

MI Downing UK Micro-Cap Growth Fund

January
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.

Market commentary

In December, the Fund was down 3.13%, outperforming the benchmark which was down 5.20%. Positive contributors included DX Group (up 17.24%) and Synectics (up 3.95%). Detractors included Redhall (down 15.24%), and Hargreaves Services (down 11.74%).

DX issued a statement on current trading, stating the group's turnaround continues to progress well and trading in the first four months of the new financial year has been in line with expectations. The board believes the business remains on track with its turnaround plans and will report on further progress in its interim results. Synectics issued an update on trading, stating underlying profit before tax for the year ending 30 November is anticipated to be in line with expectations. The group's year end net cash position is expected to have strengthened, its pipeline of expected new business is stronger than estimated and the board is confident of solid progress in the coming year.

Redhall issued no material news over the month, however several contract delays have been detrimental to the share price. Based on the order book quality, we believe that Redhall's potential is materially undervalued by the market and will take the necessary steps to close the gap between market value and fair value. Hargreaves provided an update ahead of its results for the six months ended 30 November. Trading has been satisfactory and results are expected to be in line with expectations. An exceptional charge of approximately £8 million relating to the insolvency of Wolf Minerals will be recorded and the sale of Brockwell Energy will be accounted for as the disposal of a discontinued operation. The group has experienced an increase in working capital and further sales of legacy assets are expected.

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	-3.13	-10.01	-9.47	-15.27	-15.27	3.23	40.88
Index	-5.20	-14.61	-15.49	-15.84	-15.84	14.90	18.78

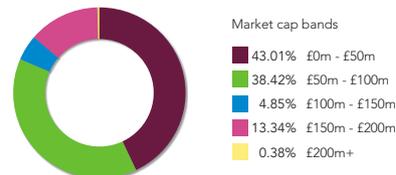
Discrete performance - Class B Shares (%)					
	31/12/2017 31/12/2018	31/12/2016 31/12/2017	31/12/2015 31/12/2016	31/12/2014 31/12/2015	31/12/2013 31/12/2014
Fund	-15.27	10.83	9.93	9.65	24.45
Index	-15.84	21.89	12.01	8.58	-4.79

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 31 December 2018

Top 5 portfolio holdings

Company	% of Fund
Real Good Food	13.73*
Norman Broadbent	7.56**
Adept Technology Group	6.16
Pennant International	5.07
Ramsdens Holdings	4.95

Source: Maitland Institutional Services as at 31 December 2018

*Holding includes a 0.68% equity and 13.05% debt split

**Holding includes a 6.41% equity and 1.15% 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 31/07/2018)

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.

Key facts as at 31 December 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)
£20.0m

Share price

Class B 185.27p
Class C 118.22p

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.

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: 1.27%
C Accumulation: 1.02%

Ongoing charges are based on expenses, including the annual management charge, for the year ending 31 July 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.

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
Springfield Lodge, Colchester Road
Chelmsford, Essex CM2 5PW

Dealing: 034 5305 4215
www.maitlandgroup.com

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

Important notice

This document is intended for retail investors and their advisers and has been approved and issued as a financial promotion under the Financial Services and Markets Act 2000 by Downing LLP ("Downing"), St Magnus House, 3 Lower Thames Street, London EC3R 6HD. This document is for information only and does not form part of a direct offer or invitation to purchase, subscribe for or dispose of securities and no reliance should be placed on it. Opinions expressed in this document represent the views of the Fund Manager at the time of publication, are subject to change, and should not be interpreted as investment advice. You should only invest based on the information contained in the relevant product literature available from Downing. Downing does not offer investment or tax advice or make recommendations regarding investments. Please see the relevant product literature for details of charges; your attention is drawn to the risk factors contained therein. Downing is authorised and regulated by the Financial Conduct Authority (Firm Registration No. 545025). Registered in England No. OC341575. Registered Office: St Magnus House, 3 Lower Thames Street, London EC3R 6HD.

10 January 2019

Downing

Downing LLP, St Magnus House,
3 Lower Thames Street, London
EC3R 6HD

020 7416 7780 / www.downing.co.uk