

# MI Downing UK Micro-Cap Growth Fund

December  
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 0.55%, outperforming the benchmark which was down 1.82%. Positive contributors included Petards (up 27.91%) and Volex (up 14.40%). Detractors included Science in Sport (down 16.03%), and Synectics (down 5.37%).

Petards made no material announcements during the period. We believe it is in a strong position, current orders for H2 2018 are in excess of £9.5 million and almost £8 million in orders are scheduled for 2019. EyeTrain orders of over £6.5 million add to coverage for 2019 and beyond. Volex announced half-year results to 30 September, reporting a solid performance underpinned by underlying operating profit organic growth of 48%. The group stated the acquisitions of MC Electronics and Silcotec were performing well, expanding its customer base and manufacturing footprint. Management believe that, through careful planning, Volex will return value to shareholders.

Science in Sport (SiS) share price fell as it announced the proposed acquisition of PhD Nutrition for a total consideration of £32 million on a cash-free, debt free basis. Management stated that the acquisition is highly complementary and doubles the size of the business. It anticipates delivering strong returns to shareholders given the clear synergies and growth prospects of the combined group. Synectics provided an update for the year to 30 November 2018, reporting trading has continued recent trends; weak performance in the UK on-vehicle security sector being offset by strong results from global Gaming security. However, the group's year end net cash position is expected to have strengthened, its pipeline of expected new business is stronger than originally expected and the board is confident of solid progress in the coming year.

## Cumulative performance under Downing management



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

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

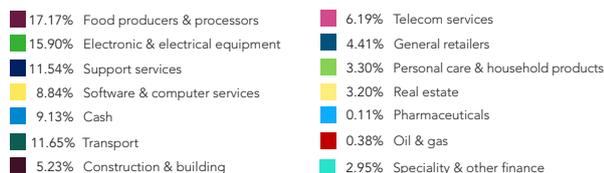
	1m	3m	6m	YTD	1y	3y	5y
Fund	-0.55	-6.40	-7.99	-12.53	-10.74	5.45	45.86
Index	-1.82	-10.80	-11.16	-11.22	-8.57	22.00	28.67

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

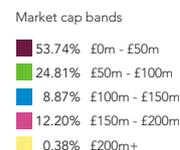
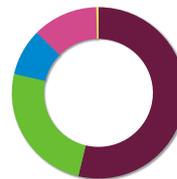
	30/11/2017 30/11/2018	30/11/2016 30/11/2017	30/11/2015 30/11/2016	30/11/2014 30/11/2015	30/11/2013 30/11/2014
Fund	-10.74	12.49	5.02	12.60	22.84
Index	-8.57	23.61	7.94	8.17	-2.49

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



## Portfolio by company size



Source of portfolio data: Factset as at 30 November 2018

## Top 5 portfolio holdings

Company	% of Fund
Real Good Food	12.56*
Norman Broadbent	7.15**
Adept Technology Group	6.19
Pennant International	6.15
Redhall Group	5.23

Source: Maitland Institutional Services as at 30 November 2018

\*Holding includes a 0.62% equity and 11.94% debt split

\*\*Holding includes a 5.99% equity and 1.17% debt split

## 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/FE (for the three-year period to 31/07/2018)

**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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## Key facts as at 30 November 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)  
£21.9m

### Share price

Class B 191.25p  
Class C 122.01p

### 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.

## Contact details

### Manager

Downing LLP, St Magnus House,  
3 Lower Thames Street,  
London EC3R 6HD  
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: 1.27%  
C Accumulation: 1.02%

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

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

13 December 2018

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