

Commentary for the quarter ending 30 September 2020

In the three month period ending 30 September 2020, EKF Diagnostics (up 36.26%) and Volex (up 21.82%) were positive contributors to performance, while Ramsdens (down 17.81%) and Tracsis (down 9.52%) were detractors.

EKF Diagnostics has issued a number of positive trading upgrades as a result of better performance from the core business than previously expected, and higher demand for the PrimeStore MTM collection device for Covid-19 testing. Management remains confident that the business will exceed previously revised management expectations for the full year.

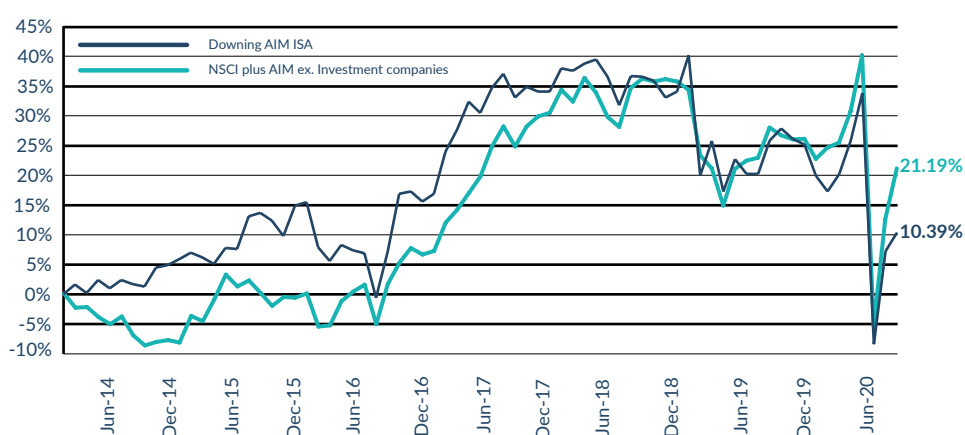
Volex issued an update on trading and reported that revenue for the three months ended June 2020 was \$96 million, which was flat on the same period in 2019. Given the disruption caused by Covid-19, the board was satisfied with this result. Volex continues to be profitable and highly cash generative, and management look forward to making further progress during the rest of the year.

Ramsdens' most recent results for the 12 months ended 31 March 2020, highlighted a year of further growth and increased profitability. Improvements had been delivered in all areas of the business and it was preparing for further expansion when Covid-19 struck. We believe that Ramsdens has one of the strongest balance sheets on the high street, and the vast majority of its stores are now open. This should guarantee survivability and an ability to thrive, and we expect Ramsdens to recover over the medium term.

Tracsis provided a trading update for the year ended 31 July 2020, and reported that group revenues are expected to be around £48 million. Covid-19 has had a negative impact of around £10 million on revenues, though this was much less than originally feared. The Rail Technology & Services Division traded well, underpinned by high levels of recurring software revenue. The board remains confident that the group is well positioned to navigate this period of uncertainty whilst pursuing and investing in future growth opportunities.

Performance

The net performance quoted is the performance of the first investor's portfolio after deducting all charges, excluding any initial fee.



Cumulative performance (%)

	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-0.29	2.95	20.51	-17.52	-5.89	-17.66	-1.75	10.39
Index*	-1.06	7.65	28.29	-13.64	-2.78	-7.19	23.83	21.19

Discrete performance (%)

	30/09/2019 - 30/09/2020	30/09/2018 - 30/09/2019	30/09/2017 - 30/09/2018	30/09/2016 - 30/09/2017	30/09/2015 - 30/09/2016
Service	-5.89	-16.34	4.58	14.32	4.38
Index*	-2.78	-7.34	3.04	21.26	10.02



Judith joined Downing in 2009, and is a Partner and Head of Downing Fund Managers. Previously she was a Partner at Acuity Capital, managing AIM-quoted VCT & IHT investments, and a small-cap activist fund.

Prior to this, Judith spent seven years as a senior investment manager with Aberdeen Asset Managers Growth Capital and co-managed the five Aberdeen VCTs, focusing on technology and media investments in both the public and private arenas.

