

PFS Downing UK Micro-Cap Growth Fund

March
2016



About the Fund

PFS 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 AAA¹ and F.E. Five Crown² 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 optimal diversification.
- ▶ Access to strategic investments.
- ▶ Only invests in profitable businesses with strong management teams and a sustainable competitive advantage.

¹ Source: Citywire (for the three year risk adjusted performance 29/02/2013 - 29/02/2016)

² Source: Trustnet/F.E (for the three year period to 29/02/2016)

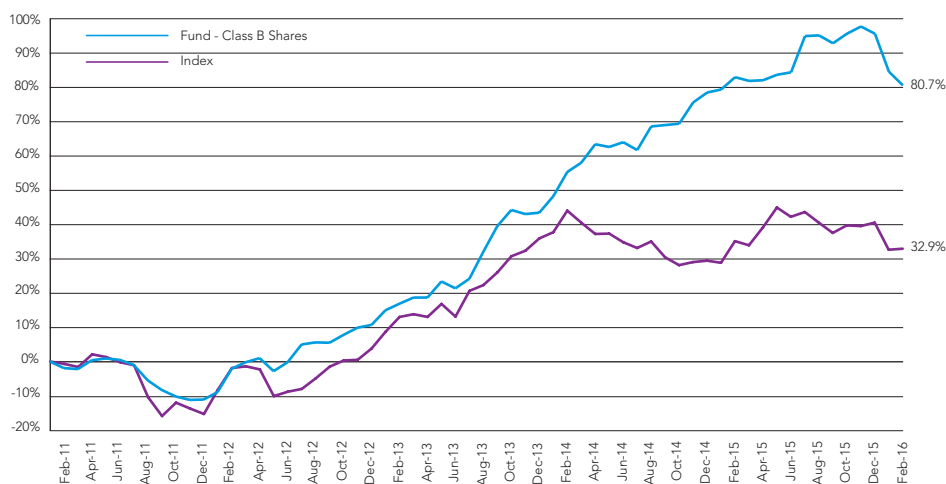
Market commentary

In February, the fund returned -2.16%, underperforming the benchmark by 2.42%. The largest detractor to the performance in the month was the widely publicised profits warning by Hornby, the manufacturer and distributor of brands including Hornby Trains and Scalextric. Meanwhile, core holding Redhall Group was a strong performer, but this wasn't enough to offset the combined effect of Hornby and other smaller losses from portfolio companies, namely Hargreaves Services.

It is always disappointing when management fail to understand, and convey in a timely manner, problems in their business plan. Hornby's issues include poor underlying sales in the UK and international business trading because of the reorganisation of the management and distribution operations of their European subsidiaries. We continue to monitor the situation very closely and will take appropriate action for our investors on any new newsflow. Hargreaves Services had disappointing full year results and whilst the net asset value may offer downside protection, we are increasingly averse to the headwinds in the coal business. We are looking to the potential of their residential planning applications to realise value.

Redhall Group – the engineering support services company – saw its share price increase by over 26% in the month. This was largely due to a confident AGM statement. We invested in the company on the back of a major restructuring and are pleased to see that management have reiterated their full year comments of an improved order flow, noting that activity levels are picking up across nuclear, infrastructure and telecoms, and that they anticipate reporting growth in their order book by the end of the year.

Cumulative performance under Downing management



Cumulative performance - Class B Shares (%)

	1m	3m	6m	YTD	1y	3y	5y
Fund	-2.16	-8.66	-7.45	-7.70	-1.30	54.54	84.18
Index	0.26	-4.72	-5.41	-5.34	-1.62	17.62	33.95

Discrete performance - Class B Shares (%)

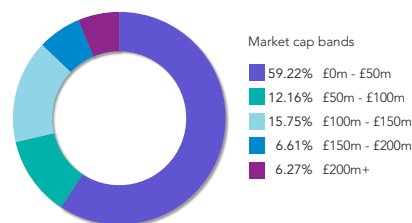
	28/02/2015 29/02/2016	28/02/2014 28/02/2015	28/02/2013 28/02/2014	28/02/2012 28/02/2013	28/02/2011 28/02/2012
Fund	-1.30	17.82	32.90	19.47	-0.24
Index	-1.62	-6.16	27.40	15.27	-1.20

Index: Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all fund data is Phoenix Fund 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*



*Source: Phoenix Fund Services

Top 5 portfolio holdings

	% of Fund
Redhall Group PLC	6.4
Conviviality Retail PLC	5.6
Finsbury Food Group PLC	4.8
Produce Investments PLC	4.4
Universe Group PLC	4.4

As at 29 February 2016
Source: Phoenix Fund Services

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 29 February 2016

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)
£20.8m

Share price

Class B 165.65p
Class C 108.59p

Number of holdings

30

Dividends

Accumulation only

Liquidity

Daily pricing and daily dealing

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 1st of each month.

Fund charges

Initial charge: B & C Accumulation = 5%

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. For further information please refer to the Key Investor Information Document. The Fund may also pay fees and charges related to administration, custody and other reasonable expenses.

ISIN codes:

B Accumulation GB00B2403R79
C Accumulation GB00B7SB5C00

Contact details

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How to apply

Tel: 020 7630 3319
Visit www.downing.co.uk to access the Application Form

Platforms hosting the Fund

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

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 Phoenix Fund Services. Inception is the date of the commencement of the investment management mandate – 4 Feb 2011. 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.

Important notice

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