



MI Downing UK Micro-Cap Growth Fund

October 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 September, the Fund was down 0.87%, underperforming the benchmark, which was up 1.52%. Positive contributors included Pennant International (up 26.90%) and DX Group (up 10.36%). Detractors included FireAngel Safety Technology (down 28.52%) and Petards (down 23.86%).

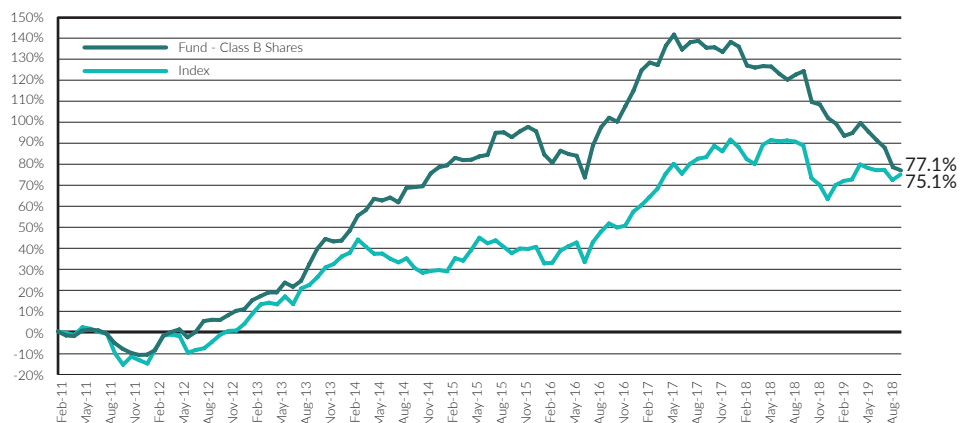
Pennant announced interim results for the six months ended 30 June 2019 and reported that trading in the period was in line with management expectations and that the board anticipated a profitable outcome for the year as a whole. With a contracted order book of £36 million scheduled for delivery over the next three years and a sizeable pipeline of single-source opportunities, it remains confident of future prospects and delivering long-term shareholder value.

DX issued its preliminary results for the year to 30 June 2019. The period was one of significant change as its turnaround initiatives gained traction and the group delivered results that were slightly ahead of market expectations. The board believes DX is well on the road to recovery and is planning for significant capital investment over the next two years, which will help to underpin its return to long-term, sustainable and profitable growth.

FireAngel announced its unaudited results for the six months ended 30 June 2019. In the period, the interim loss widened on exceptional costs leading to expectations of a loss for 2019. The exceptional charges included an increased provision for an isolated legacy issue and one-off costs relating to restructuring and fundraising. Looking ahead, the board is cautious around when strategically significant trials in progress will be completed, however these trials are expected to generate revenue in 2020 and beyond.

Petards issued its interim results for the six months ended 30 June 2019 and reported disappointing financial results and a profit warning. The group's order book fell from £19 million to £15 million year-over-year, revenue dropped by 8% and pre-tax profit was £206,000 (down from £514,000 in 2018). The board remains confident in the group's future prospects and expects to return a satisfactory, albeit lower than previously anticipated, performance for 2019 weighted towards the second half of the year.

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	-0.87	-7.56	-9.18	-12.39	-21.16	-12.45	4.72
Index	1.52	-1.16	1.37	8.51	-7.34	15.77	34.25

Discrete performance - Class B Shares (%)

	30/09/2018 30/09/2019	30/09/2017 30/09/2018	30/09/2016 30/09/2017	30/09/2015 30/09/2016	30/09/2014 30/09/2015
Fund	-21.16	-4.76	16.60	4.79	14.14
Index	-7.34	3.04	21.26	10.02	5.40

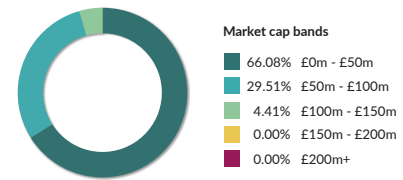
Index: Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all Fund data is Maitland Institutional Services Limited (Maitland), source of all index data is Numis Securities Limited. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing.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

Portfolio by company size



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

Top 5 portfolio holdings

Company	% of Fund
Norman Broadbent	8.32*
DX Group	7.14
Real Good Food	6.62**
Pittards Group	5.44
SysGroup	5.37

Source: Maitland as at 30 September 2019

*Holding includes a 7.63% equity and 0.69% debt split

**Holding includes a 1.30% equity and 5.32% 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 September 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)
£11.6m

Share price

Class B 162.31p
Class C 103.77p

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

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London EC3R 6HD
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Authorised Corporate Director
Maitland Institutional Services Ltd
Hamilton Centre, Rodney Way,
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Dealing: 034 5305 4215

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 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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