



September 2019



### Portfolio commentary

In August, the Fund was down 4.95%, underperforming the benchmark, which was down 2.72%. Positive contributors included Universe Group (up 15.17%) and Braemar Shipping Services (up 1.27%). Detractors included Norman Broadbent (down 15.15%) and Pennant International (down 27.12%).

Universe Group's share price climbed following an announcement on 21 August that several directors had purchased shares in the company. Management has continued to invest in the business with key hires and product development last year which has impacted short-term profit growth but we believe the returns from this investment may be beginning to pay off.

Braemar made no significant news announcements over the period, however the share price drifted slightly higher. Former chairman, Ron Series, continues to act as executive chairman on an interim basis as the group seeks a replacement for the CEO who retired from the business in July.

Norman Broadbent, one of the smallest holdings in our portfolio by market capitalisation, announced several changes of shareholding in the company and dealings by certain directors and other person's discharging managerial responsibilities of the group. Management recognised significant shareholders and directors who chose to increase their stakes in the business and noted their confidence in the group and its strategy going forward.

Pennant International issued a trading update ahead of the publication of its interim results for the six months ended 30 June 2019. The company previously stated that it expected 2019 to be significantly weighted in favour of the second half of the year, with the majority of revenues for the year (and all profits) anticipated to be realised upon the achievement of certain performance milestones. Following a change to revenue expectations and delays to potential contracts moving into 2020, the group now expects its results for 2019 to be materially lower than current market expectations and anticipates reporting EBITDA for 2019 of £1.8 million. Management said the group has more than adequate working capital facilities for the next period and beyond and is actively pursuing other potential revenue opportunities which may be realised in time to positively impact 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.

### 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	-4.95	-8.67	-7.74	-11.63	-19.87	-9.66	5.86
Index	-2.72	-3.19	0.26	6.89	-9.61	16.77	27.82

Discrete performance - Class B Shares (%)					
	31/08/2018	31/08/2017	31/08/2016	31/08/2015	31/08/2014
	31/08/2019	31/08/2018	31/08/2017	31/08/2016	31/08/2015
Fund	-19.87	-6.78	20.93	1.26	15.72
Index	-9.61	4.47	23.66	5.10	4.14

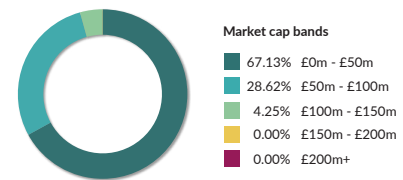
**Index:** Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all Fund data is Maitland Institutional Services Limited (Maitland), source of all index data is Numis Securities Limited. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. 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.**

## Portfolio by sector



Source of sector data: Maitland as at 31 August 2019

## Portfolio by company size



Source of market cap data: Factset as at 31 August 2019

## Top 5 portfolio holdings

Company	% of Fund
Norman Broadbent	6.86*
DX Group	6.68
Real Good Food	6.48**
SysGroup	5.63
Pittards Group	5.44

Source: Maitland as at 31 August 2019

\*Holding includes a 6.12% equity and 0.74% debt split

\*\*Holding includes a 1.27% equity and 5.21% 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.



Trustnet/F.E. (for the three-year period to 31/07/2019)

## Key facts as at 31 August 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)  
£11.8m

### Share price

Class B 163.73p  
Class C 104.66p

### Number of company holdings

25  
(Not including two holdings which have been written down to zero.)

### Dividends

Accumulation only

### Liquidity

Daily pricing and daily dealing

### ISIN codes:

B Accumulation GB00B2403R79  
C Accumulation GB00B75B5C00

## Contact details

### Manager

Downing LLP, St Magnus House,  
3 Lower Thames Street,  
London EC3R 6HD  
Tel: 020 7416 7780

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

[www.maitlandgroup.com](http://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

## 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 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 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. Please note that past performance is not a guide to future performance.

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