

MI Downing Monthly Income Fund

October
2017

Market commentary

In September, the Fund returned 0.27% while the MSCI UK All Cap Total Return Index fell by 0.51%. Key contributors included SafeCharge (up 10.79%) and Braemar Shipping (up 4.91%) while key detractors included Safestyle UK (down 12.95%) and Card Factory (down 7.39%).

SafeCharge, a payments services provider, released their interim results for the six months to 30 June 2017. The business performed well having made good progress with their organic growth strategy. They achieved a 30% increase in transactions, equating to a 105% increase in their own acquiring transaction value. The Board also recommended a 10% increase in their interim dividend compared to H1 2016.

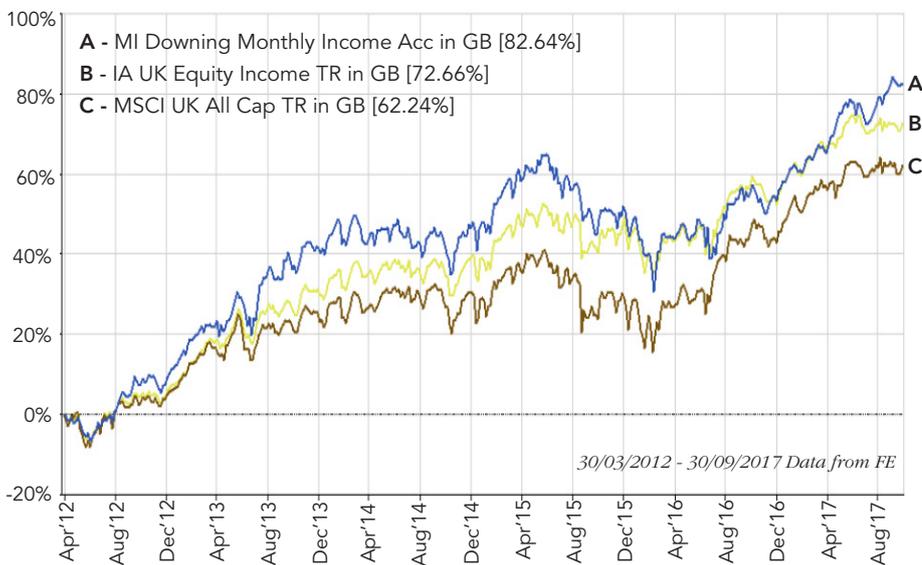
Braemar Shipping, a leading international provider of broking and other shipping services, announced the completion of its acquisition of NAVES Corporate Finance GmbH during September. Germany-based NAVES focusses on the maritime industry and has a strong track record, having advised on over US\$6.5 billion of capital and charter hire restructuring. For the year ended 31 December 2016, NAVES generated €7.46 million in revenue.

Safestyle UK, a retailer and manufacturer of PVCu replacement windows and doors, announced their interim results for the six months to 30 June 2017. The group noted that the current uncertain economic outlook for consumers has led to a decline in the volume of frames installed by 6.8%. Revenue and market share grew, although this has come at an increased cost and a decline in profits. Despite this, the balance sheet remains strong and the Board are focussed on price competitiveness, consumer promotions and quality manufacturing.

Card Factory, a retailer specialising in greetings cards and gifts announced its interim results for the six months ended 31 July 2017. The group reported revenue growth of 6.1%, however foreign exchange and the national living wage have acted as headwinds to margins. Management decided against raising prices to maintain the value-leading proposition in the market place. These factors, in combination with the aim of managing the level of gearing within the business, have led to guidance that special dividends may not be paid in every year going forward. We believe this element, and not the trading prospects of the business, has had greatest impact on the share price.

All performance figures for securities include net reinvested income where applicable. Source: StatPro & FE Analytics.

Performance



Market Cap Breakdown



24.47%	< £150m
42.48%	£150m - £500m
11.80%	£500m - £1bn
9.11%	£1bn - £2bn
12.14%	£2bn - £4bn
0%	£4bn +

Source: Thompson Reuters

Top 10 Holdings

	% of Fund
Martin McColl Retail	6.20
Primary Health Properties	3.72
SafeCharge	3.69
Card Factory	3.63
Premier Asset Management	3.59
Pacific Industrial & Logistics	3.57
Morses Club	3.51
Anglo Pacific Group	3.43
B&M	3.42
Braemar	3.27
Total	38.03

