

# MI Downing UK Micro-Cap Growth Fund

January  
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 AAA<sup>1</sup> and F.E. Five Crown<sup>2</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 optimal diversification.
- ▶ Access to strategic investments.
- ▶ Only invests in profitable businesses with strong management teams and a sustainable competitive advantage.

<sup>1</sup>Source: Citywire (for the three year risk adjusted performance 31/12/2013 - 31/12/2016)

<sup>2</sup>Source: Trustnet/FE (for the three year period to 31/12/2016)

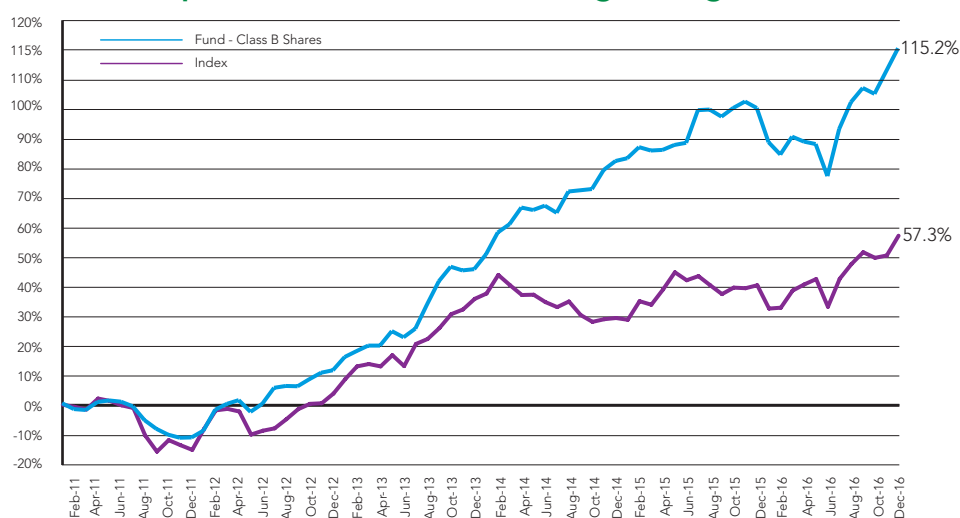
## Market commentary

In December, the Fund underperformed the benchmark by 0.9%, delivering 3.6% versus the benchmark's 4.5%. Key contributors to the portfolio throughout the month were Redhall, Petards and Games Workshop which generated returns of 20.2%, 18.3% and 21.6% respectively. Key detractors were Pittards, Universe and Hornby, down 7.8%, 4.7% and 8.9% respectively.

Redhall's share price advanced following the release of their positive preliminary results. The Group reported that it had doubled its manufacturing order book and recorded adjusted operating profits of 0.9 million. Petards share price rose on the back of its announcement of a contract win, worth approximately £2 million, to supply Siemens Mobility Division with their eyeTrain systems. Furthermore, the group announced that it had secured a three-year contract renewal from the MoD worth £1.6m to supply Thread Adaptive Countermeasure Dispensing Systems for various aircraft. Games Workshop released a statement commenting that results would be ahead of the Board's original expectations.

Pittards' share price fell following their December trading update which reported disruptions in production at the Company's tannery in East Shewa due to a state of emergency being declared in Ethiopia. The effect has, to some extent, been mitigated by undertaking production in the UK, but has not yet returned to pre-disruption levels. Universe's share price fell although there was no new updates released during the month. Hornby's share price fell, there was no new material information to report aside from a change of Non-Executive Director.

## Cumulative performance under Downing management



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

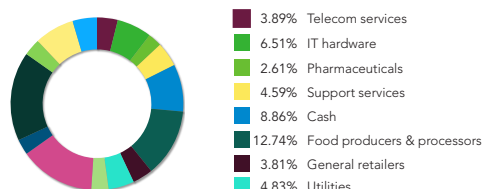
Cumulative performance - Class B Shares (%)							
	1m	3m	6m	YTD	1y	3y	5y
Fund	3.58	6.42	23.89	9.93	9.93	50.02	142.16
Index	4.45	4.00	18.14	12.01	12.01	15.79	85.65

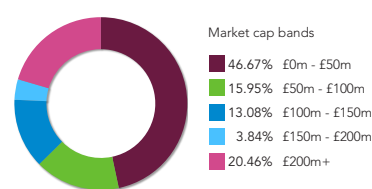
Discrete performance - Class B Shares (%)					
	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Fund	9.93	9.65	24.45	29.55	24.60
Index	12.01	8.58	-4.79	30.93	22.46

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	7.46
Amino Technologies PLC	6.51
Pennant International Group PLC	6.11
Science in Sport LTD	5.02
Fulcrum Utility	4.83

\*Source: Maitland Institutional Services  
As at 31 December 2016

## 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 December 2016

### 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)  
£24.4m

### Share price

Class B 197.29p  
Class C 129.01p

### Number of holdings

24\*

### 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](http://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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