

MI Downing UK Micro-Cap Growth Fund

December
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 30/11/2013 - 30/11/2016)

²Source: Trustnet/FE (for the three year period to 30/11/2016)

Market commentary

In November, the Fund returned 3.7% against a benchmark return of 0.6%. Key contributors to the portfolio in the period were Pennant International Group PLC and Amino Technologies, which generated returns of 24.5% and 14.0% respectively. Key detractors this month included Finsbury Food Group PLC, down 10.4% and Norman Broadbent PLC, down 9.1%.

Pennant, the supplier of logistical support and products to the defence, rail, aerospace, and naval sectors, recorded a modest first half year in their interim results released in late September and confirmed they were optimistic for the remainder of the year. The shares rallied strongly from the middle of November following some profit taking post-results. Recent good news for Amino, a leader in hybrid TV and cloud solutions, included securing a new contract win with Alliance Communications, a North American fibre-to-the-home network provider.

Finsbury, a leading UK speciality bakery manufacturer, published a trading statement in the month which highlighted increased input costs from Sterling devaluation and a decline in UK sales which was more than offset by growth in the Overseas division. We remain confident in their growth plans and believe that the shares are beginning to look undervalued at these levels. Following a significant amount of restructuring, Norman Broadbent, a Board & Executive Search agency, are entering a new phase of growth, led by recently appointed CEO Mike Brennan. We look forward to seeing this business grow over the long term.

Cumulative performance under Downing management



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

Cumulative performance - Class B Shares (%)

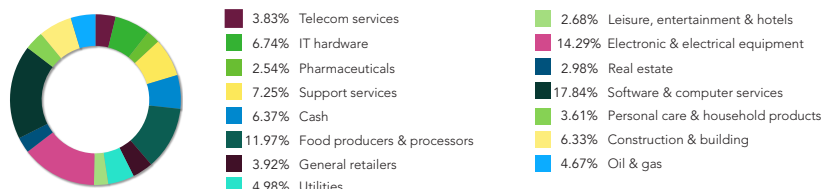
	1m	3m	6m	YTD	1y	3y	5y
Fund	3.68	5.09	12.90	6.13	5.02	45.26	133.99
Index	0.55	1.96	5.65	7.24	7.94	13.84	74.57

Discrete performance - Class B Shares (%)

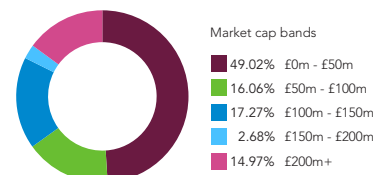
	30/11/2015 30/11/2016	30/11/2014 30/11/2015	30/11/2013 30/11/2014	30/11/2012 30/11/2013	30/11/2011 30/11/2012
Fund	5.02	12.60	22.84	30.16	23.76
Index	7.94	8.17	-2.49	31.59	16.54

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*

	% of Fund
Amino Technologies PLC	6.74
Pennant International Group PLC	6.52
Redhall Group PLC	6.33
Fulcrum Utility	4.98
Science in Sport LTD	4.90

*Source: Maitland Institutional Services
As at 30 November 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 30 November 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)
£23.5m

Share price

Class B 190.47p
Class C 124.82p

Number of 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

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

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.

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

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"), Ergon House, Horseferry Road, London SW1P 2AL. 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: Ergon House, Horseferry Road, London SW1P 2AL.

15 December 2016



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