

# MI Downing UK Micro-Cap Growth Fund

June  
2019

## 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.
- ▶ Only invests in profitable businesses with strong management teams and a sustainable competitive advantage.

## Portfolio commentary

In May, the Fund was down 2.13%, underperforming the benchmark, which was down 0.94%. Positive contributors included FireAngel Safety Technology (up 36.51%) and Petards (up 17.02%). Detractors included Gama Aviation (down 24.65%) and Hargreaves Services (down 19.13%).

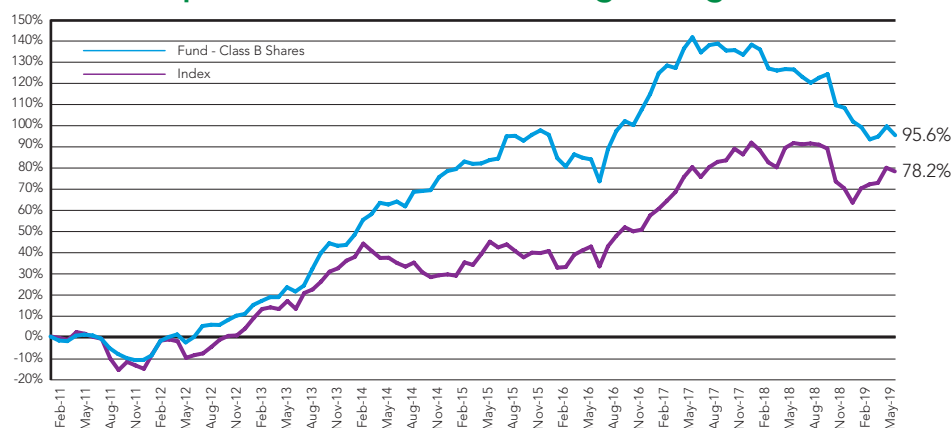
FireAngel issued no material news in the month. However, we believe the share price was supported by Mike Stilwell, FD, and John Shepherd, non-executive director, purchasing shares in the company.

Petards announced that the year has started well, with performance in the first three months in line with budget. Order coverage for 2019 and forecast levels of transactional business for the remainder of the year are in line with the board's expectations. Management's focus remains on building on the current order book for 2020/21 where it is in discussions over new business, particularly in Rail Technology, where there are significant new contract opportunities.

Gama reported that its CFO, David Stickland, will be stepping down from the board, with Patrick Wan appointed Head of Finance pending the recruitment of a new CFO. The group also announced that the board has approved the appointment of PricewaterhouseCoopers as auditor for the financial year ending 31 December 2019.

Hargreaves' share price was impacted by uncertainty over the financial position of British Steel. Until the situation is clarified, the potential impact on Hargreaves cannot be fully determined. However, the board estimates that the group has a current net exposure of approximately £4.5 million, some or all of which may prove to be irrecoverable if British Steel is unable to continue trading. This overshadowed the positive news that Hargreaves had sold 10.75 acres of serviced residential development land at its key Blindwells site to Bellway Homes Limited.

## 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	-2.13	1.01	-6.26	-3.24	-13.75	6.26	20.23
Index	-0.94	3.57	4.67	10.42	-7.01	24.99	29.82

Discrete performance - Class B Shares (%)					
	31/05/2018 31/05/2019	31/05/2017 31/05/2018	31/05/2016 31/05/2017	31/05/2015 31/05/2016	31/05/2014 31/05/2015
Fund	-13.75	-6.34	31.54	0.14	12.98
Index	-7.01	6.31	26.43	-1.63	5.59

**Index:** Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all Fund data is Maitland Institutional Services Limited, 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 Feb 2011, the effective date of the investment management mandate.**

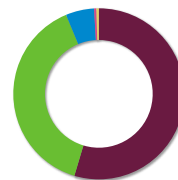
**Please note that past performance is not a reliable indicator of future results.**

## Portfolio by sector



7.97%	Food producers & processors	5.35%	Telecom services
23.52%	Electronic & electrical equipment	4.63%	General retailers
11.94%	Support services	4.48%	Personal care & household products
7.77%	Software & computer services	7.28%	Real estate
2.86%	Cash	0.15%	Pharmaceuticals
16.76%	Transport	0.47%	Oil & gas
2.19%	Engineering & machinery	4.63%	Speciality & other finance

## Portfolio by company size



Market cap bands	
54.62%	£0m - £50m
39.12%	£50m - £100m
5.37%	£100m - £150m
0.42%	£150m - £200m
0.47%	£200m+

Source of portfolio data: Factset as at 31 May 2019

## Top 5 portfolio holdings

	% of Fund
Norman Broadbent	8.01*
DX Group	7.98
Real Good Food	7.97**
Petards Group	6.23
Adept Technology Group	5.35

Source: Maitland Institutional Services Limited as at 31 May 2019

\*Holding includes a 6.72% equity and 1.29% debt split

\*\*Holding includes a 0.77% equity and 7.20% 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 31/01/2019)

## Key facts as at 31 May 2019

### 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)  
£15.9m

### Share price

Class B 179.27p  
Class C 114.51p

### Number of company holdings

28\*

### 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, St Magnus House,  
3 Lower Thames Street,  
London EC3R 6HD  
Tel: 020 7416 7780

### Authorised Corporate Director

Maitland Institutional Services Ltd  
Hamilton Centre, Rodney Way,  
Chelmsford, Essex, CM1 3BY  
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: 1.42%  
C Accumulation: 1.17%

Ongoing charges are based on the last year's expenses, including the annual management charge. Figures are as at 31 January 2019.

These figures may vary. They exclude 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 Global
Ascentric	Novia Financial
Aviva	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 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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Downing LLP, St Magnus House,  
3 Lower Thames Street, London  
EC3R 6HD

020 7416 7780 / [www.downing.co.uk](http://www.downing.co.uk)