

# Downing AIM Estate Planning Service



## Commentary for the quarter ending 31 March 2020.

In the three-month period ending 31 March 2020, the positive momentum which followed the general election and some clarity over Brexit was overshadowed by the coronavirus which has resulted in extreme market volatility. Markets fell significantly during the quarter. There were no positive contributors to performance in the period, however the majority of the companies issued updates post period end and the most significant contributors are detailed below.

**FireAngel** (-7.84%) stated that performance in the first quarter of 2020 was close to the board's expectations, with revenue and gross profit slightly below budget. Covid-19 will clearly have an impact in the short term, although the medium and long-term prospects are underpinned by the market need matching its compelling and unique products. This offers the possibility of a quick rebound and the board has taken certain mitigating actions which aim to conserve cash and protect its profit.

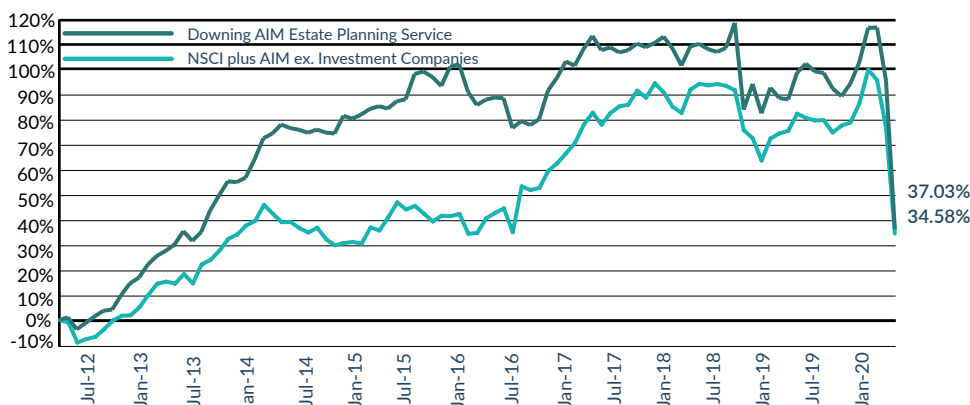
**SysGroup** (-14.93%) stated that the group is well placed to benefit from its strong levels of recurring revenue and excellent levels of cash generation, however management remain mindful of the potential impact to trading in the coming months. The importance of workplace technology services has become even more prominent recently and management is positioning the business to take advantage of any commercial opportunities that may arise.

**Ramsdens'** (-58.33%) share price fell in line with the market and the group closed all stores on 24 March. Despite the challenging conditions the board is confident that Ramsdens is well-positioned to deliver on its growth plans and is supported by a strong balance sheet, good cash position, and an ability to convert jewellery stock into cash if required.

**Volex** (-26.62%) reported that despite the pandemic, the business has continued to produce a solid performance in both sales and operating margins. Current headroom under its existing facility, combined with its cash balances, provides the group with circa \$60 million of liquidity and it continues to seek out for opportunities to grow its business and technical capabilities.

## Performance

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



The Downing AIM Estate Planning Service was down 36.81% for the three-month period ending 31 March 2020, compared with the index, which was down 32.69%

DAEPS launched in March 2012.

\*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: Brooks Macdonald & Downing LLP. Source of Index data: Numis.

Figures refer to simulated past performance. Past performance is not a reliable indicator of future performance.



Lead Fund Manager  
**Judith MacKenzie**

Cumulative performance (%)								
	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-30.28	-36.81	-27.70	-36.81	-27.19	-32.07	-19.46	37.03
Index*	-23.93	-32.69	-24.22	-32.69	-23.18	-21.18	-0.90	34.58

Discrete performance (%)					
	31/03/2019 - 31/03/2020	31/03/2018 - 31/03/2019	31/03/2017 - 31/03/2018	31/03/2016 - 31/03/2017	31/03/2015 - 31/03/2016
Service	-27.19	-6.75	0.05	20.44	-1.56
Index*	-23.18	-4.09	6.98	21.41	3.56

# Portfolio summary

As at 31 March 2020

Top 5 portfolio holdings	%
Volex Plc	8.19%
Caretech Holdings Plc	7.40%
Lok N' Store Group Plc	7.22%
Tracsis Plc	6.10%
Latham (James) Plc	6.09%

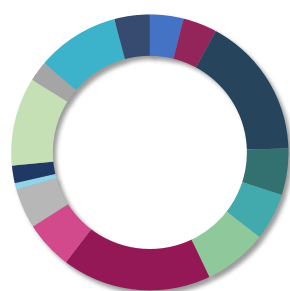
## Portfolio by market cap



### Market Cap bands

30.56%	£0m-£50m
12.40%	£50m - £100m
8.23%	£100m - £150m
21.51%	£150m - £200m
27.30%	£200m+

## Portfolio by sector



3.89%	Biotechnology	0.74%	Leisure goods
4.42%	Cash	2.04%	Personal goods
16.57%	Electronic & electrical equipment	10.31%	Real estate investment and services
5.43%	Finance and credit services	2.37%	Retailers
5.49%	Food producers	9.61%	Software and computer services
7.40%	Healthcare providers	4.11%	Telecommunications service providers
17.33%	Industrial support services		
5.61%	Industrial transportation		
4.68%	Investment banking and brokerage services		

Source of sector and top holdings data: Brooks MacDonald and Downing LLP. Source of market cap data: Factset. Based on the first investor in DAEPS.

## About the Downing AIM Estate Planning Service

The Downing AIM Estate Planning Service (DAEPS) allows investors to obtain IHT relief after only two years by owning a portfolio of qualifying companies quoted on AIM, provided 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.

DAEPS aims to manage risk by spreading your funds across 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).

**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. Figures refer to simulated past performance. Please note that past performance is not a guide to future performance.

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"). 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. You should only invest based on the information contained in the relevant Product Literature available from Downing and your attention is drawn to the charges and risk factors contained therein. Downing does not offer investment or tax advice or make recommendations regarding investments. Downing is authorised and regulated by the Financial Conduct Authority (Firm Reference No. 545025). Registered in England No. OC341575. Registered Office: St Magnus House, 3 Lower Thames Street, London EC3R 6HD.

## 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](http://www.downing.co.uk)