

MI Downing UK Micro-Cap Growth Fund

February
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.

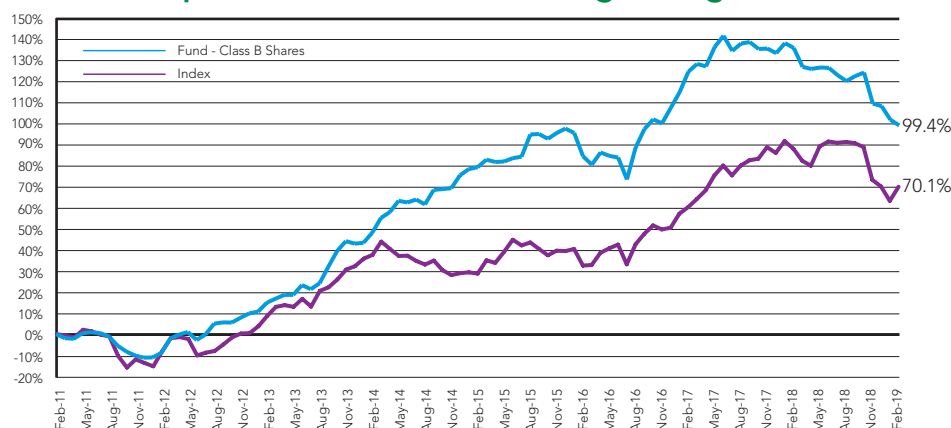
Market commentary

In January, the Fund was down 1.33%, underperforming the benchmark, which was up 5.41%. Positive contributors included Universe Group (up 27.94%) and Volex (up 9.11%). Detractors included Redhall (down 33.67%) and Gama Aviation (down 27.08%).

Universe announced that it has commenced a roll-out with major new customer Euro Garages to provide Gempay 3 payment terminals and payment processing services to 370 petrol forecourts in the UK. The Gempay 3 payment solution has been designed to meet the demanding requirements of the forecourt and convenience sectors and the continuing roll out shows it is being well received by major retailers. Volex's share price climbed following announcements that Daren Morris, Chief Financial Officer and Company Secretary, and Executive Chair, Nat Rothschild, had bought shares in the company. After the deal, they will hold 0.35% and 24% of the company respectively.

Redhall reported widened losses and lower revenue as certain businesses within the group ceased operations. Despite the performance, management stated that market conditions remain encouraging in the majority of the group's core sectors and Redhall benefits from a secure order book and a strong pipeline of opportunities. Gama provided an update stating that the board now expects full year underlying operating profits to be \$3 million below previous guidance. This is because it incurred significant exceptional costs including those associated with the move to Bournemouth, legal entity reorganisation, and diligence costs on potential M&A opportunities. Continuing growth in the US is likely to be offset by the challenging market conditions in Europe and, with M&A opportunities yet to be delivered, the company is taking a cautious approach. Accordingly, it expects the performance for 2019 will be similar to that delivered in 2018.

Cumulative performance under Downing management



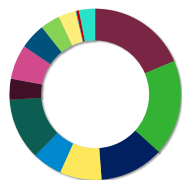
The graph shows the cumulative performance under Downing management (since Feb 2011)

Cumulative performance - Class B Shares (%)							
	1m	3m	6m	YTD	1y	3y	5y
Fund	-1.33	-4.94	-9.56	-1.33	-15.60	7.97	34.47
Index	5.41	-1.88	-11.14	5.41	-9.59	28.28	23.56

Discrete performance - Class B Shares (%)					
	31/01/2018 31/01/2019	31/01/2017 31/01/2018	31/01/2016 31/01/2017	31/01/2015 31/01/2016	31/01/2014 31/01/2015
Fund	-15.60	5.03	21.80	2.92	21.00
Index	-9.59	17.33	20.94	2.99	-6.48

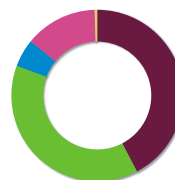
Index: Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all Fund data is Maitland Institutional Services, source of all index data is Numis. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. Investors cannot invest directly in an 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



18.64%	Food producers & processors	6.54%	Telecom services
18.08%	Electronic & electrical equipment	4.85%	General retailers
12.08%	Support services	3.69%	Personal care & household products
7.91%	Software & computer services	3.33%	Real estate
5.60%	Cash	0.12%	Pharmaceuticals
11.67%	Transport	0.50%	Oil & gas
3.95%	Construction & building	3.04%	Speciality & other finance

Portfolio by company size



Market cap bands	
42.35%	£0m - £50m
38.29%	£50m - £100m
5.25%	£100m - £150m
13.62%	£150m - £200m
0.49%	£200m+

Source of portfolio data: Factset as at 31 January 2019

Top 5 portfolio holdings

	% of Fund
Real Good Food	13.99*
Norman Broadbent	7.59**
Adept Technology Group	6.54
Petards Groups	4.97
Volex	4.95

Source: Maitland Institutional Services as at 31 January 2019

*Holding includes a 0.67% equity and 13.33% debt split

**Holding includes a 6.55% equity and 1.05% 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, and is a Fellow of the Securities Institute.



Trustnet/FE (for the three-year period to 31/01/2019)

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. Downing 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.

Key facts as at 31 January 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)
£19.6m

Share price

Class B 182.80p
Class C 116.67p

Number of company holdings

25*

Dividends

Accumulation only

Liquidity

Daily pricing and daily dealing

ISIN codes:

B Accumulation GB00B2403R79
C Accumulation GB00B7SB5C00

*This does not include the two holdings which have been written down to zero.

Contact details

Manager

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London EC3R 6HD
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

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: 1.27%
C Accumulation: 1.02%

Ongoing charges are based on expenses, including the annual management charge, for the year ending 31 July 2018. 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.

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

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