

MI Downing Monthly Income Fund

March 2018



Market commentary

In February 2018, the Fund fell 1.27% while the MSCI UK All Cap Total Return Index fell 3.32%. Key contributors were Maintel Holdings (up 26.92%) and Adept Telecom (up 10.34%). Key detractors included Pan African Resources (down 45.14%) and Galliford Try (down 15.93%).

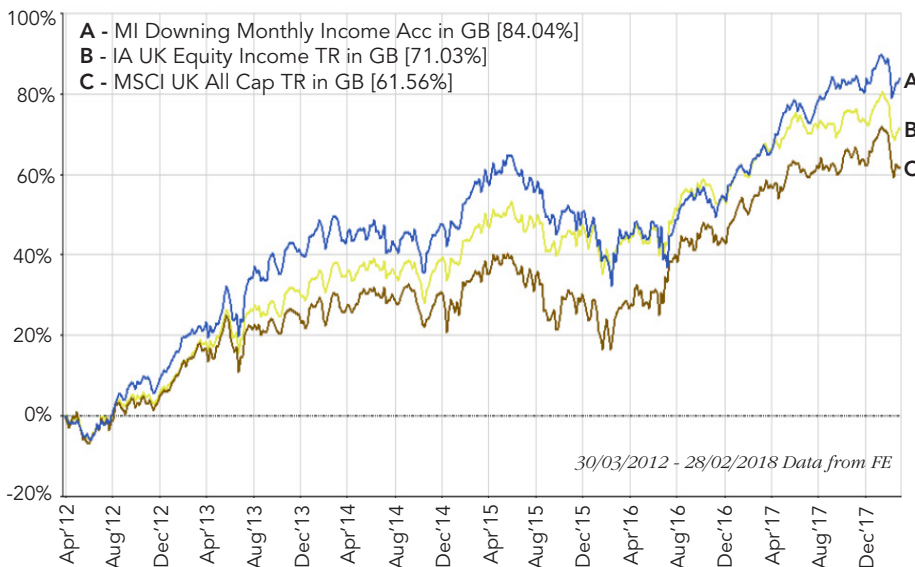
Maintel Holdings issued a trading update in February for the year ending 31 December 2017. Highlights included a recovery in customer orders and the positive integration of 2017 acquisition, Intrinsic Technology. The development of a promising pipeline is also expected to have a positive impact on performance. The total full-year 2017 dividend is expected to grow 10% year on year, in line with existing guidance. Therefore, the Board remains confident the company will deliver substantial growth in revenue and EBITDA in the full year to 31 December 2018. Adept Telecom posted no operational news during the month. The share price over the month was supported by Director buying and we believe investor confidence in the company remains strong. Adept has migrated from being a provider of only fixed-line solutions to a provider of higher-margin managed service solutions across converged telecom and IT activities, introducing higher-quality revenue streams at a better margin. The company has an EBITDA margin of around 21% and low capital expenditure requirements, making the operating structure highly cash-generative.

Pan African Resources shares fell 45.14% over the month following the release of the unaudited interim results for the six months ended 31 December 2017 that highlighted a 6.9% reduction in gold production and a challenging operating environment. Galliford Try announced that it proposed to raise £150 million of new equity capital from shareholders. The liquidation of Carillion has placed significant financial obligations on the Group. Although it has sufficient financial resources to meet its obligations, this would involve diverting capital away from ongoing projects, reducing its ability to capitalise on the growth opportunities it would otherwise be well-positioned to exploit. We believe the injection of new equity capital will further strengthen the Group's balance sheet and ensure its businesses can continue to pursue growth opportunities.

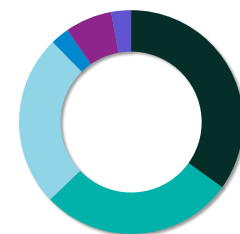
Recent developments at Conviviality have had a material impact on the investment case. Our strict adherence to our investment process required us to exit the position in full immediately following the trading update on 8 March 2018.

All performance figures for securities include net reinvested income where applicable. Source: StatPro & FE Analytics.

