

MI Downing UK Micro-Cap Growth Fund

March
2018



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 and qualified team headed by Judith MacKenzie - F.E. One Crown¹ 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 diversification.
- ▶ Access to strategic investments.
- ▶ Only invests in profitable businesses with strong management teams and a sustainable competitive advantage.

¹Source: Trustnet/FE (for the three-year period to 31/01/2018)

Market commentary

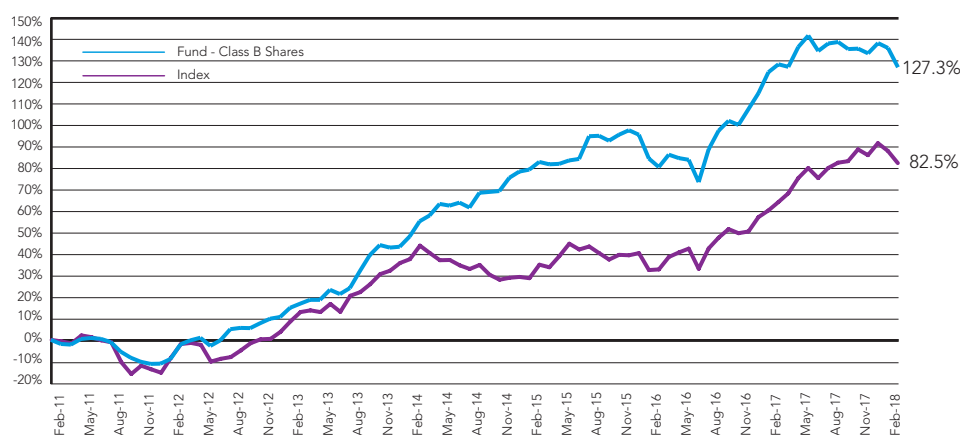
In the month, the Fund fell 3.8%, underperforming the benchmark, which fell 3.0%. Positive contributors to performance included AdePT Telecom plc (up 10.3%) and Petards Group plc (up 17.5%). Detractors included Norman Broadbent plc (down 17.5%) and Anpario plc (down 13.3%).

AdePT Telecom reported no updates on operational news. In February however, there was a significant amount of director stock purchases – over one million shares – which the market seems to have taken positively. We believe that the business is still undervalued as the share price only returns to around the level where the transformational Atomwide deal was announced. Petards had a strong month after announcing a £1.5 million contract win with the Ministry of Defence to deliver radio equipment and engineering support services. This is a sizable contract for Petards and represents around 10% of 2016 revenue alone.

Norman Broadbent reported no updates in the month. We continue to believe the new management team will drive performance in the long term. Anpario also reported no new updates in the month. Following a positive trading statement from the company at the end of January, the shares have subsequently sold off.

We exited our position in GAME Digital as we lost conviction in the company following the resignation of the Financial Director. GAME was a strong contributor to performance through our holding period. We purchased our initial stake at 20p and exited at an average share price of 35.7p.

Cumulative performance under Downing management



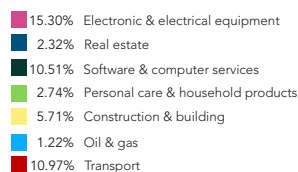
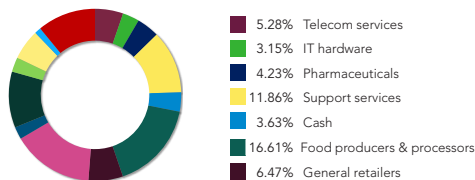
The graph shows the cumulative performance under Downing management (since Feb 2011)

Cumulative performance - Class B Shares (%)							
	1m	3m	6m	YTD	1y	3y	5y
Fund	-3.82	-2.78	-4.96	-4.73	-0.62	24.11	94.33
Index	-3.00	-1.97	-0.08	-4.82	11.10	35.07	61.48

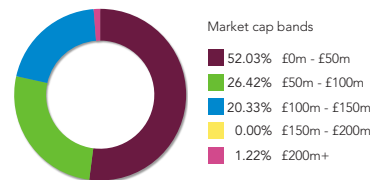
Discrete performance - Class B Shares (%)					
	28/02/2017 28/02/2018	29/02/2016 28/02/2017	28/02/2015 29/02/2016	28/02/2014 28/02/2015	28/02/2013 28/02/2014
Fund	-0.62	26.54	-1.30	17.82	32.90
Index	11.10	23.57	-1.62	-6.16	27.40

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*



Portfolio by company size*



Top 5 portfolio holdings*

	% of Fund
Real Good Food PLC	9.46**
Gama Aviation PLC	8.83
Ramsdens Holdings PLC	6.47
Redhall Group PLC	5.71
Adept Telecom PLC	5.28

*Source: Maitland Institutional Services

As at 28 February 2018

**Holding includes a 1.29% equity and 8.17% 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.

Key facts as at 28 February 2018

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)
£31.1m

Share price

Class B 208.30p
Class C 132.63p

Number of holdings

28*

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

Downing LLP, St Magnus House,
3 Lower Thames Street,
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: 1.33%
C Accumulation: 1.08%

Ongoing charges are based on expenses, including the annual management charge, for the year ending 31 July 2017. 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

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.

Important notice

This document is intended for retail investors and their advisers and has been approved and issued as a financial promotion under the Financial Services and Markets Act 2000 by Downing LLP ("Downing"), St Magnus House, 3 Lower Thames Street, London EC3R 6HD. This document is for information only and does not form part of a direct offer or invitation to purchase, subscribe for or dispose of securities and no reliance should be placed on it. Opinions expressed in this document represent the views of the Fund Manager at the time of publication, are subject to change, and should not be interpreted as investment advice. You should only invest based on the information contained in the relevant product literature available from Downing. Downing does not offer investment or tax advice or make recommendations regarding investments. Please see the relevant product literature for details of charges; your attention is drawn to the risk factors contained therein. Downing is authorised and regulated by the Financial Conduct Authority (Firm Registration No. 545025). Registered in England No. OC341575. Registered Office: St Magnus House, 3 Lower Thames Street, London EC3R 6HD.

14 March 2018

Downing

Downing LLP, St Magnus House,
3 Lower Thames Street, London
EC3R 6HD

020 7416 7780 / www.downing.co.uk