

MI Downing UK Micro-Cap Growth Fund

November
2016



About the Fund

MI Downing UK Micro-Cap Growth Fund ("the Fund") invests 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 & qualified team headed by Judith MacKenzie - Citywire AA¹ and F.E. Five Crown² rated.
- ▶ Private equity approach to micro cap companies, drawing on Downing's private equity and venture capital heritage.
- ▶ Investment Committee oversight provides access to 100+ years of investment experience.
- ▶ Value strategy with rigorous bottom up approach.
- ▶ Exhaustive diligence process that can take up to 18 months.
- ▶ Concentrated portfolio of 25 to 30 investments which we believe provides optimal diversification.
- ▶ Access to strategic investments.
- ▶ Only invests in profitable businesses with strong management teams and a sustainable competitive advantage.

¹Source: Citywire (for the three year risk adjusted performance 31/10/2013 - 31/10/2016)

²Source: Trustnet/FE (for the three year period to 31/10/2016)

Market commentary

In October, the fund returned -0.9% compared to the benchmark's -1.0%, generating outperformance of 0.1%.

Key contributors this month were Fulcrum, a multi-utility infrastructure and services provider, and Petards, a developer of security and surveillance systems. Fulcrum and Petards returned 18.4% and 23.5% respectively. Fulcrum continues to benefit from positive investor sentiment having recently announced an expansion of their direct delivery model into Scotland. The company has already delivered two large contracts for Scottish distilleries and we hope that this announcement underpins further business in the area. Petards won various new contracts in October, one to Great Western Railway as well as three contracts with Hitachi Rail Europe.

Detractors this month include Hornby and Smart Metering Systems (SMS). SMS which connects, owns and operates gas and electricity meters saw its share price down 12.4% despite positive interim results. We like the high quality, annuity-type revenue streams that the business generates. We also believe that there are material regulatory tailwinds which will drive revenue growth in the medium term. Hornby's share price continues to be exceptionally volatile and was down 16.6% in the month. However, we are encouraged by the progress that the company is making with continued improvement to their supply chain which we believe should underpin profit growth in the longer term.

Cumulative performance under Downing management



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

Cumulative performance - Class B Shares (%)

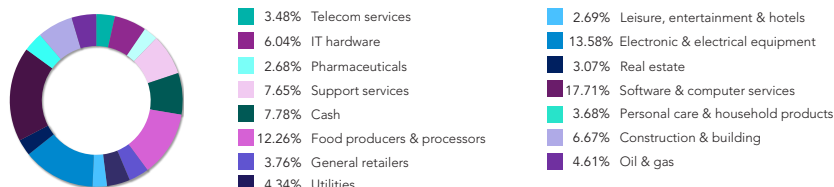
	1m	3m	6m	YTD	1y	3y	5y
Fund	-0.91	6.06	8.41	2.36	2.38	38.94	123.14
Index	-0.97	4.99	6.36	6.66	7.23	14.64	70.23

Discrete performance - Class B Shares (%)

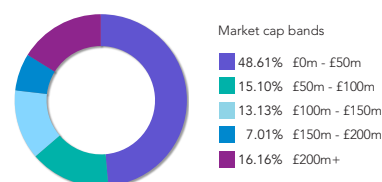
	31/10/2015 31/10/2016	31/10/2014 31/10/2015	31/10/2013 31/10/2014	31/10/2012 31/10/2013	31/10/2011 31/10/2012
Fund	2.38	15.50	17.50	33.79	20.04
Index	7.23	9.07	-1.98	30.22	14.03

Index: Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all fund data is Maitland Institutional Services, source of all index data is Thomson Reuters. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. Investors cannot invest directly in an index. **Downing is responsible for fund performance from 4 Feb 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*



Portfolio by company size*



Top 5 portfolio holdings*

Company	% of Fund
Redhall Group PLC	6.67
Amino Technologies PLC	6.04
Pennant International Group PLC	5.27
Science in Sport LTD	4.69
Smart Metering Systems	4.61

*Source: Maitland Institutional Services
As at 31 October 2016

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, and is a Fellow of the Securities Institute.

Key facts as at 31 October 2016

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)
£23.3m

Share price

Class B 183.71p
Class C 120.62p

Number of holdings

28

Dividends

Accumulation only

Liquidity

Daily pricing and daily dealing

ISIN codes:

B Accumulation GB00B2403R79
C Accumulation GB00B7SB5C00

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: 1.40%
C Accumulation: 1.15%

Ongoing charges are based on expenses, including the annual management charge, for the year ending 31 July 2016. These figures may vary. It excludes portfolio transaction costs.

Management charge

B Accumulation = 1.00% per annum
C Accumulation = 0.75% per annum

Performance charge

There are performance fees on the C Share class only. Full details can be found in the Key Investor Information Document.

Contact details

Manager

Downing LLP, Ergon House,
Horseferry Road, London SW1P 2AL
Tel: 020 7416 7780

Authorised Corporate Director

Maitland Institutional Services Ltd
Springfield Lodge, Colchester Road
Chelmsford, Essex CM2 5PW

Dealing: 034 5305 4215
www.maitlandgroup.com

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 Financial
Ascentric	Nucleus Financial
Cofunds Institutional	SEI Investments
Cofunds Retail	Standard Life
Hargreaves Lansdown	Transact

Risk warning: your capital is at risk. Investments & 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. Inception is the date of the commencement of the investment management mandate – 4 Feb 2011. 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.

Important notice

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10 November 2016



Downing LLP, Ergon House,
Horseferry Road, London SW1P 2AL
020 7416 7780 / www.downing.co.uk