

MI Downing UK Micro-Cap Growth Fund

May
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 April, the Fund was up 2.49%, underperforming the benchmark, which was up 4.13%. Positive contributors included FireAngel Safety Technology (up 73.81%) and Gama Aviation (up 50.39%). Detractors included Redhall Group (down 41.67%) and Synectics (down 11.30%).

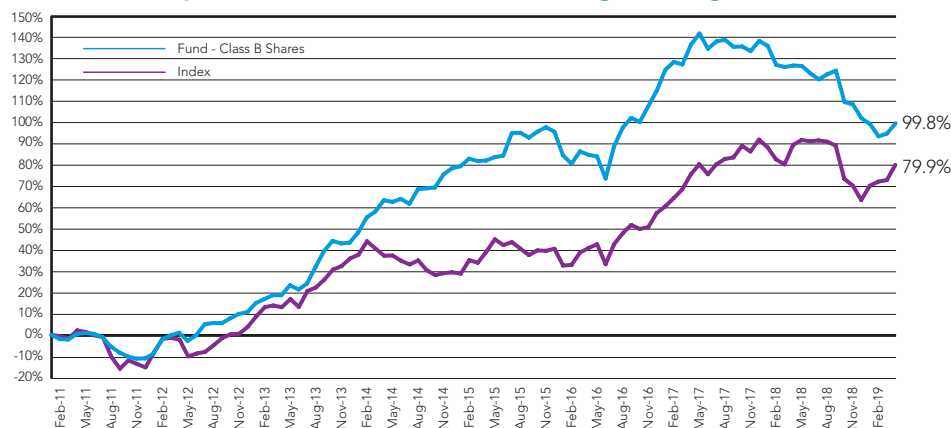
FireAngel has restructured its banking facilities alongside a placing and open offer which raised £6.0 million. This will provide working capital, improve the balance sheet and create stability for the business. We believe that the market responded positively to the raise and took comfort in the level of the company directors' participation.

Gama announced final results for FY2018 in accordance with its improved reporting methodology. It also announced a number of management changes, with Simon To appointed chairman and Christopher Clarke and Michael Howell appointed Non-Executive Directors. We believe the share price was supported by Hutchison purchasing stock.

Redhall reported no material news in April. However, a trading statement issued on 1 May warned that anticipated full year trading performance will be materially below previous expectations. Final results are dependent upon securing a number of key prospects and therefore remain uncertain. Market conditions remain robust in the group's core markets and its pipeline of opportunities remains strong. The board anticipates that this will deliver steady growth into 2020.

Synectics reported that it has experienced order deferrals and delays in the progress of existing contracts, which are believed to be in part due to Brexit uncertainties. The impact is that profits will be substantially more weighted to the second half of this financial year than originally budgeted. Although management still anticipates that results for the full year will be in line with expectations, the second half weighting has inevitably increased delivery timing risks.

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	2.49	0.20	-4.75	-1.13	-11.96	8.09	22.24
Index	4.13	5.74	3.75	11.46	-4.99	27.72	31.14

Discrete performance - Class B Shares (%)

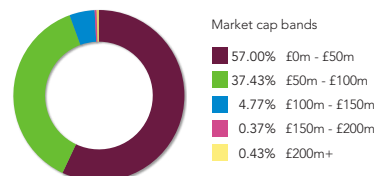
	30/04/2018 30/04/2019	30/04/2017 30/04/2018	30/04/2016 30/04/2017	30/04/2015 30/04/2016	30/04/2014 30/04/2015
Fund	-11.96	-4.14	28.07	1.47	11.45
Index	-4.99	7.88	24.61	1.25	1.42

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



Portfolio by company size



Source of portfolio data: Factset as at 30 April 2019

Top 5 portfolio holdings

Company	% of Fund
Real Good Food	11.22*
Norman Broadbent	8.02**
DX Group	6.85
Petards Group	4.92
Adept Technology Group	4.71

Source: Maitland Institutional Services as at 30 April 2019

*Holding includes a 0.71% equity and 10.51% debt split

**Holding includes a 6.83% equity and 1.19% 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, and is a Fellow of the Securities Institute.



Trustnet/F.E (for the three-year period to 31/01/2019)

Key facts as at 30 April 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)
£17.2m

Share price

Class B 183.17p
Class C 116.97p

Number of company holdings

27*

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
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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 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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10 May 2019

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