

MI Downing UK Micro-Cap Growth Fund

June
2016



Market commentary

The Fund underperformed the benchmark in May, returning -0.4% compared to the benchmark's 1.2%. Last month we reported on the profit warning from Sprue Aegis PLC, which had a material negative impact on our performance. Further due diligence and meeting with management has reinforced our confidence in the investment case, and a positive update from the company regarding products for the German market has lifted the share price. However, the Fund suffered from sentiment-driven profit taking ahead of the quieter summer months and the impending Referendum, in some of our core holdings where valuations may have been stretched, but where we maintain an acceptable margin of safety.

Plastics Capital PLC produces plastic packaging products and various hydraulic hose and plastic bearing components. A trading update at the beginning of May highlighted that the second half of the financial year was significantly ahead of the first and that the company would report results in line with expectations. Universe Group PLC, the payment and online loyalty solutions and systems business for the UK petrol forecourt and convenience stores, rallied strongly in the month having reported good results in April. We are long term holders of Universe and the share price performance continues to impress us, bolstered by a high quality business in terms of earnings, operating model and management team.

Amino Technologies PLC, the Cambridge-based provider of digital entertainment delivery via the convergence of internet and TV, had a markedly negative effect in the month, falling around 8% purely on sentiment. However, we are pleased to report that a positive trading statement since the month end has more than offset these losses – highlighting a strong trading performance and an encouraging order backlog into the second half of the year, as well as cost synergies on the Booxmedia and Entone acquisitions.

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 AAA¹ and F.E. Five Crown² 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.

¹Source: Citywire (for the three year risk adjusted performance 31/05/2013 - 31/05/2016)

²Source: Trustnet/F.E (for the three year period to 31/05/2016)

Cumulative performance under Downing management



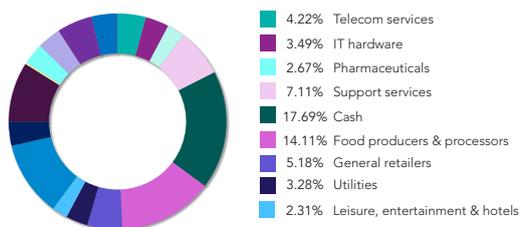
The graph shows the cumulative performance under Downing management (since Feb 2011)

Cumulative performance - Class B Shares (%)							
	1m	3m	6m	YTD	1y	3y	5y
Fund	-0.44	1.85	-6.98	-6.00	0.14	49.12	82.47
Index	1.22	7.23	2.17	1.50	-1.63	22.08	40.68

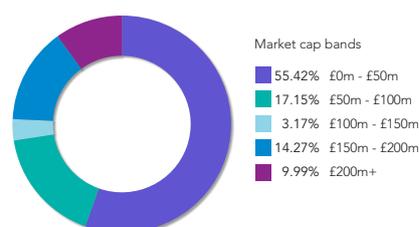
Discrete performance - Class B Shares (%)					
	31/05/2015 31/05/2016	31/05/2014 31/05/2015	31/05/2013 31/05/2014	31/05/2012 31/05/2013	31/05/2011 31/05/2012
Fund	0.14	12.98	31.79	27.05	-3.69
Index	-1.63	5.59	17.54	29.97	-11.34

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*

	% of Fund
Universe Group PLC	5.5
Redhall Group PLC	5.2
Conviviality Retail PLC	5.2
Finsbury Food Group PLC	5.1
Produce Investments PLC	4.9

*Source: Maitland Institutional Services
As at 31 May 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 May 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)
£21.9m

Share price

Class B 168.71p
Class C 110.66p

Number of holdings

28

Dividends

Accumulation only

Liquidity

Daily pricing and daily dealing

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 charge: B & C Accumulation = 5%

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. For further information please refer to the Key Investor Information Document. The Fund may also pay fees and charges related to administration, custody and other reasonable expenses.

ISIN codes:

B Accumulation GB00B2403R79
C Accumulation GB00B7SB5C00

Contact details

Manager

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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 Financial
Ascentric	Nucleus Financial
Cofunds Institutional	SEI Investments
Cofunds Retail	Transact
Hargreaves Lansdown	

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.

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