Source: Maitland Institutional Services

	Cumulative performance			
	6m	1y	3y	5y
MI Downing Monthly Income Acc	10.25%	18.37%	28.23%	71.33%
IA UK Equity Income TR index	3.65%	10.59%	27.54%	66.07%
MSCI UK All Cap TR index	3.59%	11.89%	26.83%	59.14%
Quartile ranking	1st	1st	2nd	2nd

	Discrete performance			
	2016	2015	2014	2013
MI Downing Monthly Income Acc	7.65%	0.84%	1.74%	30.26%
IA UK Equity Income TR index	8.84%	6.20%	3.16%	25.20%
MSCI UK All Cap TR index	17.29%	0.13%	0.44%	20.62%
Quartile ranking	3rd	4th	3rd	1st

Past performance is not a reliable indicator of future results.

Key Facts

Fund objective

To achieve a high level of income, together with long-term capital growth

Launch date

14 June 2010

Conversion date

1 April 2012¹

IMA sector

UK Equity Income

Currency

UK Sterling

Types of shares

Income & Accumulation

Yield

4.5%

Income paid

Monthly

Number of holdings

40

Prices as at 30 September 2017

Accumulation shares: 210.01p

Income shares: 147.50p

Charges

Initial charge 0%
Annual management charge 0.75%
Ongoing charges 1.00%³
charged to capital

Minimum investment

Lump sum £1,000
Subsequently £500
Monthly savings £100

SEDOL and ISIN numbers

Accumulation shares:

SEDOL B61JRG2
ISIN GB00B61JRG28

Income shares:

SEDOL B625QM8
ISIN GB00B625QM82

ACD

Maitland act as ACD and manage the administration for the Fund

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Investment Manager

Downing LLP was appointed Investment Manager to the Fund on 1 June 2015. Following the change of ACD, the Fund name was changed to MI Downing Monthly Income Fund from 31 March 2017.

Platforms and wraps

AJ Bell Hargreaves Lansdown
Ascentric Novia
Aviva Nucleus
Cofunds Transact
Fidelity (Inst)

¹The conversion date refers to the date the investment objective and policy were changed.

²The historic yield reflects distributions declared over the previous 12 months net of tax as a percentage of the share price, as at the first business day of the current month. The yield will vary and investors may be subject to tax on their distributions. Fund charges and expenses are charged to capital, effectively increasing the distribution(s) for the year by the amount of the charges and constraining capital performance by the same amount.

³Ongoing charges are based on expenses, including annual management charge. This figure may vary. It excludes portfolio transaction costs. The ongoing charges figure based on the last year's expenses as at 31 March 2017 is 1.47%, however, it is currently capped at 1.00%.

Fund Manager

James Lynch

James draws on experience gained in managing an established micro-cap fund as well as time spent as a private equity and venture capital investor.

Investment committee

Stephen Whittaker: Fund Founder and Consultant

John Bearman: Independent Chairman

Peter Ashworth: Independent Member

Judith MacKenzie: Non-Independent Member

Sector Breakdown



2.10%	Banks
5.38%	Cash
4.99%	Construction and building materials
4.08%	Electronics and electrical equipment
0.48%	Food producers and processors
13.24%	General retailers
5.33%	Housing goods and textiles
1.06%	Industrials
0.90%	Information technology
2.20%	Insurance
21.17%	Investment companies
4.70%	Leisure, entertainment and hotels
2.69%	Loans
2.15%	Media and photography
3.43%	Mining
6.58%	Real estate
1.83%	Software and computer services
8.85%	Speciality and other finance
6.33%	Support services
2.51%	Telecommunications services

Source: Maitland Institutional Services

Income Distribution

Period to	Income
31/10/2016	0.6115p
30/11/2016	0.5120p
31/12/2016	0.4449p
31/01/2017	0.5061p
28/02/2017	0.6056p
31/03/2017	0.9030p
30/04/2017	0.5619p
31/05/2017	0.4359p
30/06/2017	0.6131p
31/07/2017	0.4213p
31/08/2017	0.5326p
30/09/2017	0.5511p

Source: Maitland Institutional Services and Downing LLP

Statistics correct as at 30/09/2017. Performance figures source: FE. Fund performance is based on accumulation shares, indices include net reinvested income. Performance figures are for the period from when the investment objective and policy were changed on 1 April 2012, so that the fund was primarily invested in equities. Past performance is not a guide to future returns. The value of the fund and the income from it may go down as well as up, so you may not get back the amount you invested. The tax treatment of the Fund may change and such changes cannot be foreseen.

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