

## Investment Report | March 2011

### Fund objective

The Fund seeks to achieve capital growth by investing mainly in a concentrated portfolio of UK smaller companies (typically those with market capitalisations between £20 million and £150 million). The Fund aims to outperform typical returns from other UK small-cap equity funds by identifying investments that the Investment Manager believes are undervalued by the market, in spite of having strong management and corporate strategies.

### Key information

Unit Name	PFS Downing Active Management Fund
Sector	UK Smaller Companies
Launch date	September 2008
Fund size (as at 1 April 2011)	£2.647m
No. of investee Companies	24
Primary asset class	Equity
Class A Accumulation (NAV as at 1 April 2011)	GBP 86.14
Class B Accumulation (NAV as at 1 April 2011)	GBP 89.71
Charges	Initial 5%; Annual 1.75% per annum
Minimum initial investment	£1,000
Dividend policy	Accumulation units (bi-annually)
Class A Accumulation	ISIN GB00B2403D34
Class B Accumulation	ISIN GB00B2403R79
Fund Managers	Judith MacKenzie / Rupert Yeoward
Start Date	December 2010
Address	Downing Corporate Finance Limited, 10 Lower Grosvenor Place, London, SW1W 0EN
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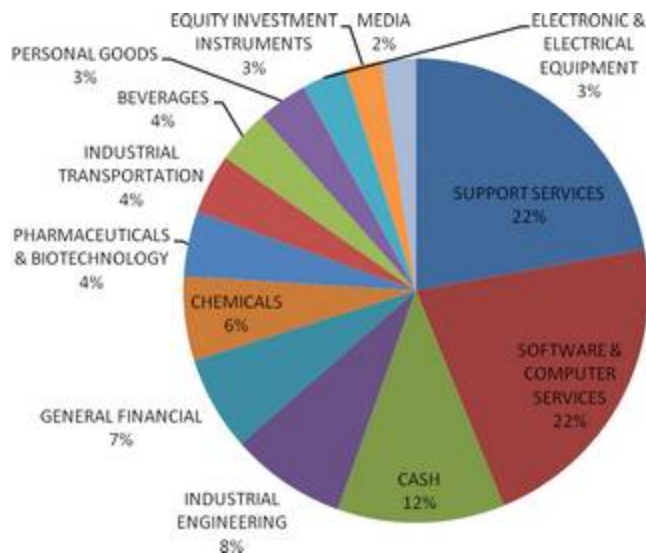
### Portfolio activity – March 2011

March has seen five new holdings added to the fund, two full disposals made and profit taken in a further two holdings. New holdings include the specialist provider of software to the rail industry, Tracsis. Tracsis is a potential buy-and-build opportunity and we aim to work alongside Management to provide scale for the business. Other new holdings include RWS Holdings, a provider of translation and intellectual property services, IDOX, a provider of software to government, and Northbridge Industrial Services, a provider and manufacturer of power supply equipment.

### Top ten holdings as at 31 March 2011

Rank	Holding	Description	% of Fund (31.03.2011)
1	Plastics Capital	Niche plastics products manufacturer	5.8
2	Hyder Consulting	A multi-national advisory and design consultancy	5.5
3	Tracsis	Developer and aggregator of performance and planning optimisation software and consultancy services to the transport industry	5.5
4	Accumuli	A buy-and-build company focused on acquiring companies in the Managed Security Services sector of the Information Communications and Technology market	5.1
5	May Gurney Integrated Services	Infrastructure support services company providing maintenance and services to the public and regulated sectors	5.0
6	Interior Services Group	International construction services group	4.9
7	Animalcare Group	Supplier of pharmaceutical and other premium products and services to the veterinary industry	4.5
8	RWS Holdings	Provider of intellectual property support services (patent translations and technical searches) and technical translations	4.3
9	Braemar Shipping Services	Provider of broking, consultancy, technical and other services to the shipping, marine and energy industries	4.2
10	Northbridge Industrial Services	Industrial services and rental company	4.2

Sector weightings as at 31 March 2011



*(Source: Downing Corporate Finance Limited)*

## Outlook

The global economic picture has been influenced by events in the Middle East and by the Japanese earthquake. So long as uncertainty remains in the Middle East, oil prices will inevitably only head in one direction (upwards). This, combined with inflationary pressures world wide, but particularly in the Eurozone, will dampen the ardour of equities. However, the start to the listed company reporting season has been surprisingly positive with our portfolio companies generally reporting improved earnings figures helped, not just by cost cutting, but by sales growth. In particular those companies that have net cash on their balance sheets as opposed to net debt have fared particularly well. Our investment process continues to seek out quality, resilient businesses with predictable growth and decent earnings potential from a diversified international base.