

Downing AIM Estate Planning Service

July 2019

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 investing in a portfolio of at least 20 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.

Why Downing Small-Cap?

- ▶ Experienced & qualified Public Equity team of eight executives, 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.
- ▶ Concentrated portfolio of 20 - 30 investments, which we believe provides diversification and access to strategic investments.
- ▶ Only invests in profitable businesses with strong management teams and a sustainable competitive advantage.

Portfolio commentary

In the three-month period ending 30 June 2019, Gama Aviation (up 35.66%) and Sanderson Group (up 36.07%) were positive contributors, while Craneware (down 21.81%) and Hargreaves Services (down 22.57%) were detractors.

Gama announced its full year results to 31 December 2018 and the new chairman acknowledged that 2018 had been a year of disappointments and of recognising legacy issues. Despite not meeting their expectations in the period, Gama has a sound operational platform and saw growth in the US Ground and Asia Air Divisions and Europe. The board remain confident that, in the long term, the business is capable of considerable, profitable growth and aims to realise this potential to the benefit of all shareholders. Sanderson announced the acquisition of Gould Hall Computer Services for a maximum enterprise value of £3.17 million. The board stated that the opportunities that will arise from this complementary acquisition further strengthens the range of group solutions and services available to customers within the supply chain logistics and distribution sectors.

Craneware provided a trading update for the year ending 30 June 2019 and reported lower than anticipated sales in the second half of the financial year. Further to this, capitalised R&D has increased significantly, reflecting the group's ongoing commitment to new product development. The board believe that the strategy, its financial strength and high levels of revenue visibility for future years give them confidence in Craneware's future. Hargreaves' share price was impacted by uncertainty over the financial position of British Steel. While the potential impact cannot be fully determined as yet, the board estimates that the group has a current net exposure to British Steel of approximately £4.5 million, some or all of which may prove to be irrecoverable if it is unable to continue trading. This overshadowed the positive news that Hargreaves had conditionally sold 10.75 acres of serviced residential development land to Bellway at its key Blindwells site to.

Please note that not all portfolios contain the holdings mentioned above.

Performance

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

The Downing AIM Estate Planning Service was up 5.95% for the three-month period ending 30 June 2019, compared with the index, which was up 2.57%.

Cumulative performance

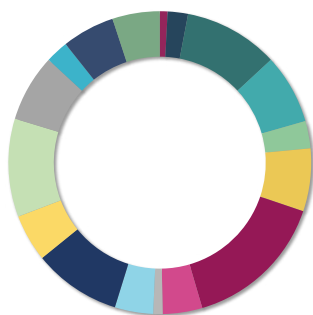


Cumulative performance (%)								
	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-1.51	5.95	9.13	9.13	-4.28	28.72	21.25	99.42
Index	-0.57	2.57	9.79	9.79	-7.22	33.05	31.41	79.69

Discrete performance (%)					
	30/06/2018	30/06/2017	30/06/2016	30/06/2015	30/06/2014
Service	-4.28	0.21	34.20	-9.76	4.38
Index	-7.22	8.80	31.80	-6.33	5.44

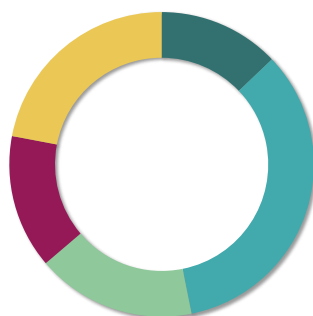
DAEPS launched in March 2012. The Index is shown for illustrative purposes only and is not considered directly comparable to the performance of this Service. Index: Numis Smaller Companies Index Plus AIM Ex. Investment Companies. Source of Service data: Brooks Macdonald. Source of Index data: Numis. Past performance is not a reliable indicator of future performance.

Portfolio by sector



0.84%	Cash	1.36%	Leisure goods
10.18%	Electronic & electrical equipment	1.31%	Personal goods
15.00%	Finance and credit services	2.80%	Biotechnology
7.46%	Food producers	7.60%	Real estate investment and services
3.91%	Healthcare providers	1.56%	Retailers
4.55%	Household goods & home construction	9.38%	Software and computer services
18.08%	Industrial support services	5.62%	Telecommunications service providers
5.13%	Industrial transportation	3.02%	Travel & leisure
2.20%	Investment banking and brokerage services		

Portfolio by market cap



Market Cap bands	
12.89%	£0m-£50m
33.96%	£50m - £100m
16.91%	£100m - £150m
14.22%	£150m - £200m
22.02%	£200m+

Top 5 portfolio holdings	%
Andrews Sykes Group	7.26
AdEPT Technology Group	5.62
Voilex	5.42
James Latham	5.41
Ramsdens Holdings	5.38

All data as at 30 June 2019.

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

Lead Fund Manager: Judith MacKenzie

Judith joined Downing in 2009, and is a Partner and Head of Downing Public Equity. 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.



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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Downing LLP, St Magnus House,
3 Lower Thames Street,
London EC3R 6HD
020 7416 7780 / www.downing.co.uk

Important notice

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