

# PFS Downing UK Micro-Cap Growth Fund

February  
2016



## About the Fund

PFS 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 AAA<sup>1</sup> and F.E. Five Crown<sup>2</sup> 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.

<sup>1</sup> Source: Citywire (for the three year risk adjusted performance 31/01/2013 - 31/01/2016)

<sup>2</sup> Source: Trustnet/F.E (for the three year period to 31/01/2016)

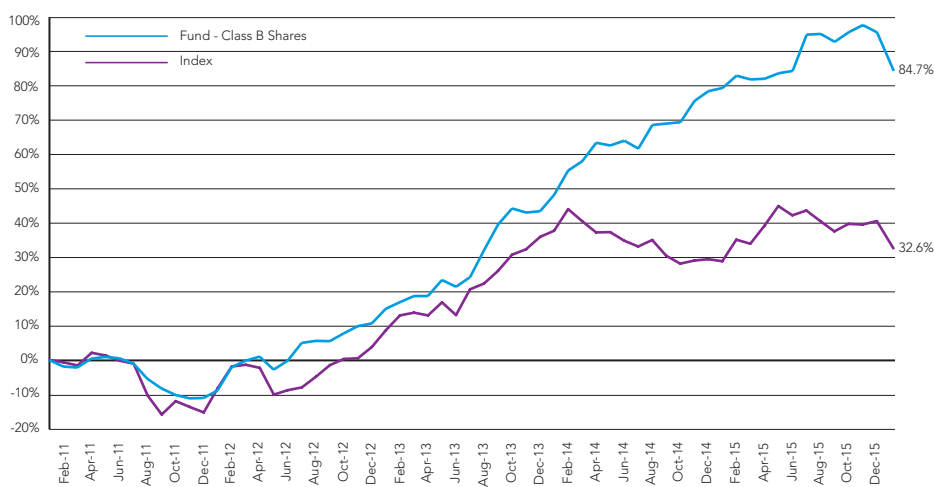
## Market commentary

In January the Fund returned -5.7% versus the benchmark which returned -5.6%. The Fund suffered from the wider sell-off that engulfed global financial markets at the beginning of 2016. Whilst the global macro-economic outlook is uncertain, we believe that micro-caps will continue to deliver outperformance and that our rigorous, value orientated investment process offers downside protection. Should a deeper market correction occur, the Fund has ample cash to take advantage of investment opportunities as they arise.

Amino Technologies was the largest positive contributor during the month. The set-top box manufacturer announced a number of new products in January, notably 4K Ultra HD TV devices which are set to benefit from the penetration of Ultra HD in consumer and commercial applications.

Amongst the fallers was Adept Telecom, who provide telecom services to public and private sector organisations. There was no company specific news in the month, the shares had an exceptional run in 2015 – up over 96% - therefore some profit taking was inevitable. We like the business's position in the market place and the compelling product which reduces the admin and cost of telecom services. In May 2015 they acquired Centrix which adds specialism in telco hardware and brings additional earnings visibility across the combined business.

## Cumulative performance under Downing management\*



### Cumulative performance - Class B Shares (%)

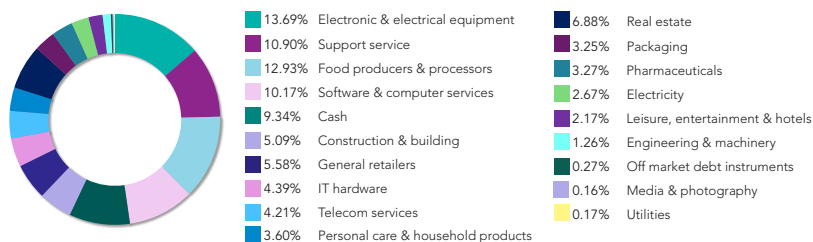
	1m	3m	6m	YTD	1y	3y	5y
Fund	-5.67	-5.65	-5.34	-5.67	2.92	60.55	90.59
Index	-5.58	-5.07	-7.64	-5.58	2.99	21.99	34.75

### Discrete performance - Class B Shares (%)

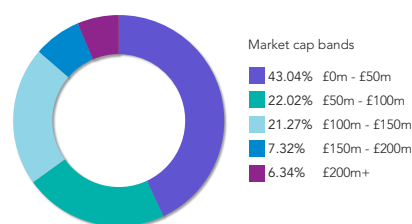
	31/01/2015 31/01/2016	31/01/2014 31/01/2015	31/01/2013 31/01/2014	31/01/2012 31/01/2013	31/01/2011 31/01/2012
Fund	2.92	21.00	28.91	26.26	-5.98
Index	2.99	-6.48	26.65	18.44	-6.74

Index: Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all fund data is Phoenix Fund 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\*



\*Source: Phoenix Fund Services

## Top 5 portfolio holdings

	% of Fund
Conviviality Retail PLC	5.6
Finsbury Food Group PLC	5.4
Redhall Group PLC	5.1
Universe Group PLC	4.5
Inland Homes PLC	4.5

As at 31 January 2016  
Source: Phoenix Fund Services

## 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 January 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)  
£19.9m

### Share price

Class B 169.30p  
Class C 110.86p

### Number of holdings

31 (on 29/01/2016)

### 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 1st 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

Downing LLP, Ergon House,  
Horseferry Road, London SW1P 2AL  
Tel: 020 7416 7780

### Authorised Corporate Director

Phoenix Fund Services (UK) Ltd  
Springfield Lodge, Colchester Road  
Chelmsford, Essex CM2 5PW  
Dealing: 034 5305 4215  
www.phoenixfundservices.com

## 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 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 Phoenix Fund 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.

## Important notice

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**Downing**

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