



MI Downing UK Micro-Cap Growth Fund

April 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

March was a difficult month for performance which was affected by Covid-19 fears. The fund was down 21.48% and the benchmark was down 23.93%.

However, our value process is protecting our downside relative to funds which are more growth and momentum focused. The fund now holds 11% cash following opportune profit-taking as the coronavirus situation has unfolded. We believe we are well placed to generate returns in the future, both from the recovery of our current portfolio and through deploying this cash into new holdings.

The most significant contributor to returns in the month, CentralNic, is performing exceptionally well in this demanding time. Management recently stated that the effect of Covid-19 is likely to be immaterial since they provide business critical infrastructure in domain services. The recent Team Internet acquisition is performing ahead of budget given the increase in internet information searches. The business has high debt but with 90+% recurring revenues and strong cash conversion combined with a resilient model, we are confident the group can trade well through this period.

The current situation is throwing up some significant bargains in high-quality businesses in our universe. We are focusing on these opportunities and taking small starting positions in the most compelling companies. There is extensive uncertainty around the earnings effect of coronavirus on all businesses and we will therefore continue to rotate out of the most exposed names and into more quality names where valuations are attractive.

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	-21.48	-28.02	-24.86	-28.02	-31.76	-41.52	-26.91
Index	-23.93	-32.69	-24.22	-32.69	-23.18	-21.18	-0.90

Discrete performance - Class B Shares (%)

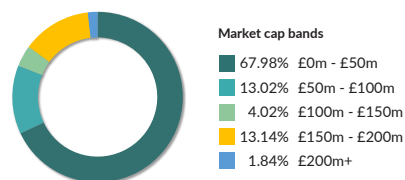
	31/03/2019 - 31/03/2020	31/03/2018 - 31/03/2019	31/03/2017 - 31/03/2018	31/03/2016 - 31/03/2017	31/03/2015 - 31/03/2016
Fund	-31.76	-13.83	-0.55	22.40	2.12
Index	-23.18	-4.09	6.98	21.41	3.56

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



Portfolio by company size



Source of sector data: Maitland as at 31 March 2020

Source of market cap data: Factset as at 31 March 2020

Top 5 portfolio holdings

Company	% of Fund
Norman Broadbent Plc*	7.88
CentralNic Group Plc	7.48
Real Good Food Company Plc**	6.38
Volex Plc	5.66
Sureserve Group Plc	5.37

Source: Maitland as at 31 March 2020

*Holding includes a 7.79% equity and 0.09% debt split

**Holding includes a 0.73% equity and 5.65% 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 March 2020

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)
£8.15m

Share price

Class B 121.96p
Class C 78.13p

Number of company holdings

31
(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

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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.

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