



# MI Downing UK Micro-Cap Growth Fund

December 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.
- ▶ Seeks to invest in profitable businesses with strong management teams and a sustainable competitive advantage.

## Portfolio commentary

In November, the Fund was up 2.88%, underperforming the benchmark, which was up 4.19%. Positive contributors included Volex (up 32.99%) and CentralNic Group (up 44.58%). Detractors included STM Group (down 38.33%) and DX Group (down 11.49%).

Volex issued its half-year results ended 29 September 2019 and announced that the group would recommence the payment of a dividend, starting with an interim dividend of one pence per share. Volex is now in acquisitive growth mode and cash generative, generating healthy profits across its two business divisions. The board remains confident of delivering its full-year expectations and in the company's ability to drive shareholder value.

CentralNic announced a conditional agreement to acquire the entire share capital of web services provider Team Internet for a total consideration of US\$48 million. Management believe that the acquisition is a natural extension of CentralNic's domain sales business and a major step in adding to its service offering. The recurring revenue business will be significantly earnings enhancing for the financial year ending 31 December 2020.

DX reported that group trading in the first four months of the new financial year showed a stepped improvement over the same period last year. A major £10 million investment programme covering IT systems, mechanisation, and site improvements will support sales and operational developments. Trading is seasonally weighted towards the second half of the financial year and the board believes that it is well-positioned to meet its targets for the current financial year.

STM issued a disappointing trading update signalling a number of delays to growth initiatives and increased underlying costs. This was a toehold position for the Fund and we subsequently took the decision to exit in the period.

## Cumulative performance under Downing management



The graph shows the cumulative performance under Downing management (since Feb 2011)

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

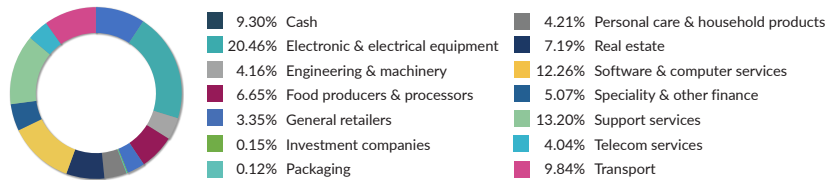
	1m	3m	6m	YTD	1y	3y	5y
Fund	2.88	1.06	-7.70	-10.69	-13.48	-13.13	2.72
Index	4.19	6.53	3.14	13.88	7.95	22.01	42.45

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

	30/11/2018 30/11/2019	30/11/2017 30/11/2018	30/11/2016 30/11/2017	30/11/2015 30/11/2016	30/11/2014 30/11/2015
Fund	-13.48	-10.74	12.49	5.02	12.60
Index	7.95	-8.57	23.61	7.94	8.17

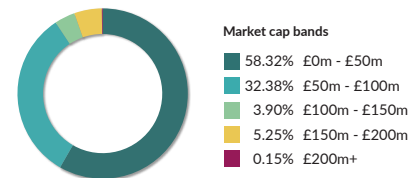
**Index:** Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all Fund data is Maitland Institutional Services Limited (Maitland), source of all index data is Numis Securities Limited. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. 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 30 November 2019

## Portfolio by company size



Source of market cap data: Factset as at 30 November 2019

## Top 5 portfolio holdings

Company	% of Fund
Norman Broadbent	8.31*
Real Good Food	6.65**
Universe Group	5.32
Volex	5.25
DX Group	5.07

Source: Maitland as at 30 November 2019

\*Holding includes a 7.73% equity and 0.58% debt split

\*\*Holding includes a 1.26% equity and 5.39% 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 30 November 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)  
£11.4m

### Share price

Class B 165.46p  
Class C 105.83p

### Number of company holdings

27  
(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

Authorised Corporate Director  
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: 1.63%  
C Accumulation: 1.38%

Ongoing charges are based on the last year's expenses, including the annual management charge. Figures are as at 31 July 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	Novia Financial
Aegon	Nucleus Financial
Ascentric	Raymond James
Aviva	SEI Investments
Hargreaves Lansdown	Standard Life
Novia Global	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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