of investment experience.
- ▶ Value strategy with rigorous bottom up approach.
- ▶ Exhaustive diligence process that can take up to 18 months.
- ▶ Concentrated portfolio of 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.

<sup>1</sup>Source: Citywire (for the three year risk adjusted performance 31/05/2014 - 31/05/2017)

<sup>2</sup>Source: Trustnet/F.E (for the three year period to 31/01/2017)

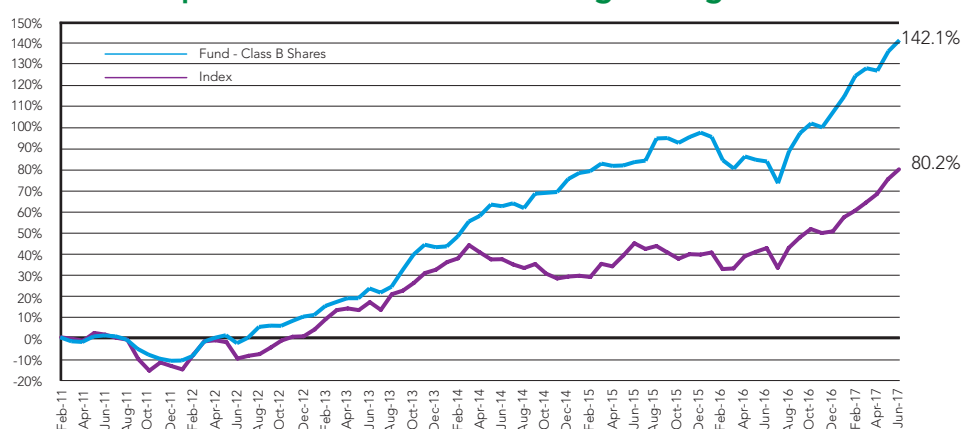
## Market commentary

The Fund underperformed the index by 0.4% in May, returning 2.3% versus the index's 2.7%. Key contributors to positive performance in the month were Redhall Group Plc (up 13.0%) and Universe Group Plc (up 17.1%). Detractors included Sprue Aegis Plc (down 4.3%) and Tracsis Plc (down 9.9%).

Redhall, the high-integrity manufacturing and specialist services group, had no new updates in the month. We believe that the company has great prospects with their Hinkley Point exposure and that they should benefit as contracts are awarded over the life of the project. Similarly, Universe Group, the developer and supplier of point-of-sale, payment and online loyalty systems, reported no material news in the month, except for a director share purchase. We are long-standing supporters of Universe and have strong conviction in the operational management team to deliver continued growth.

Sprue Aegis's shares sold off in the month on no new updates. The developer and supplier of home safety products has had a particularly strong share price run recently and we believe that the sell-off is due to some opportune profit-taking. Tracsis, the provider of software and technology-led products and services for the traffic data and transportation industry also had a quiet month with no new material news.

## Cumulative performance under Downing management



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

### Cumulative performance - Class B Shares (%)

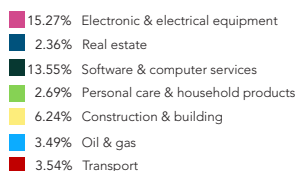
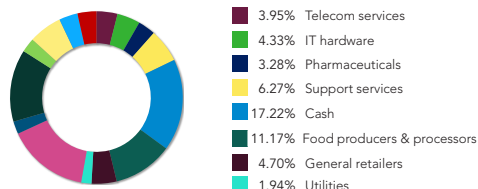
	1m	3m	6m	YTD	1y	3y	5y
Fund	2.26	5.87	16.51	12.48	31.54	48.83	149.21
Index	2.70	9.71	19.67	14.57	26.43	31.32	100.61

### Discrete performance - Class B Shares (%)

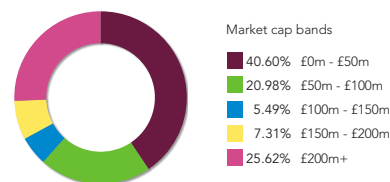
	31/05/2016 31/05/2017	31/05/2015 31/05/2016	31/05/2014 31/05/2015	31/05/2013 31/05/2014	31/05/2012 31/05/2013
Fund	31.54	0.14	12.98	31.79	27.05
Index	26.43	-1.63	5.59	17.54	29.97

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 Thomson Reuters. 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\*



## Portfolio by company size\*



## Top 5 portfolio holdings\*

Company	% of Fund
Redhall Group PLC	6.24
Pennant International Group PLC	6.11
Science in Sport PLC	4.92
Conviviality PLC	4.70
Universe Group PLC	4.67

\*Source: Maitland Institutional Services  
As at 31 May 2017

## 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.

## Key facts as at 31 May 2017

### 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)  
£30.6m

### Share price

Class B 221.92p  
Class C 140.77p

### Number of 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.

## Contact details

### Manager

Downing LLP, Ergon House,  
Horseferry Road, London SW1P 2AL  
Tel: 020 7416 7780

### Authorised Corporate Director

Maitland Institutional Services Ltd  
Springfield Lodge, Colchester Road  
Chelmsford, Essex CM2 5PW  
Dealing: 034 5305 4215  
www.maitlandgroup.com

### 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: 1.33%  
C Accumulation: 1.08%

Ongoing charges are based on expenses, including the annual management charge, for the year ending 31 January 2017. 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.

## How to apply

Tel: 020 7630 3319  
Visit [www.downing.co.uk](http://www.downing.co.uk) to access the Application Form

## Platforms hosting the Fund

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

**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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Downing LLP, Ergon House,  
Horseferry Road, London SW1P 2AL  
020 7416 7780 / [www.downing.co.uk](http://www.downing.co.uk)