

MI Downing UK Micro-Cap Growth Fund

February
2017



Market commentary

In January, the Fund outperformed the benchmark by 2.6%, delivering 4.5% versus the benchmark return of 1.9%. Key contributors to the portfolio throughout the month were Science in Sport (SiS), Conviviality, and Games Workshop, which generated returns of 20.3%, 16.3%, and 16.1% respectively. Key detractors were Finsbury Food and Braemar Shipping, down 12.7% and 11.7% respectively.

SiS's January trading update reported a 30% year-on-year increase in sales. They also announced their four-year deal to become the official sports nutrition supplier to British Cycling. Conviviality's half year report showed strong results, attributable to their broad customer base as well as recent acquisitions. Games Workshop's half-year report announced sales and profit growth during the period followed by the announcement of a dividend payment.

Finsbury Food's pre-close trading statement reported that trading had been in line with management expectations. The UK bakery division fell 3% owing to retail food market deflation during the period, however, their 50%-owned European business grew by 32%, showing the benefits of the Company's strategic diversification. We believe market sentiment has affected this share price despite a positive outlook.

Braemar Shipping issued a profit warning on 23 January highlighting that their shipbroking division has traded well, although their technical division has continued to underperform. The company has experienced a challenging year, owing to tough markets affected by the slowdown in oil and gas exploration however, they are committed to ensuring that the business is efficiently structured and well-positioned for the future.

About the Fund

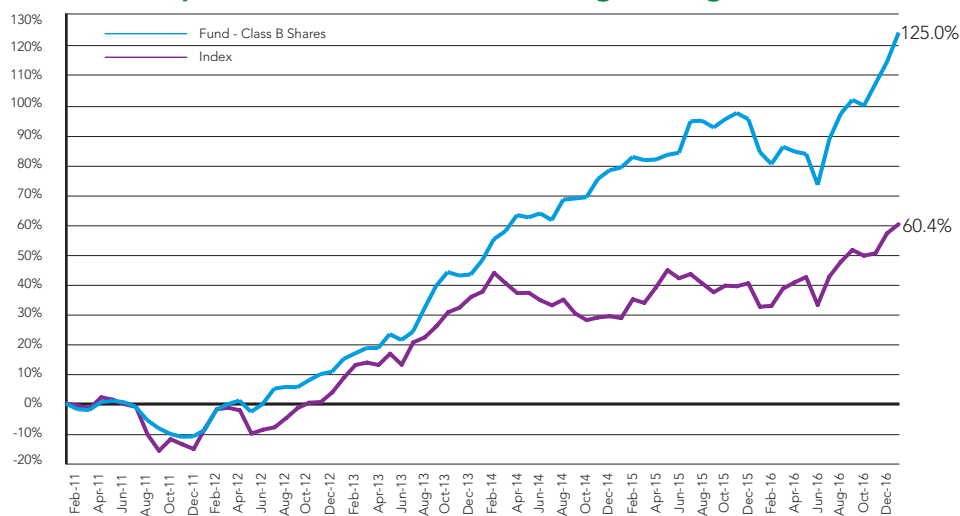
MI Downing UK Micro-Cap Growth Fund ("the Fund") invests in a concentrated portfolio of between 25-30 UK companies within the Numis Smaller Companies Indices - typically those with market capitalisations between £20 million and £150 million.

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.

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 | 4.52 | 12.24 | 19.04 | 4.52 | 21.80 | 51.68 | 146.89 |
| Index | 1.94 | 7.06 | 12.40 | 1.94 | 20.94 | 16.49 | 74.74 |

Discrete performance - Class B Shares (%)

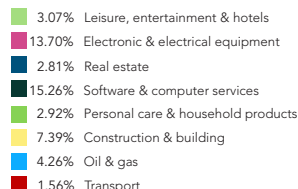
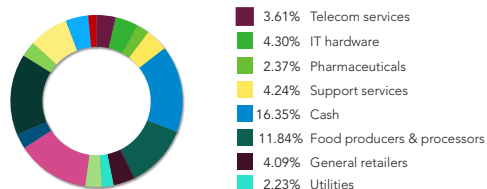
| | 31/01/2016 31/01/2017 | 31/01/2015 31/01/2016 | 31/01/2014 31/01/2015 | 31/01/2013 31/01/2014 | 31/01/2012 31/01/2013 |
|-------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Fund | 21.80 | 2.92 | 21.00 | 28.91 | 26.26 |
| Index | 20.94 | 2.99 | -6.48 | 26.65 | 18.44 |

¹Source: Citywire (for the three year risk adjusted performance 31/01/2013 - 31/01/2017)

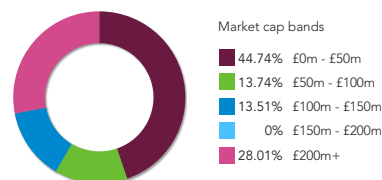
²Source: Trustnet/FE (for the three year period to 31/01/2017)

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 |
|---------------------------------|-----------|
| Redhall Group PLC | 7.39 |
| Pennant International Group PLC | 6.15 |
| Science in Sport LTD | 5.33 |
| Amino Technologies PLC | 4.30 |
| Smart Metering Systems | 4.26 |

*Source: Maitland Institutional Services
As at 31 January 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 January 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)
£26.8m

Share price

Class B 206.20p
Class C 133.99p

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

Downing LLP, Ergon House,
Horseferry Road, London SW1P 2AL
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: 1.40%
C Accumulation: 1.15%

Ongoing charges are based on expenses, including the annual management charge, for the year ending 31 July 2016. 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 Financial |
| Ascentric | 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. Inception is the date of the commencement of the investment management mandate – 4 Feb 2011. 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.

Important notice

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Downing LLP, Ergon House,
Horseferry Road, London SW1P 2AL
020 7416 7780 / www.downing.co.uk