

MI Downing UK Micro-Cap Growth Fund



July 2020 Commentary

The fund returned 0.37% in the month versus the NSCI which returned 2.33%. There remains significant uncertainty in the market around a second wave of COVID and the economic implications that this would have. We are also in the run up to US elections and the Brexit transition at the end of the year. On balance, it seems that there are more reasons to be fearful than cheerful, except we believe our portfolio holds good value companies and has demonstrated resilience in drawdowns. We have also been slowly building cash, commensurate with the higher levels of risk. It is difficult to have very strong conviction in the current climate and our position sizing reflects that, but we remain focused on picking stocks which we think can outperform and there remains plentiful supply of ideas in our universe. We added one new position in the month which is performing very strongly – up 25% in the few days since we added it.

DX (Group) Plc performed strongly in the month (+30.3%) on a positive trading update and an RNS which highlighted that they were part of a logistics consortium handling COVID-19 testing kits. Synectics also performed strongly (+18.2%) having announced robust interim results followed by a new contract win and modest director buying.

Norman Broadbent (-11.5%) and Volex (-11.1%) were the most negative contributors. This is despite both companies announcing relatively upbeat AGM statements.

Opinions expressed represent the views of the Fund Manager at the time of publication, are subject to change, and should not be interpreted as investment advice.

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	0.37	5.69	-20.24	-17.17	-18.52	-35.78	-21.52
Index	2.33	7.75	-16.18	-17.91	-8.74	-10.18	12.71

Discrete performance - Class B Shares (%)					
	31/07/2019 - 31/07/2020	31/07/2018 - 31/07/2019	31/07/2017 - 31/07/2018	31/07/2016 - 31/07/2017	31/07/2015 - 31/07/2016
Fund	-18.52	-14.77	-7.52	26.17	-3.15
Index	-8.74	-7.38	6.26	26.27	-0.63

Index: Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all Fund data is Maitland Institutional Services Limited (Maitland), source of all index data is Numis Securities Limited. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. Investors cannot invest directly in an index. **Downing LLP is responsible for Fund performance from 4 February 2011, the effective date of the investment management mandate. Please note that past performance is not a reliable indicator of future results.**



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.

About the Fund

MI Downing UK Micro-Cap Growth Fund ("the Fund") aims to invest in a portfolio of up to 40 UK companies within the Numis Smaller Companies Indices - typically those with market capitalisations between £20 million and £350 million*.

The Fund seeks to generate capital growth, whilst retaining a strong focus on capital preservation.

*Please note, the fund retains its ability to hold shares in companies which are capitalised greater than £350 million where it is deemed beneficial to the fund.

Why Downing Micro-Cap?

- ▶ Private equity approach to micro-cap companies, drawing on Downing's private equity and venture capital heritage.
- ▶ Value strategy with rigorous bottom up approach.
- ▶ Exhaustive diligence process that can take up to 18 months.
- ▶ Seeks to invest in profitable businesses with strong management and a sustainable competitive advantage.

Portfolio summary

As at 31 July 2020

Top 5 holdings

	% of Fund
Universe Group Plc	7.14
Norman Broadbent Plc	6.56
CentralNic Group Plc	6.48
Real Good Food Company Plc*	6.17
Volex Plc	5.11

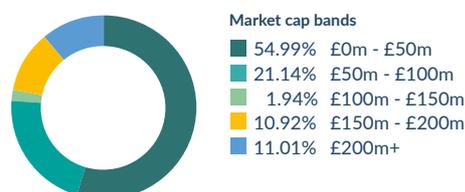
Source of Top 5 holdings and Sector: Maitland

*Holding includes a 1.18% equity and 4.99% debt split

Portfolio by Sector



Portfolio by Market Cap



Source of market cap data: Factset

Key facts As at 31 July 2020

Structure

London listed Open Ended Investment Company (OEIC), established as a "UCITS scheme".

Incorporation date and date of transfer to Downing and change of ACD

September 2008 / February 2011

Fund size

£9.23m (B & C share class combined)

Share price

Class B: 140.36p

Class C: 89.97p

Number of company holdings

30 (not including 3 holdings which have been written down to zero)

Dividends

Accumulation only

Liquidity

Daily pricing and daily dealing

Minimum initial investment

B Accumulation - £1,000

C Accumulation - £100,000

B Share class monthly savings plan available. Monthly contributions of £100 can be made via standing order on the first business day of each month.

ISIN Codes:

B Accumulation: GB00B2403R79

C Accumulation: GB00B75B5C00

Contact details

Manager

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Tel: 020 7416 7780

Authorised Corporate Director

Maitland Institutional Services Ltd
Hamilton Centre, Rodney Way,
Chelmsford, Essex, CM1 3BY
Dealing: 034 5305 4215

www.maitlandgroup.com

Fund charges

Initial charges

B & C Accumulation: 5.00%

Ongoing charges

B Accumulation: 1.75%

C Accumulation: 1.50%

Ongoing charges are based on the last year's expenses, including the annual management charge. Figures are as at 31 January 2020.

These figures may vary. They exclude portfolio transaction costs.

Annual Management Charges

B Accumulation: 1.00% per annum

C Accumulation: 0.75% per annum

How to apply:

Telephone: +44 (0) 20 7630 3319 or visit: www.downing.co.uk to access the Application Form

Also available on the following platforms:

AJ Bell

Aegon

Ascentric

Aviva

Hargreaves Lansdown

Novia Global

Novia Financial

Nucleus Financial

Raymond James

SEI Investments

Standard Life

Transact

We are currently working with other platforms so please let us know if yours is not listed above.



Trustnet/F.E (for the three-year period to 31/01/2020)

www.DowningUKMicro.co.uk

Risk warning: Your capital is at risk. Investments and 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 Limited. Downing LLP 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. Past performance is not a guide to future returns. Please refer to the latest full Prospectus and KIID before investing; your attention is drawn to the risk, fees and taxation factors contained therein.

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