

# MI Downing UK Micro-Cap Growth Fund

December  
2017



## About the Fund

MI Downing UK Micro-Cap Growth Fund ("the Fund") invests 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. Three Crown<sup>1</sup> 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 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.

<sup>1</sup>Source: Trustnet/FE (for the three-year period to 31/07/2017)

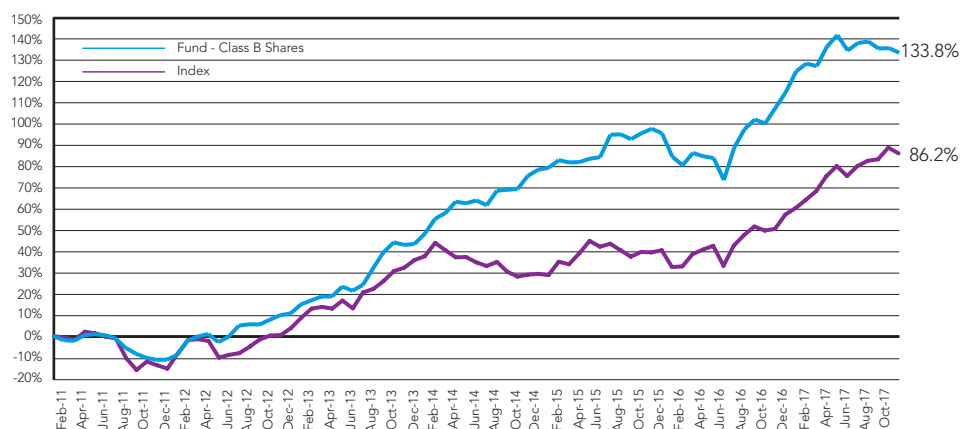
## Market commentary

In the month, the Fund fell 1%, outperforming the benchmark by 0.5%. Positive contributors to performance included GAME Digital plc (up 28.7%) and Tracsis plc (up 16.9%). Detractors included Pennant International Group plc (down 9.6%) and Redhall Group plc (down 6.5%).

GAME Digital reported final results for the period ending 29 July 2017, which were in line with market expectations. The company continues to make progress in opening BELONG gaming arenas throughout the UK. In November, it managed to sell Multiplay Digital for £17.1 million (with £1.9 million held in escrow for 19 months), which had a positive impact on their net cash position. Tracsis announced a strong set of final results for the year ended 31 July 2017, with revenue growth of 6% and profit before tax growth of 14%. The company retains a strong balance sheet, with a cash balance of £15.4 million.

In November, Pennant had no news that would warrant a sell-off. Post period end in December 2017, the company announced a teaming agreement with Capewell Aerial Systems LLC, a global provider of products for aerial delivery, life support and tactical gear for military, law enforcement and humanitarian agencies worldwide. Redhall continued to sell-off on the back of their October 2017 trading update, which highlighted a significant project delay relating to the work of Jordan Manufacturing on Hinkley Point C. As stated in the preliminary results, announced post period end in December 2017, this contract is now expected to be realised in 2018.

## Cumulative performance under Downing management



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

### Cumulative performance - Class B Shares (%)

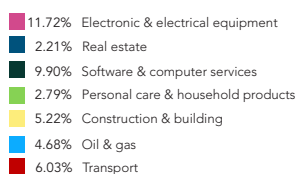
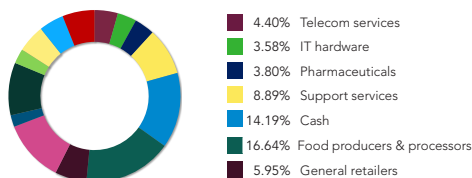
	1m	3m	6m	YTD	1y	3y	5y
Fund	-0.97	-2.25	-3.45	8.60	12.49	33.02	112.68
Index	-1.46	1.93	3.29	18.34	23.61	44.32	85.17

### Discrete performance - Class B Shares (%)

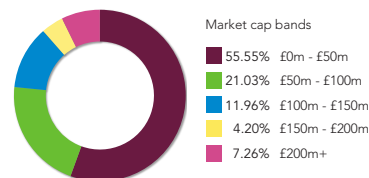
	30/11/2016 30/11/2017	30/11/2015 30/11/2016	30/11/2014 30/11/2015	30/11/2013 30/11/2014	30/11/2012 30/11/2013
Fund	12.49	5.02	12.60	22.84	30.16
Index	23.61	7.94	8.17	-2.49	31.59

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 Thomson Reuters. 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\*

Company	% of Fund
Real Good Food PLC	8.57**
Redhall Group PLC	5.22
Gama Aviation PLC	4.82
Smart Metering Systems PLC	4.68
Braemar Shipping Services PLC	4.59

\*Source: Maitland Institutional Services

As at 30 November 2017

\*\*Holding includes an 1.33% equity and 7.24% 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.

## Key facts as at 30 November 2017

### 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)  
£33.7m

### Share price

Class B 214.26p  
Class C 136.34p

### Number of holdings

28\*

### 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: 1.33%  
C Accumulation: 1.08%

Ongoing charges are based on expenses, including the annual management charge, for the year ending 31 January 2017. 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](http://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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20 December 2017

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