

MI Downing UK Micro-Cap Growth Fund

May
2018

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 - F.E. One Crown¹ 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 typically 25 to 30 investments which we believe provides diversification.
- ▶ Access to strategic investments.
- ▶ Only invests in profitable businesses with strong management teams and a sustainable competitive advantage.

¹Source: Trustnet/FE (for the three-year period to 31/01/2018)

Market commentary

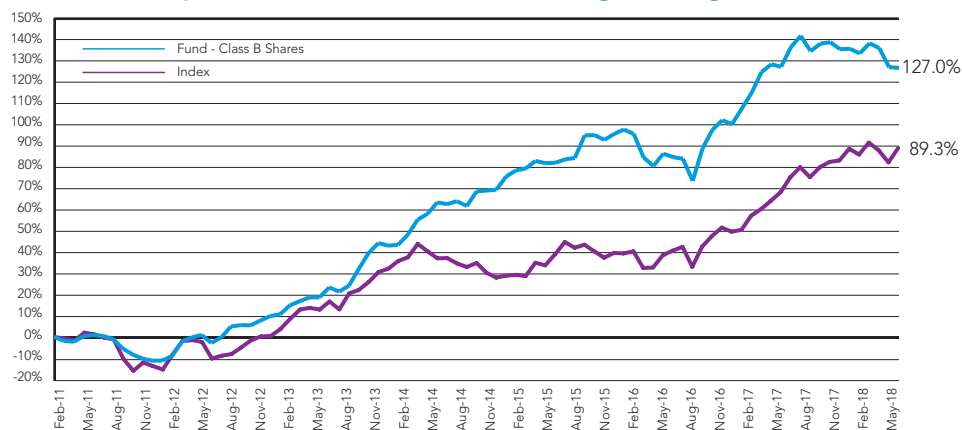
In the month, the Fund was up 0.3%, underperforming the benchmark which was up 5.12%. Positive contributors to performance included Tracsis plc (up 16.78%) and Ramsdens Holdings plc (up 6.39%). Detractors included Gama Aviation plc (down 14.05%) and Sprue Aegis plc (down 19.26%).

Tracsis issued positive interim results for the period to the 31 January 2018. Revenue increased by 16% to £18.1 million, statutory pre-tax profit rose by 33%, and the proposed interim dividend was increased by 17%. The strength of trading, coupled with new opportunities in play, gives confidence that results for the full year will be in line with market expectations. Ramsdens issued a market update in April indicating that trading in the second half of its financial year remained strong, and that its full year results are expected to be slightly ahead of expectations. We believe the key to this investment is the wider market's misunderstanding of the group's true growth potential.

Sprue Aegis announced the early termination by BRK Brands of a distribution agreement held by Sprue to distribute BRK products in Europe. This agreement was already due to end on 31 March 2018 with Sprue having served notice 12 months ago. The shares fell due to BRK disputing amounts repayable to Sprue for stock return. This resulted in a £3.8m one-off charge to Sprue.

Gama's share price softened through April despite no significant newsflow. The business recently completed a successful £48 million fundraise which is intended to deliver significant growth and scale across all geographies and service lines. It will also facilitate further value enhancing acquisitions from within a fragmented market and help Gama fulfil its ambition of becoming the global leader in business aviation services.

Cumulative performance under Downing management



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

Cumulative performance - Class B Shares (%)

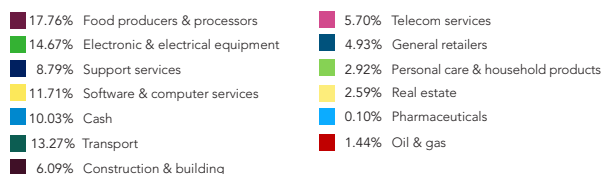
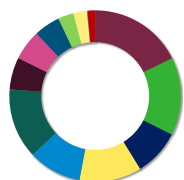
	1m	3m	6m	YTD	1y	3y	5y
Fund	0.30	-3.94	-3.85	-4.85	-4.14	24.57	91.14
Index	5.12	0.62	0.21	-1.26	7.88	36.10	67.52

Discrete performance - Class B Shares (%)

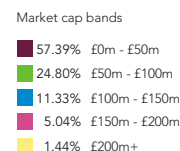
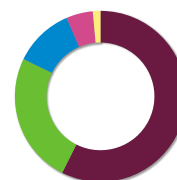
	30/04/2017 30/04/2018	30/04/2016 30/04/2017	30/04/2015 30/04/2016	30/04/2014 30/04/2015	30/04/2013 30/04/2014
Fund	-4.14	28.07	1.47	11.45	37.67
Index	7.88	24.61	1.25	1.42	21.37

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 Numis. 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
Real Good Food PLC	9.84**
Redhall Group PLC	6.09
Adept Telecom PLC	5.70
Braemar Shipping Service PLC	5.30
Norman Broadbent PLC	5.23***

*Source: Maitland Institutional Services

As at 30 April 2018

**Holding includes a 1.06% equity and 8.78% debt split

***Holding includes a 4.22% equity and 1.01% 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, and is a Fellow of the Securities Institute.



Trustnet/F.E (for the three-year period to 31/01/2018)

Key facts as at 30 April 2018

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)
£29.7m

Share price

Class B 208.04p
Class C 132.52p

Number of company holdings

23*

Dividends

Accumulation only

Liquidity

Daily pricing and daily dealing

ISIN codes:

B Accumulation GB00B2403R79
C Accumulation GB00B7SB5C00

*This does not include the two holdings which have been written down to zero.

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
Springfield Lodge, Colchester Road
Chelmsford, Essex CM2 5PW
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: 1.25%
C Accumulation: 1.00%

Ongoing charges are based on expenses, including the annual management charge, for the year ending 31 January 2018. 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.

How to apply

Tel: 020 7630 3319

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

Platforms hosting the Fund

A J Bell	James Hay
Aegon	Novia Global
Ascentric	Novia Financial
Aviva	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. Downing 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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