

MI Downing UK Micro-Cap Growth Fund

April
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 & qualified team headed by Judith MacKenzie - Citywire AAA¹ and F.E. Five Crown² 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.

¹Source: Citywire (for the three year risk adjusted performance 31/03/2014 - 31/03/2017)

²Source: Trustnet/F.E (for the three year period to 31/01/2017)

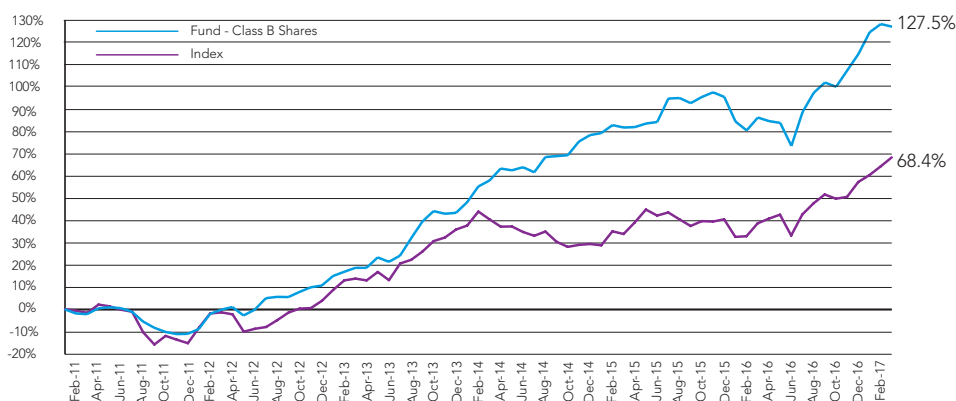
Market commentary

In March, the Downing UK Micro Cap Growth Fund fell 0.50% compared with the benchmark, which returned 2.47%. Key contributors were Tracsis, up 19.17%, Petards, up 14.55%, and Anpario, up 10.71%, having all released results within the month. Detractors include Finsbury Food Group, down 8.62%, Sprue Aegis, down 8.53%, and Redhall, down 7.32%.

A highlight from Tracsis' interim results for the six months ended 31 January 2017 included the renewal and expansion of a data capture contract worth up to £4.8 million over four years, which happened post the period end. Petards announced a £4.3 million contract to supply Stadler Bussnang AG with the design, development and supply of CCTV and Automatic Selective Door Opening ("ASDO") systems, boosting their share price. Highlights from Anpario's full-year results to 31 December 2016 included double digit growth in the USA (57%) and Latin America (19%), the acquisition of Cobbett, an Australian distributor and strategic progress being made with their new CEO, Richard Edwards.

Finsbury Food Group was down despite delivering a strong first half performance in 2016. The UK grocery market continues to be challenging due to increasing commodity prices, the adverse impact on USD and euro exchange rates and the National Living Wage. The group are working to mitigate these challenges through continued operational efficiency, investment in automation as well as product price increases. Sprue Aegis announced within the month the resignation of a Non-Executive Director, Tom Russo, and the termination of Distribution and Manufacturing and Supply Agreements with Newell Brands Inc, to end in March 2018. On a positive note, the company signed a new manufacturing and supply agreement and an additional supply agreement. Redhall fell for the month due to investor sentiment, despite no new announcements.

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	-0.50	5.71	12.50	5.71	22.40	43.91	127.88
Index	2.47	7.01	11.30	7.01	21.41	19.85	70.74

Discrete performance - Class B Shares (%)

	31/03/2016 31/03/2017	31/03/2015 31/03/2016	31/03/2014 31/03/2015	31/03/2013 31/03/2014	31/03/2012 31/03/2013
Fund	22.40	2.12	15.13	33.24	18.85
Index	21.41	3.56	-4.67	23.40	15.45

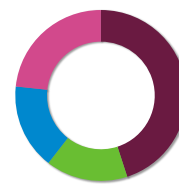
Index: Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all fund data is Maitland Institutional Services, source of all index data is Thomson Reuters. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. Investors cannot invest directly 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*



4.03%	Telecom services	14.41%	Electronic & electrical equipment
4.55%	IT hardware	2.58%	Real estate
3.44%	Pharmaceuticals	15.23%	Software & computer services
5.56%	Support services	2.69%	Personal care & household products
14.63%	Cash	6.19%	Construction & building
12.10%	Food producers & processors	4.31%	Oil & gas
4.18%	General retailers	3.88%	Transport
2.22%	Utilities		

Portfolio by company size*



Market cap bands	
45.01%	£0m - £50m
15.50%	£50m - £100m
16.17%	£100m - £150m
0.00%	£150m - £200m
23.32%	£200m+

Top 5 portfolio holdings*

	% of Fund
Redhall Group PLC	6.19
Pennant International Group PLC	6.07
Science in Sport LTD	5.45
Amino Technologies PLC	4.55
Smart Metering Systems	4.31

*Source: Maitland Institutional Services
As at 31 March 2017

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 31 March 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)
£27.6m

Share price

Class B 208.56p
Class C 133.56p

Number of holdings

25*

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

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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 to access the Application Form

Platforms hosting the Fund

A J Bell	Novia Global
Aegon	Novia Financial
Ascentric	Nucleus Financial
Cofunds Institutional	SEI Investments
Cofunds Retail	Standard Life
Hargreaves Lansdown	Transact
James Hay	

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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25 April 2017

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