Performance



Market Cap Breakdown



- 34.90% < £150m
- 27.94% £150m - £500m
- 24.84% £500m - £1bn
- 2.69% £1bn - £2bn
- 6.76% £2bn - £4bn
- 0% £4bn +
- 2.87% Cash

Source: Factset

Top 10 Holdings

	% of Fund
Ramsdens Holdings	5.45
Lok'nStore Group	4.46
Photo-Me International	4.14
discoverIE Group	4.09
Maintel Holdings	4.08
Duke Royalty	3.95
Sabre Insurance Group	3.61
Conviviality	3.31
Morses Club	3.31
Warpaint London	3.21
Total	39.61

Source: Maitland Institutional Services

	Cumulative performance			
	6m	1y	3y	5y
MI Downing Monthly Income Acc	1.04%	12.38%	16.24%	52.71%
IA UK Equity Income TR index	-0.71%	4.20%	16.41%	47.78%
MSCI UK All Cap TR index	-0.93%	4.36%	17.67%	40.47%
Quartile ranking	1st	1st	3rd	2nd

	Discrete performance				
	2017	2016	2015	2014	2013
MI Downing Monthly Income Acc	16.98%	7.65%	0.84%	1.74%	30.26%
IA UK Equity Income TR index	11.32%	8.84%	6.20%	3.16%	25.20%
MSCI UK All Cap TR index	13.09%	17.29%	0.13%	0.44%	20.62%
Quartile ranking	1st	3rd	4th	3rd	1st

Past performance is not a reliable indicator of future results.

Key Facts

Fund objective

To achieve a high level of income, together with long-term capital growth

Launch date

14 June 2010

Conversion date

1 April 2012¹

IMA sector

UK Equity Income

Currency

UK Sterling

Types of shares

Income & Accumulation

Fund size

(Income & Accumulation shares combined)
£48.9m

Yield

4.8%

Income paid

Monthly

Number of holdings

41

Prices as at 28 February 2018

Accumulation shares: 211.63p

Income shares: 145.88p

Charges

Initial charge 0%

Annual management charge 0.75%

Ongoing charges 1.00%³
charged to capital

Minimum investment

Lump sum £1,000

Subsequently £500

Monthly savings £100

SEDOL and ISIN numbers

Accumulation shares:

SEDOL B61JRG2

ISIN GB00B61JRG28

Income shares:

SEDOL B625QM8

ISIN GB00B625QM82

ACD

Maitland act as ACD and manage the administration for the Fund

Contact details:

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Investment Manager

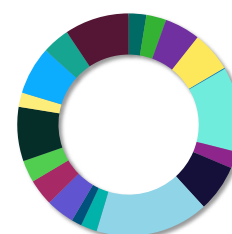
Downing LLP was appointed Investment Manager to the Fund on 1 June 2015.

Following the change of ACD, the Fund name was changed to MI Downing Monthly Income Fund from 31 March 2017.

Platforms and wraps

AJ Bell	James Hay
Ascentric	Old Mutual Wealth
Aviva	Novia
Cofunds	Nucleus
Fidelity (Inst)	Standard life
Fidelity (FFN)	Transact
Hargreaves Lansdown	Zurich

Sector Breakdown



2.57%	Banks
2.90%	Cash
5.17%	Construction and building materials
5.86%	Electronics and electrical equipment
0.14%	Food producers and processors
12.32%	General retailers
2.43%	Information technology
6.82%	Insurance
16.44%	Investment companies
2.36%	Leisure, entertainment and hotels
1.48%	Loans
4.14%	Media and photography
3.84%	Mining
3.21%	Personal care and other household products
7.89%	Real estate
2.08%	Software and computer services
6.99%	Speciality and other finance
4.00%	Support services
9.36%	Telecommunications services

Source: Maitland Institutional Services

Income Distribution

Period to	Income
31/03/2017	0.9030p
30/04/2017	0.5619p
31/05/2017	0.4359p
30/06/2017	0.6131p
31/07/2017	0.4213p
31/08/2017	0.5326p
30/09/2017	0.5511p
31/10/2017	0.6013p
30/11/2017	0.4701p
29/12/2017	0.7413p
31/01/2018	0.4053p
28/02/2018	0.7383p

Source: Maitland Institutional Services and Downing LLP

Fund Manager

James Lynch

James draws on experience gained in managing an established micro-cap fund as well as time spent as a private equity and venture capital investor.

Investment committee

Stephen Whittaker: Fund Founder and Consultant

John Bearman: Independent Chairman

Peter Ashworth: Independent Member

Judith MacKenzie: Non-Independent Member

Statistics correct as at 28/02/2018. Performance figures source: FE. Fund performance is based on accumulation shares, indices include net reinvested income. Trustnet one-crown rating for the three year performance to 31/01/18, source Trustnet/F.E. Performance figures are for the period from when the investment objective and policy were changed on 1 April 2012, so that the fund was primarily invested in equities. Past performance is not a guide to future returns. The value of the fund and the income from it may go down as well as up, so you may not get back the amount you invested. The tax treatment of the Fund may change and such changes cannot be foreseen.

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