

MI Downing Monthly Income Fund

September 2017

Market commentary

In August, the MSCI UK All Cap Total Return Index returned 1.46% while the Fund returned 2.17%. Key contributors to the portfolio throughout the month were McColl's Retail Group (up 16.74%) and Morses Club (up 25.49%). Key detractors included Kier Group (down 8.77%) and Sprue Aegis (down 10.17%).

During July McColl's, a leading UK convenience retailer, announced positive interim results for the half-year period ending 28 May 2017. McColl's now have 1,292 convenience stores and 358 newsagents. The interim results highlighted a 7.6% increase in total revenue to £504.8 million due to the on-boarding of 298 convenience stores acquired from the Co-op, all of which were trading by July. There was further positive news flow during August with the announcement of a new supply chain partnership with Morrisons that will give McColl's access to a best-in-class fresh food and grocery offer through the relaunched Safeway brand.

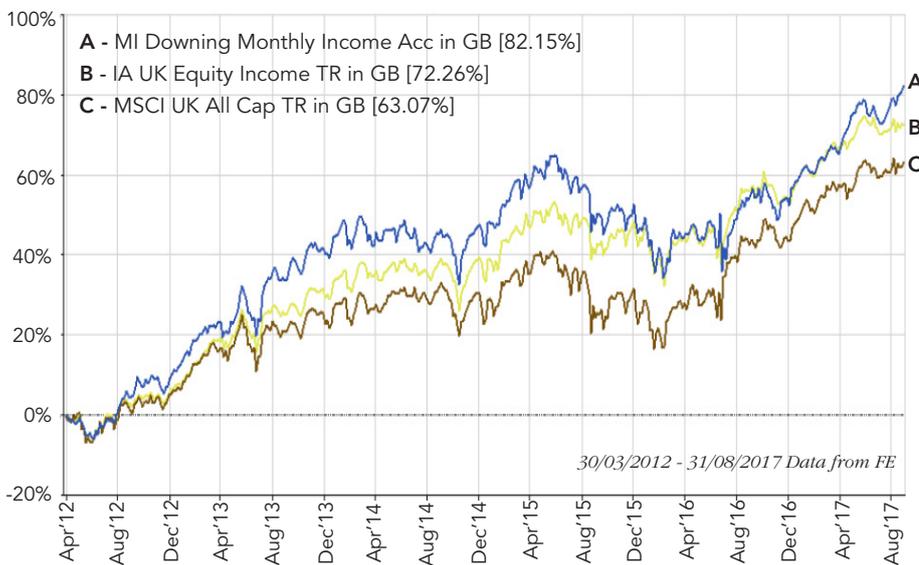
Morses Club, the UK's second largest home-collected credit lender, released a trading update in August for the 26-week period to 26 August 2017 that showed total credit issued increased by 25%, while customer numbers increased 12%. The sector leader, Provident Financial, has had a difficult month with the CEO stepping down, a profit warning being issued, the dividend suspended and one division under investigation by the FCA. We believe this creates a compelling opportunity for Morses to gain market share.

Kier, a leading property, residential, construction and services group, was down 8.77% despite no new updates. We remain confident in our investment case for Kier and their latest trading update in June revealed their full-year underlying profit forecast to be in line with expectations, with order books of approximately £9 billion and 85% secured revenue position for the 2018 financial year.

Sprue Aegis, one of Europe's leading developers and suppliers of home safety products, was down for the month despite issuing a generally positive trading update at the end of July for the six months ended 30 June 2017. Sprue has made a good start to the year and expects to report sales of approximately £26 million for the first half of 2017, an increase on the prior year. The strong return to profitability has been achieved through a significant improvement in gross margin and a net reduction in overheads.

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

Performance



Market Cap Breakdown



22.20%	< £150m
40.65%	£150m - £500m
16.13%	£500m - £1bn
9.20%	£1bn - £2bn
11.82%	£2bn - £4bn
0%	£4bn +

Source: Thompson Reuters

Top 10 Holdings

	% of Fund
Martin McColl Retail	5.94
Conviviality	4.97
Card Factory	4.05
Morses Club	3.67
Primary Health Properties	3.65
Anglo Pacific Group	3.63
Pacific Industrial & Logistics	3.60
Premier Asset Management	3.55
SafeCharge	3.45
B&M	3.26
Total	39.79

Source: Maitland Institutional Services

	Cumulative performance			
	6m	1y	3y	5y
MI Downing Monthly Income Acc	11.22%	18.46%	25.48%	74.06%
IA UK Equity Income TR index	4.95%	10.46%	24.74%	67.49%
MSCI UK All Cap TR index	5.34%	14.51%	23.69%	61.59%
Quartile ranking	1st	1st	2nd	2nd

	Discrete performance			
	2016	2015	2014	2013
MI Downing Monthly Income Acc	7.65%	0.84%	1.74%	30.26%
IA UK Equity Income TR index	8.84%	6.20%	3.16%	25.20%
MSCI UK All Cap TR index	17.29%	0.13%	0.44%	20.62%
Quartile ranking	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

Yield

4.5%²

Income paid

Monthly

Number of holdings

40

Prices as at 31 August 2017

Accumulation shares: 209.45p

Income shares: 147.64p

Charges

Initial charge 0%
Annual management charge 0.75%
Ongoing charges charged to capital 1.00%³

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

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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 Hargreaves Lansdown
Ascentric Novia
Aviva Nucleus
Cofunds Transact
Fidelity (Inst)

¹The conversion date refers to the date the investment objective and policy were changed.

²The historic yield reflects distributions declared over the previous 12 months net of tax as a percentage of the share price, as at the first business day of the current month. The yield will vary and investors may be subject to tax on their distributions. Fund charges and expenses are charged to capital, effectively increasing the distribution(s) for the year by the amount of the charges and constraining capital performance by the same amount.

³Ongoing charges are based on expenses, including annual management charge. This figure may vary. It excludes portfolio transaction costs. The ongoing charges figure based on the last year's expenses as at 31 March 2017 is 1.47%, however, it is currently capped at 1.00%.

Fund Manager

James Lynch

James draws on experience gained in managing a top performing 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

Sector Breakdown



2.06%	Banks
1.00%	Cash
5.06%	Construction and building materials
4.11%	Electronics and electrical equipment
0.49%	Food producers and processors
18.22%	General retailers
5.72%	Housing goods and textiles
1.05%	Industrials
0.84%	Information technology
2.22%	Insurance
21.24%	Investment companies
4.79%	Leisure, entertainment and hotels
1.85%	Loans
1.99%	Media and photography
3.63%	Mining
6.52%	Real estate
1.92%	Software and computer services
8.86%	Speciality and other finance
5.70%	Support services
2.73%	Telecommunications services

Source: Maitland Institutional Services

Income Distribution

Period to	Income
30/09/2016	0.5432p
31/10/2016	0.6115p
30/11/2016	0.5120p
31/12/2016	0.4449p
31/01/2017	0.5061p
28/02/2017	0.6056p
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

Source: Maitland Institutional Services and Downing LLP

Statistics correct as at 31/08/2017. Performance figures source: FE. Fund performance is based on accumulation shares, indices include net reinvested income. 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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