



MI Downing UK Micro-Cap Growth Fund

March 2020



About the Fund

MI Downing UK Micro-Cap Growth Fund ("the Fund") aims to invest 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.
- ▶ Private equity approach to micro-cap companies, drawing on Downing's private equity and venture capital heritage.
- ▶ Investment Committee oversight provides access to many years of investment experience.
- ▶ Value strategy with rigorous bottom up approach.
- ▶ Exhaustive diligence process that can take up to 18 months.
- ▶ Concentrated portfolio of typically 25 to 30 investments which we believe provides diversification.
- ▶ Access to strategic investments.
- ▶ Seeks to invest in profitable businesses with strong management teams and a sustainable competitive advantage.

Portfolio commentary

February was a difficult month for performance which was affected by Covid-19 fears. The fund was down 11.73% and the benchmark was down 9.63%.

We used the opportunity to top up holdings in some of our newer positions, increasing our stake in Avingtrans which we had been building with limited success prior to the market sell-off. We believe management have executed well recently and think that there is good long term potential in the PIE (pinpoint, invest, exit) strategy to generate significant value uplift for investors.

There were few gainers in the month, owed to the widespread sell-off and little stock specific news flow. Circle Property bucked that trend, and its share price increased by 3.90% following a publication of a positive article in the Investors Chronicle. We continue to hold Circle but took a little profit to recycle into our new Avingtrans position.

Volex was significantly affected by Covid-19 fears, down 27.05%. Currently, we have little reason to believe that there will be a material financial impact from the Chinese slowdown as Volex' sites had reopened by mid-February. Another detractor, Universe Group, was down 23.40% on no new news. Tekmar issued a Covid-19-related profits warning due to delayed component parts from China. This would mean that the revenue, and associated profit, would fall into the next financial year. This was very disappointing however we are confident that this is just a delay and we also topped up this position.

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 | -11.73 | -6.13 | -5.14 | -8.34 | -12.48 | -25.90 | -7.46 |
| Index | -9.63 | -5.07 | 1.14 | -11.50 | 1.40 | 6.19 | 29.10 |

Discrete performance - Class B Shares (%)

| | 28/02/2019 - 29/02/2020 | 28/02/2018 - 28/02/2019 | 28/02/2017 - 28/02/2018 | 29/02/2016 - 28/02/2017 | 28/02/2015 - 29/02/2016 |
|-------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Fund | -12.48 | -14.80 | -0.62 | 26.54 | -1.30 |
| Index | 1.40 | -5.74 | 11.10 | 23.57 | -1.62 |

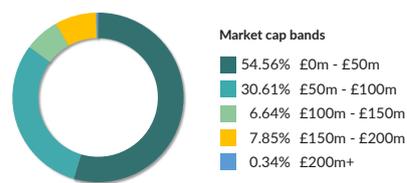
Index: Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all Fund data is Maitland Institutional Services Limited (Maitland), source of all index data is Numis Securities Limited. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. Investors cannot invest directly in an index. Downing LLP is responsible for Fund performance from 4 February 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



Source of sector data: Maitland as at 29 February 2020

Portfolio by company size



Source of market cap data: Factset as at 29 February 2020

Top 5 portfolio holdings

| Company | % of Fund |
|------------------------------|-----------|
| Norman Broadbent Plc* | 7.91 |
| Universe Group Plc | 6.25 |
| Real Good Food Company Plc** | 5.25 |
| CentralNic Group Plc | 5.15 |
| Hargreaves Services Plc | 4.90 |

Source: Maitland as at 29 February 2020

*Holding includes a 7.60% equity and 0.31% debt split

**Holding includes a 0.88% equity and 4.37% 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.



Trustnet/F.E (for the three-year period to 31/07/2019)

Key facts as at 29 February 2020

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)
£10.5m

Share price

Class B 155.32p
Class C 99.44p

Number of company holdings

29
(Not including two holdings which have been written down to zero.)

Dividends

Accumulation only

Liquidity

Daily pricing and daily dealing

ISIN codes:

B Accumulation GB00B2403R79
C Accumulation GB00B75B5C00

Contact details

Manager

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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: 1.63%
C Accumulation: 1.38%

Ongoing charges are based on the last year's expenses, including the annual management charge. Figures are as at 31 July 2019. These figures may vary. They exclude portfolio transaction costs.

Management charge

B Accumulation = 1.00% per annum
C Accumulation = 0.75% per annum

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 Financial |
| Aegon | Nucleus Financial |
| Ascentric | Raymond James |
| Aviva | SEI Investments |
| Hargreaves Lansdown | Standard Life |
| Novia Global | Transact |

Risk warning: your capital is at risk. Investments and 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 Limited. Downing LLP 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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17 March 2020

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