

# MI Downing Monthly Income Fund

April  
2017



## Market commentary

In March the MSCI UK All Cap Total Return Index returned 1.17% while the Fund returned 1.15%. Key contributors to the portfolio throughout the month were Shawbrook (up 32.64%), Inmarsat (up 19.54%) and OneSavings Bank (up 12.79%). Key detractors were Character Group (down 10.19%) and Kier (down 4.51%).

At the beginning of the month Shawbrook confirmed that the board had received a proposal regarding an offer for the entire share capital on the business at 330 pence per share. However, the board were not prepared to recommend the offer given their confidence in the strategy outlined at the May 2016 Capital Markets Day, which targeted growing the loan book by 150% from £3.4 billion in 2015 to £8.5 billion in 2020. The results for the period ending 31 December 2016 confirmed that good progress is being made with the customer loan book standing at £4.1 billion, up 22% over the year. We believe this growth highlights a significant market opportunity and that, combined with a strong cost advantage and the ability to generate a c.20% return on tangible equity, the business presents a compelling investment opportunity.

Inmarsat released full year results for the period ending 31 December 2016 that showed revenues and EBITDA increased by 4.3% and 9.5% respectively, promptly triggering a rally in the share price. We believe that the investment case remains attractive based on the group's exposure to growth markets and the corresponding impact on cashflows over the medium term.

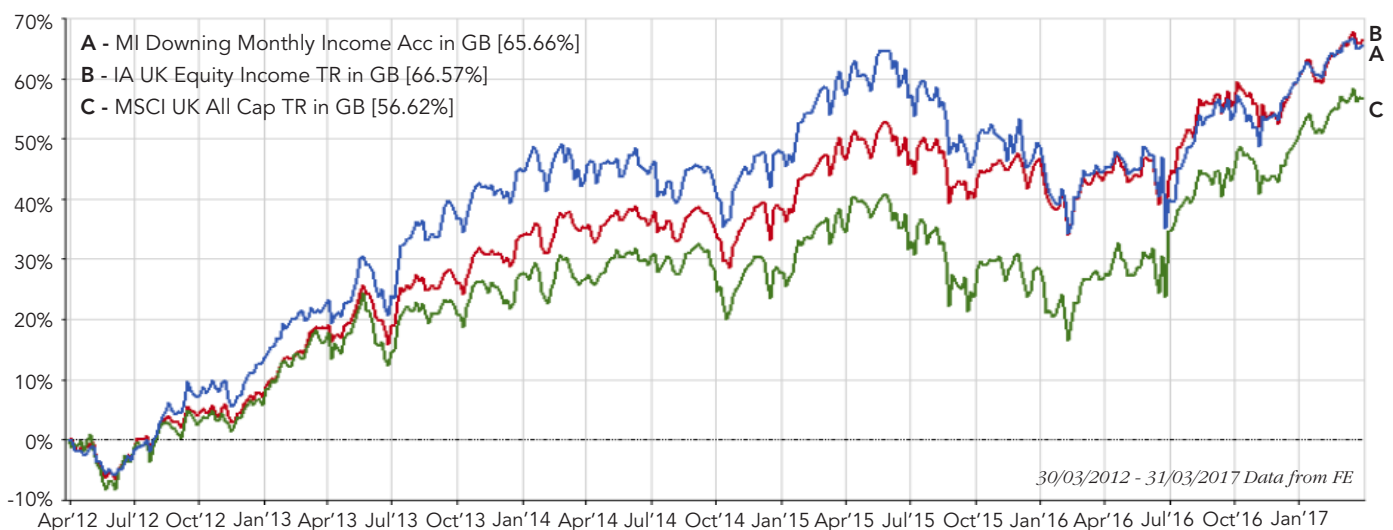
In the first half of the month, OneSavings Bank benefited from exposure to similar markets to Shawbrook. This was reinforced by the release of their full year results for the period ending 31 December 2016 that showed a 29% increase in underlying profit before tax and a 16% increase in the loan book. The bank's focus on the specialist UK mortgage market has contributed to costs being driven down to 27% of revenues, an impressive feat given that Lloyd's, who has the largest share of the UK mortgage market, has a cost-to-income ratio of 49%. This cost control has added to a 29% return on tangible equity, the highest in the sector. We believe that this narrow focus and strong cost control will allow the business to generate strong earnings and dividend growth for investors over the long term.

