



MI Downing UK Micro-Cap Growth Fund

January 2020



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.
- ▶ Seeks to invest in profitable businesses with strong management teams and a sustainable competitive advantage.

Portfolio commentary

In December, the Fund was up 2.41%, underperforming the benchmark, which was up 7.27%. Positive contributors included CentralNic Group (up 50.00%) and Volex (up 19.38%). Detractors included Norman Broadbent (down 12.12%) and SysGroup (down 6.94%).

CentralNic Group announced the completion of the acquisition of Team Internet, a web service provider. The board believes that the acquisition is a natural extension of CentralNic's domain sales business and a major step in adding domain related web services to its service offering. The web-based recurring revenue business will be significantly earnings enhancing for the financial year ending 31 December 2020.

Volex made no significant news announcements during December. The group issued strong results in November and we believe the market is really waking up to the story now. The group is now in acquisitive growth mode and is cash generative, generating healthy profits across its two business divisions. We think that the group remains undervalued and is now enjoying a rerating. The chairman and CFO exercised share options in the period, which gives confidence in the company's ability to drive shareholder value.

Norman Broadbent announced that it has entered into a partnership with UN Women UK, the UK arm of the UN agency for gender equality. It is widely recognised that organisations with a more inclusive and diverse working environment are not only doing the right thing but are also more successful. Disappointingly, the share price dropped by just over 5% following the announcement.

SysGroup made no significant announcements although the share price dipped in mid-December. The group had previously stated that revenue was affected by "macroeconomic uncertainty", which weakened the income derived from product reselling. We think that improved sentiment and certainty for markets will support the share price in future.

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	2.41	4.39	-3.49	-8.54	-8.54	-14.11	3.53
Index	7.27	12.57	11.27	22.16	22.16	25.31	52.40

Discrete performance - Class B Shares (%)

	31/12/2018 31/12/2019	31/12/2017 31/12/2018	31/12/2016 31/12/2017	31/12/2015 31/12/2016	31/12/2014 31/12/2015
Fund	-8.54	-15.27	10.83	9.93	9.65
Index	22.16	-15.84	21.89	12.01	8.58

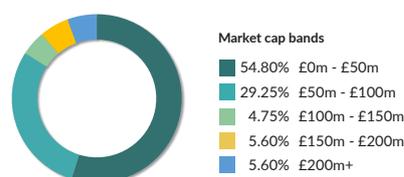
Index: Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all Fund data is Maitland Institutional Services Limited (Maitland), source of all index data is Numis Securities Limited. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. Investors cannot invest directly in an index. **Downing LLP is responsible for Fund performance from 4 February 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



Source of sector data: Maitland as at 31 December 2019

Portfolio by company size



Source of market cap data: Factset as at 31 December 2019

Top 5 portfolio holdings

Company	% of Fund
Norman Broadbent Plc	6.98*
CentralNic Group Plc	5.60
Volex Plc	5.44
Universe Group Plc	5.15
DX Group Plc	5.12

Source: Maitland as at 31 December 2019

*Holding includes a 6.63% equity and 0.35% 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.



Trustnet/F.E (for the three-year period to 31/07/2019)

Key facts as at 31 December 2019

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)
£11.7m

Share price

Class B 169.44p
Class C 108.39p

Number of company holdings

27
(Not including two holdings which have been written down to zero.)

Dividends

Accumulation only

Liquidity

Daily pricing and daily dealing

ISIN codes:

B Accumulation GB00B2403R79
C Accumulation GB00B75B5C00

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
Hamilton Centre, Rodney Way,
Chelmsford, Essex, CM1 3BY
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: 1.63%
C Accumulation: 1.38%

Ongoing charges are based on the last year's expenses, including the annual management charge. Figures are as at 31 July 2019. These figures may vary. They exclude portfolio transaction costs.

Management charge

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

How to apply

Tel: 020 7630 3319

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

Platforms hosting the Fund

A J Bell	Novia Financial
Aegon	Nucleus Financial
Ascentric	Raymond James
Aviva	SEI Investments
Hargreaves Lansdown	Standard Life
Novia Global	Transact

Risk warning: your capital is at risk. Investments and 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 Limited. Downing LLP 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.

Important notice

This document is intended for retail investors and their advisers and has been approved and issued as a financial promotion under the Financial Services and Markets Act 2000 by Downing LLP ("Downing"). This document is for information only and does not form part of a direct offer or invitation to purchase, subscribe for or dispose of securities and no reliance should be placed on it. Opinions expressed in this document represent the views of the Fund Manager at the time of publication, are subject to change, and should not be interpreted as investment advice. You should only invest based on the information contained in the relevant product literature available from Downing. Downing does not offer investment or tax advice or make recommendations regarding investments. Please see the relevant product literature for details of charges; your attention is drawn to the risk factors contained therein. Downing is authorised and regulated by the Financial Conduct Authority (Firm Reference No. 545025). Registered in England No. OC341575. Registered Office: St Magnus House, 3 Lower Thames Street, London EC3R 6HD.

14 January 2020

Downing

Downing LLP, St Magnus House,
3 Lower Thames Street, London
EC3R 6HD

020 7416 7780 / www.downing.co.uk