

# MI Downing UK Micro-Cap Growth Fund

October  
2016



## 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 AAA<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 optimal 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 30/09/2013 - 30/09/2016)

<sup>2</sup>Source: Trustnet/FE (for the three year period to 30/09/2016)

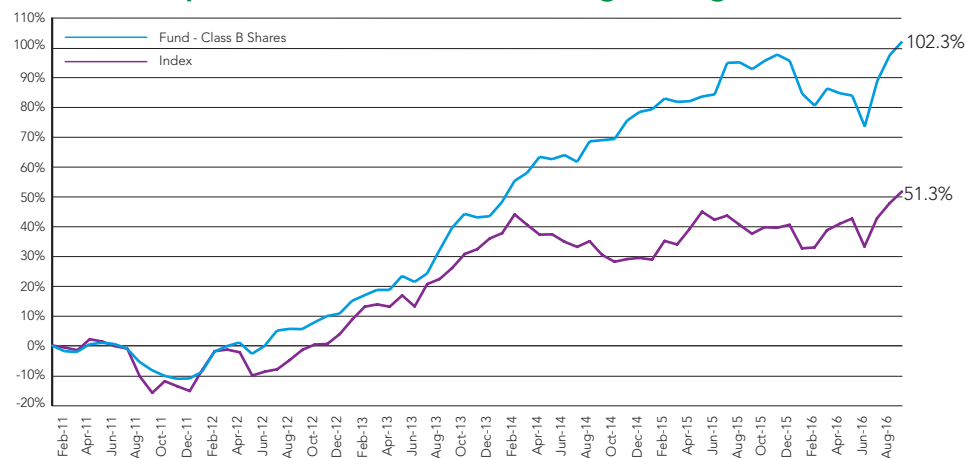
## Market commentary

The Fund returned 2.3% in the month, underperforming the benchmark by 0.1%. Positive contributions came from Redhall Group Plc and Pennant International Group Plc. Universe Group Plc was the notable drag on performance this month.

Redhall, up 37.6% in the month, is the engineering and support services business that operates across the engineering, nuclear, and manufacturing sectors. They benefitted from the confirmed go-ahead of Hinckley Point. Whilst the shares moved sharply upwards, the current value remains below our valuation. Pennant International Group was up 21.9% in the month; the company posted a strong set of interim results towards the end of the month. Pennant, who amongst other things provides training to global defence clients, is a relatively new position in the Fund. We believe there is significant value in a strong brand supported by intellectual property, order book visibility with many household names and a proven skill base that comes from building an enviable backlog of mission critical projects.

Universe Group, the payment and online loyalty solutions business for UK petrol forecourt and convenience stores, sold off in the month, declining 14.7% on the back of a minor profits warning. We thought that the market was overly harsh in its reaction to what is only a delayed start in some of their contracts. Having built our knowledge of the business over several years, we are confident that the business has the ability to further deliver continued growth.

## Cumulative performance under Downing management



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

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

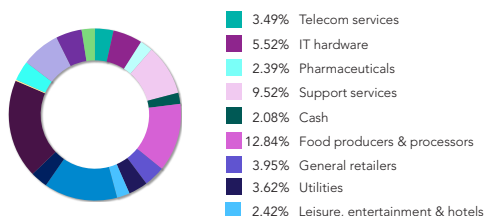
	1m	3m	6m	YTD	1y	3y	5y
Fund	2.29	16.42	8.80	3.30	4.79	44.88	120.60
Index	2.40	13.59	9.08	7.70	10.02	20.01	79.80

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

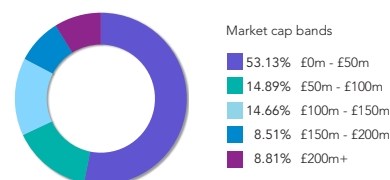
	30/09/2015 30/09/2016	30/09/2014 30/09/2015	30/09/2013 30/09/2014	30/09/2012 30/09/2013	30/09/2011 30/09/2012
Fund	4.79	14.14	21.12	32.38	15.02
Index	10.02	5.40	3.49	27.90	17.13

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\*

	% of Fund
Redhall Group PLC	7.28
Amino Technologies PLC	5.52
Pennant International Group PLC	5.52
Science in Sport LTD	5.25
Smart Metering Systems	4.87

\*Source: Maitland Institutional Services  
As at 30 September 2016

## 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 30 September 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)  
£23.5m

### Share price

Class B 185.39p  
Class C 121.70p

### Number of holdings

30

### Dividends

Accumulation only

### Liquidity

Daily pricing and daily dealing

### ISIN codes:

B Accumulation GB00B2403R79  
C Accumulation GB00B7SB5C00

### 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: 1.40%  
C Accumulation: 1.15%

Ongoing charges are based on expenses, including the annual management charge, for the year ending 31 July 2016. 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

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

## 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 Financial
Ascentric	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. 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.

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