

MI Downing UK Micro-Cap Growth Fund

September
2018

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 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 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.

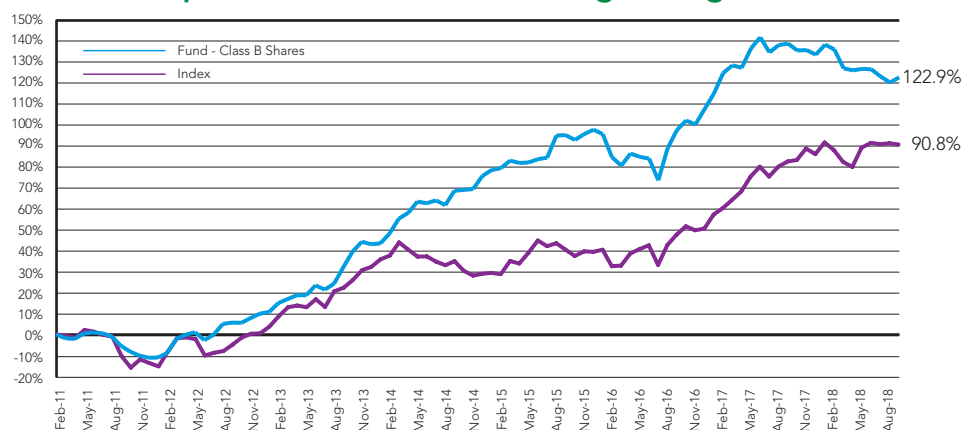
Market commentary

In the month, the Fund was up 1.09%, outperforming the benchmark which was down by 0.32%. Positive contributors to performance included Pennant International Group plc (up 36.52%) and Volex plc (up 11.76%). Detractors included AdEPT Telecom plc (down 4.94%), and FireAngel Safety Technology Group (down 19.23%).

Pennant announced it had been awarded a contract from a new customer and won an extension to an existing contract. Management stated that both will contribute to the group's forward visibility of earnings over a number of years. Volex issued a trading update for the three months ended June 2018, reporting that trading for the first quarter was ahead of expectations. Profitability improved in the first quarter of fiscal year 2019 versus the prior year, as the group achieved higher revenues and lower operating expenses. Volex has a strong balance sheet and is starting to grow once again, and management looks forward to the coming year with confidence.

AdEPT's share price dropped mid-month before recovering as the company announced the acquisition of Shift F7 for an initial cash consideration of £5 million, with management stating that the acquisition fits perfectly into the company's strategy as it expands its commercial IT capability and customer base. Following this acquisition, more than 70% of revenue will be generated from managed services. The deal is expected to be earnings enhancing from completion. FireAngel issued a trading update for the six months ended 30 June 2018, reporting that it expects H1 2018 sales of approximately £17.7 million and an operating loss of approximately £1.8 million. Results for the year ended 31 December 2018 are expected to be below market expectations, delivering a potential loss of up to £0.5m. This is due to issues within the supply chain, the weakness of GBP against the USD and difficult UK high street trading. However, management reported that it remains highly focused, and is confident of resolving the challenges and introducing new product to support current and emerging pipeline opportunities.

Cumulative performance under Downing management



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

Cumulative performance - Class B Shares (%)

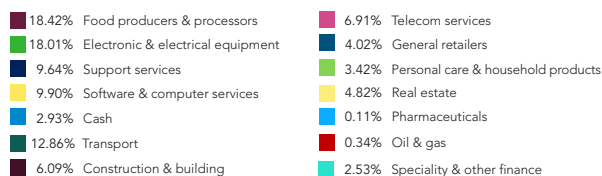
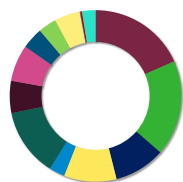
	1m	3m	6m	YTD	1y	3y	5y
Fund	1.09	-1.70	-1.91	-6.55	-6.78	14.16	68.79
Index	-0.32	-0.41	4.56	-0.48	4.47	35.78	55.99

Discrete performance - Class B Shares (%)

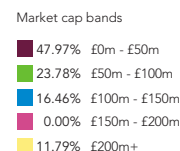
	31/08/2017 31/08/2018	31/08/2016 31/08/2017	31/08/2015 31/08/2016	31/08/2014 31/08/2015	31/08/2013 31/08/2014
Fund	-6.78	20.93	1.26	15.72	27.77
Index	4.47	23.66	5.10	4.14	10.31

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	10.51*
Adept Telecom	6.91
Pennant International	6.37
Redhall Group	6.09
Synectics	5.92

*Holding includes a 0.54% equity and 9.97% debt split

Source of all Fund data: Maitland Institutional Services as at 31 August 2018

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/F/E (for the three-year period to 31/07/2018)

Key facts as at 31 August 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)
£26.2m

Share price

Class B 204.32p
Class C 130.38p

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.

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: 1.25%
C Accumulation: 1.00%

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

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

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.

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

020 7416 7780 / www.downing.co.uk