

MI Downing UK Micro-Cap Growth Fund



August 2020 Commentary

The Fund returned 2.9% in the period versus the index which returned 6.3%. This is a disappointing relative performance, albeit with two caveats. Firstly, the 'small value' segment of the index returned 2.1%, which the Fund therefore outperformed. Secondly, if not for the bank holiday on 31 August, the Fund would have returned 4.4%, rather than 2.9% - reflecting strong share price appreciation after the valuation cut off point on Friday 28 August.

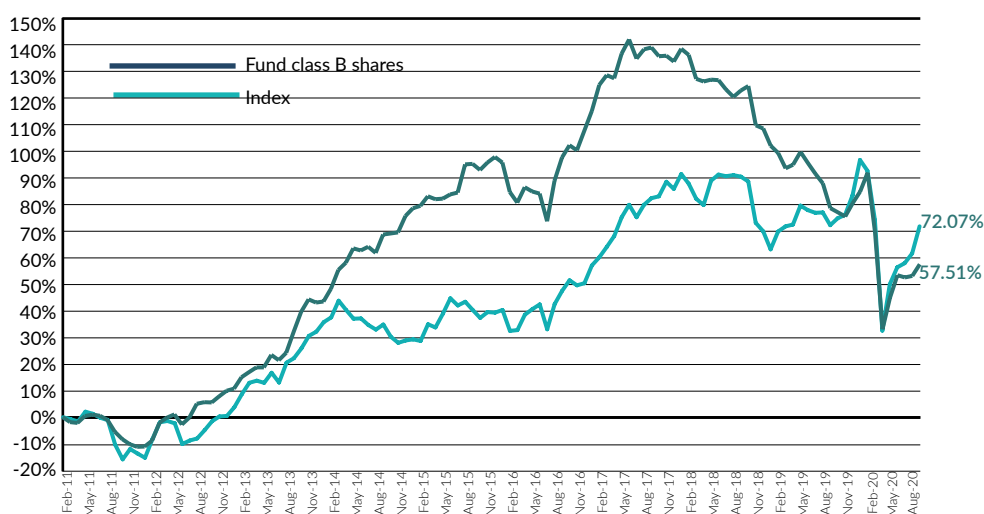
Looking more closely at the 'small value' segment of the NSCI, the Fund has vastly outperformed, generating a loss of year to date of 14.8%, versus the segment performance loss of 31.0%.

There were many strong performers in the month, with 10 companies returning in excess of 10%, and Volex, Duke Royalty, and Scapa returning in excess of 30%. Volex was the strongest positive contributor on the back of significant director purchases of the shares which buoyed optimism in the company. We still think that they are materially undervalued given the quality and growth on offer. CentralNic was also a significant positive contributor following a strong set of half year results, which demonstrated the integration of and material organic growth within the Team Internet acquisition.

Norman Broadbent and Universe were the most material detractors from performance. Neither issued any operational updates in the month.

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	2.86	2.69	-7.05	-14.80	-11.82	-34.13	-19.34
Index	6.33	9.86	-1.37	-12.72	-0.25	-5.80	22.43

Discrete performance - Class B Shares (%)					
	31/08/2019 - 31/08/2020	31/08/2018 - 31/08/2019	31/08/2017 - 31/08/2018	31/08/2016 - 31/08/2017	31/08/2015 - 31/08/2016
Fund	-11.82	-19.87	-6.78	20.93	1.26
Index	-0.25	-9.61	4.47	23.66	5.10

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 August 2020

Top 5 holdings

	% of Fund
CentralNic Group Plc	6.86
Volex Plc	6.85
Universe Group Plc	6.39
Real Good Food Company Plc*	6.05
Norman Broadbent Plc	5.65

Source of Top 5 holdings and Sector: Maitland

*Holding includes a 1.16% equity and 4.89% debt split

Portfolio by Sector



10.49% Cash	1.48% Personal care & household products
2.01% Construction & building materials	1.61% Pharmaceuticals
19.38% Electronic & electrical equipment	5.67% Real estate
7.38% Engineering & machinery	11.92% Software & computer services
6.05% Food producers & processors	1.44% Speciality & other finance
2.88% General retailers	9.87% Support services
4.66% Health	3.50% Telecom services
3.47% Investment companies	3.64% Transport
4.55% Media & photography	

Portfolio by Market Cap



Market cap bands	
47.84%	£0m - £50m
21.43%	£50m - £100m
7.49%	£100m - £150m
8.85%	£150m - £200m
14.39%	£200m+

Source of market cap data: Factset

Key facts As at 31 August 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

£9.42m (B & C share class combined)

Share price

Class B: 144.37p

Class C: 92.56p

Number of company holdings

32 (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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Authorised Corporate Director

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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 31/07/2020)

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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