She has held various non-executive and advisory roles in Scottish Government and private companies.

Opinions expressed in Judith's commentary represent her views at the time of publication, are subject to change, and should not be interpreted as investment advice. Not all portfolios contain the holdings mentioned.

The Downing AIM ISA was up 2.95% for the three-month period ending 30 September 2020, compared with the index, which was up 7.65%

DAISA launched in March 2014.

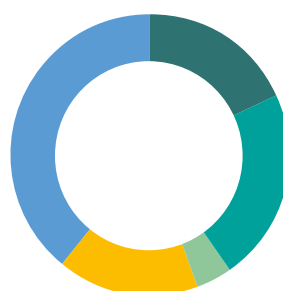
*The Index is shown for illustrative purposes only and is not considered directly comparable to the performance of this Service. Index: Numis Smaller Companies Index Plus AIM Ex. Investment Companies. Source of Service data: IBP Markets Ltd. Source of Index data: Numis.

Past performance is not a reliable indicator of future performance.

Portfolio summary As at 30 September 2020

Top 5 portfolio holdings	%
Volex Plc	8.54
Sureserve Group Plc	7.79
James Latham Plc	6.59
Caretech Holdings Plc	6.39
Strix Group Plc	5.95

Portfolio by market cap



Market cap bands

18.24%	£0m - £50m
22.23%	£50m - £100m
4.06%	£100m - £150m
16.55%	£150m - £200m
38.92%	£200m+

Portfolio by sector



3.24%	Biotechnology	3.88%	Industrial transportation
3.02%	Cash	3.97%	Investment banking & brokerage services
18.38%	Electronic & electrical equipment	0.95%	Personal goods
5.44%	Finance & credit services	8.02%	Real estate investment & services
5.31%	Food producers	2.75%	Retailers
11.59%	Healthcare providers	8.32%	Software & computer services
21.31%	Industrial support services	3.82%	Telecommunications service providers

Source of sector and top holdings data: IBP Markets Ltd. Source of market cap data: Factset. Based on the first investor in DAISA.

About the Downing AIM ISA

The Downing AIM ISA (DAISA) provides investors with the opportunity to combine ISA tax benefits with IHT relief by investing in AIM shares that carry on an IHT-qualifying trade (provided the shares have been held for at least two years at death).

Our strategy enables investors to maintain control of their assets (no need for trusts or to gift assets to obtain IHT relief) and to withdraw funds from their portfolio at any time, subject to liquidity and 10 days' notice.

The Downing AIM ISA aims to manage risk by investing in a portfolio of at least 25 companies across a variety of sectors, and has a similar strategy to our flagship OEIC, the MI Downing UK Micro-Cap Growth Fund.

The service also benefits from Downside Protection Cover, covering a loss in value of up to 20% on the net initial investment on death under the age of 90 years. This policy is included at no extra cost, with no medical exclusions or questionnaires. Please note, this is an annual policy and there is no guarantee that it will remain in place throughout the life of the investment.

There is also an option for life cover - insurance which covers 40% of your original gross investment (before charges) if you die in your first two years in the service. (Subject to terms and conditions).

Why Downing Small-Cap?

- ▶ Experienced and qualified Downing Fund Managers team headed by Judith MacKenzie.
- ▶ Private equity approach to micro-cap investing, drawing on our 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.
- ▶ Aims to manage risk by spreading your funds across at least 25 AIM-quoted companies in a variety of sectors
- ▶ Seeks to invest in profitable businesses with strong management teams and a sustainable competitive advantage.

www.downing.co.uk

Risk warning: Your capital is at risk, and you may not get back the full amount invested. Tax treatment depends on the individual circumstances of each investor and may be subject to change. The availability of tax reliefs depends on investee companies maintaining their qualifying status. Investments in smaller companies will normally involve greater risk or volatility than investments in larger, more established companies. Return is the value of investments, plus cash, including income, after deducting all charges, excluding any initial fee. Please note that past performance is not a guide to future performance.

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