

MI Downing UK Micro-Cap Growth Fund

October
2018

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.

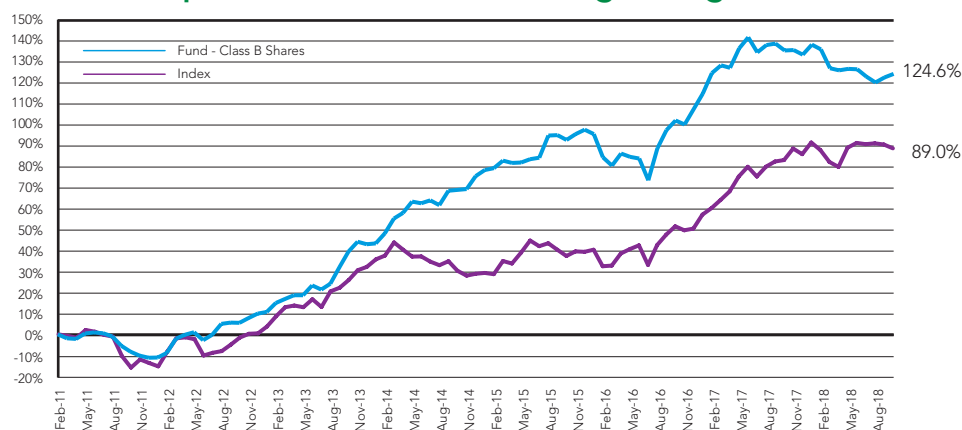
Market commentary

In the month, the Fund was up 0.76%, outperforming the benchmark, which was down by 0.97%. Positive contributors to performance included Produce Investments plc (up 33.33%) and AdePT Technology Group plc (up 16.05%). Detractors included Pittards plc (down 11.70%), and Redhall Group plc (down 29.23%).

Produce announced that it had reached an agreement with Promethean Investments for an acquisition of the company. Although there was an opportunity for us to remain invested in the private entity, we felt we were given little understanding of the ongoing strategy of the new shareholder and management and therefore elected to exit, at a modest profit to our initial cost. AdePT reported that in the six months to 30 September 2018, it made considerable progress in expanding its managed service and IT capability. Following the Shift7 acquisition, AdePT has around 75% of revenues being generated from contracted managed services and IT.

Pittards announced results for the six months ended 30 June 2018, highlighting that revenue increased 2% and EBITDA increased to £800,000. The first six months of 2018 has seen satisfactory trading alongside continued investment to strengthen operational capability and scalability. Redhall issued a trading update stating that delays on key projects and slower operational efficiency gains mean full year performance will likely be materially below expectations. The board anticipates the group will deliver steady growth in 2019 supported by robust market demand and a strong pipeline of opportunities. We view this as a contract delay as opposed to anything more fundamental, however the market does not like uncertainty and the share price reacted accordingly.

Cumulative performance under Downing management



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

Cumulative performance - Class B Shares (%)

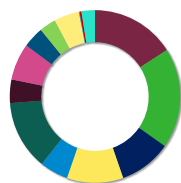
	1m	3m	6m	YTD	1y	3y	5y
Fund	0.76	0.61	-0.74	-5.84	-4.76	16.38	60.89
Index	-0.97	-1.03	4.93	-1.44	3.04	37.47	49.95

Discrete performance - Class B Shares (%)

	30/09/2017 30/09/2018	30/09/2016 30/09/2017	30/09/2015 30/09/2016	30/09/2014 30/09/2015	30/09/2013 30/09/2014
Fund	-4.76	16.60	4.79	14.14	21.12
Index	3.04	21.26	10.02	5.40	3.49

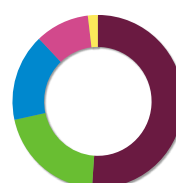
Index: Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all Fund data is Maitland Institutional Services, source of all index data is Numis. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. Investors cannot invest directly in an 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



15.96%	Food producers & processors
18.77%	Electronic & electrical equipment
9.91%	Support services
10.71%	Software & computer services
5.38%	Cash
13.04%	Transport
4.42%	Construction & building
6.92%	Telecom services
3.94%	General retailers
3.11%	Personal care & household products
4.80%	Real estate
0.12%	Pharmaceuticals
0.36%	Oil & gas
2.56%	Speciality & other finance

Portfolio by company size



Market cap bands	Percentage
£0m - £50m	51.08%
£50m - £100m	20.49%
£100m - £150m	16.33%
£150m - £200m	10.22%
£200m+	1.88%

Top 5 portfolio holdings

Company	% of Fund
Real Good Food	10.94*
Adept Technology Group	6.92
Pennant International	6.90
Synectics	5.79
Norman Broadbent	5.67**

*Holding includes a 0.72% equity and 10.22% debt split

**Holding includes a 4.50% equity and 1.17% debt split

Source of all Fund data: Factset as at 30 September 2018

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.



Trustnet/F/E (for the three-year period to 31/07/2018)

Key facts as at 30 September 2018

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)
£25.6m

Share price

Class B 205.88p
Class C 131.51p

Number of company 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

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London EC3R 6HD
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: 1.25%
C Accumulation: 1.00%

Ongoing charges are based on expenses, including the annual management charge, for the year ending 31 January 2018. 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 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. Downing 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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11 October 2018

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