There has been no further news released by Character Group since January's trading update which stated that management are confident of meeting full year expectations. However, the first half of the year is likely to be below that of the comparative period in the prior year. This triggered some short-term selling in the market but does not dissuade us of our view that the group has good access to new markets with its existing product range, which we believe creates a robust long-term investment case.

Kier released results for the six-month period ended 31 December 2016. These showed a slight decline in revenues but a 12% increase in profit before tax. While the shares have fallen slightly, we believe Kier's exposure to the less cyclical elements of the construction industry, namely government contracts and infrastructure projects combined with high levels of income visibility, will allow the business to grow at a modest pace while continuing to grow the dividend.

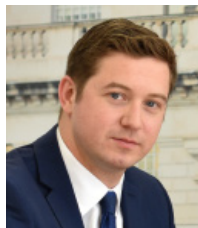
All performance figures for securities include net reinvested income where applicable. Source: StatPro & FE Analytics.

## Performance



	Cumulative performance			Discrete performance			
	6m	1y	3y	2016	2015	2014	2013
MI Downing Monthly Income Acc	7.37%	13.80%	15.54%	7.65%	0.84%	1.74%	30.26%
IA UK Equity Income TR index	6.69%	15.14%	23.31%	8.84%	6.20%	3.16%	25.20%
MSCI UK All Cap TR index	8.01%	22.25%	23.76%	17.29%	0.13%	0.44%	20.62%
Quartile ranking	2nd	3rd	4th	3rd	4th	3rd	1st

## Fund Managers

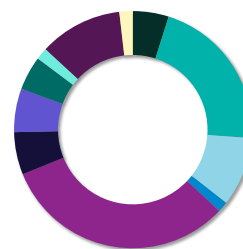


**James Lynch**  
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.



**Stephen Whittaker**  
Stephen has 35 years' experience of managing a variety of UK portfolios, including small companies, special situations, income and growth funds.

## Sector Breakdown



4.89%	Cash
21.24%	Consumer discretionary
9.47%	Consumer staples
1.43%	Energy
31.84%	Financials
5.79%	Healthcare
5.94%	Industrials
4.64%	IT
1.63%	Materials
11.31%	Real estate
1.82%	Telecom services

Source: StatPro

## 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 2012<sup>1</sup>

### IMA sector

UK Equity Income

### Currency

UK Sterling

### Types of shares

Income & Accumulation

### Yield

4.9%<sup>2</sup>

### Income paid

Monthly

### Number of holdings

37

### Prices as at 31 March 2017

Accumulation shares: 190.49p

Income shares: 137.10p

### Charges

Initial charge 0%

Annual management charge 0.75%

Ongoing charges 1.41%<sup>3</sup>  
charged to capital

### 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

### Contact details:

Maitland Institutional Services Ltd  
Springfield Lodge, Colchester Road  
Chelmsford, Essex CM2 5PW

www.maitlandgroup.com

Dealing: 034 5305 4215

### 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

Ascentric	Hargreaves Lansdown
Cofunds	Nucleus
Fidelity (Inst)	Transact

## Income Distribution

Period to	Income
29/04/2016	0.6078p
31/05/2016	0.5360p
30/06/2016	0.5710p
29/07/2016	0.4012p
31/08/2016	0.5296p
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

## Top 10 Holdings

	% of Fund
Martin McColl Retail	5.22
Kier Group	4.53
Primary Health Properties	4.19
Conviviality	4.01
Intermediate Capital	3.98
Shawbrook Group	3.76
Connect Group	3.47
Caretech Holdings	3.40
Character Group	3.34
B&M	3.29
<b>Total</b>	<b>39.19</b>

Source: Maitland Institutional Services

**Statistics correct as at 31/03/2017.** 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. All references to FE Crown rankings are sourced from Trustnet via www.trustnet.com. All ratings are for the 3 year period ended 31/01/2017.

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