

MI Downing Monthly Income Fund

April
2018



Market commentary

In March 2018, the Fund fell 5.87%, while the MSCI UK All Cap Total Return Index fell 1.89%. Key contributors were discoverIE Group (up 7.79%) and Duke Royalty (up 3.62%). Key detractors included Conviviality Retail (down 57.07%) and Sprue Aegis (down 26.58%).

During the month discoverIE Group posted no new material updates. The Group focusses on key markets that are driven by structural growth and increasing electronic content. It aims to achieve organic growth well ahead of GDP, supplemented by targeted complementary acquisitions. Over the last five years, revenue and underlying earnings per share have doubled.

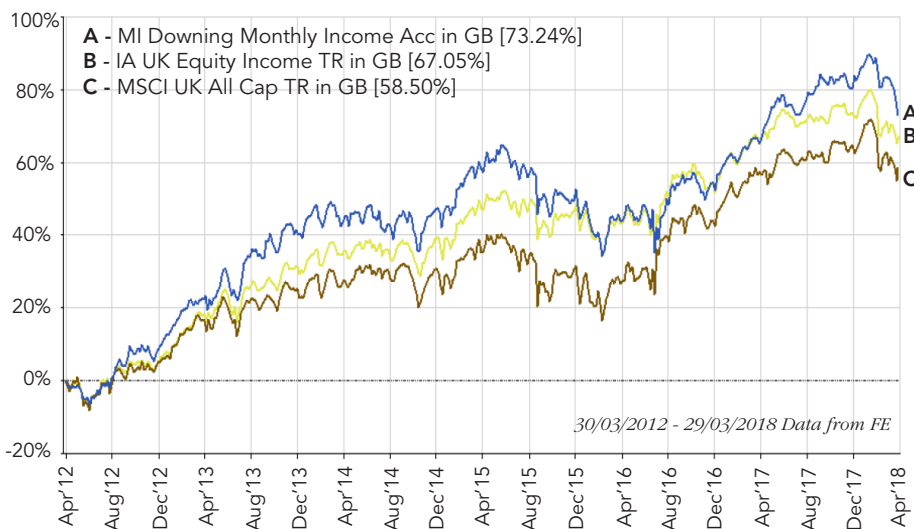
Duke Royalty announced that it had entered into a £9 million royalty financing agreement with Trimate in early March. The agreement meets Duke's strategy to replicate the proven North American royalty model to create long-term value for shareholders in the form of predictable, robust revenue streams. We are confident that royalty financing will become increasingly recognised as a competitive form of growth capital.

Conviviality Retail provided a trading update on 8 March, highlighting a material error in the financial forecasts for the Group. We decided that the investment case had been compromised, and in accordance with our investment process, sold out of the position entirely on 9 March. However, the 57.07% fall in share price eroded much of the gains experienced by unit holders since the summer of 2016. While uncomfortable, we believe this was the correct decision as the shares were subsequently suspended on 14 March and the business appointed PwC as Administrator on 5 April. Shareholders that continued to hold until the suspension of trading are expected to receive little to nil value.

Sprue Aegis announced that it had received a Termination for Breach Notice from BRK Brands, with which it held a distribution agreement. This read negatively and the share price suffered as a result. This agreement was due to end on 31 March 2018, resulting in the ending of Sprue's obligation to pay the fixed BRK annual distribution agreement fee of £2.9 million. Our concern was whether the payment due from BRK for stock returns, which at the end of September 2017 was estimated at around £3 million, would still be receivable. We concluded that the most likely outcome was for Sprue to sell the remaining stock rather than receiving the payment from BRK, thus having little impact on its financial position. Exercising prudence, we also considered a worse-case scenario of writing off this stock. Even in this situation we believe that the share price materially underpriced the Group's intrinsic value and we could average down on our holding. A full update and annual financial report are expected imminently.

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

Performance

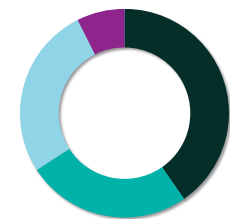


	Cumulative performance			
	6m	1y	3y	5y
MI Downing Monthly Income Acc	-5.14%	4.58%	10.68%	41.68%
IA UK Equity Income TR index	-3.25%	0.29%	14.07%	40.95%
MSCI UK All Cap TR index	-2.31%	1.20%	18.44%	36.03%
Quartile ranking	4th	1st	3rd	3rd

	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.

Market Cap Breakdown



40.34%	< £150m
25.51%	£150m - £500m
26.76%	£500m - £1bn
0.00%	£1bn - £2bn
7.34%	£2bn - £4bn
0.00%	£4bn +
0.05%	Cash

Source: Factset

Top 10 Holdings

	% of Fund
Ramsdens Holdings	5.24
Lok'nStore Group	4.65
discoverIE Group	4.54
Duke Royalty	4.31
Maintel Holdings	4.20
Photo-Me International	4.04
Sabre Insurance Group	3.55
Warpaint London	3.39
Morses Club	3.38
Chesnara	3.34
Total	40.64

Source: Maitland Institutional Services

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)
£45.8m

Yield

5.2%

Income paid

Monthly

Number of holdings

43

Prices as at 29 March 2018

Accumulation shares: 199.21p

Income shares: 136.63p

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

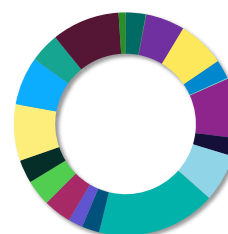
Downing LLP was appointed Investment Manager to the Fund on 1 June 2015.

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



2.92%	Banks
-0.06%	Cash
5.66%	Construction and building materials
6.86%	Electronics and electrical equipment
2.77%	Financials
0.13%	Food producers and processors
8.69%	General retailers
2.63%	Information technology
6.89%	Insurance
17.28%	Investment companies
2.54%	Leisure, entertainment and hotels
2.11%	Loans
4.04%	Media and photography
3.79%	Mining
3.39%	Personal care and other household products
8.19%	Real estate
7.01%	Speciality and other finance
4.31%	Support services
9.85%	Telecommunications services
1.00%	Transport

Source: Maitland Institutional Services

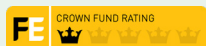
Income Distribution

Period to	Income
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
29/03/2018	0.8777p

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 & Consultant

John Bearman: Independent Chairman

Peter Ashworth: Independent Member

Judith MacKenzie: Non-Independent Member

Statistics correct as at 29/03/2018. 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.

Important notice

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