

Downing AIM Estate Planning Service

April 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. 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.

**Provided the shares have been held for at least two years at death.*

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.

Market commentary

In the three-month period ending 31 March 2019, Churchill China (up 52.93%) and James Latham (up 26.85%) were positive contributors, while Gama Aviation (down 46.25%) and Finsbury Food (down 38.05%) were detractors.

Churchill announced preliminary results for the year ended 31 December 2018, with highlights including revenue up 7%, operating profit before exceptional items up 24% and profit before exceptional items and tax up 26%. Churchill had a successful 2018 and exceeded expectations in relation to business and financial performance. It also had a good start to 2019 and we believe that it can make further progress. James Latham announced the acquisition of Abbey Woods, a leading Irish timber merchant. There are strong synergies between the companies and the acquisition complements Latham's existing business in Ireland. A trading statement reported that revenue and profit before tax were expected to be in line with expectations and that the integration of Abbey Woods was progressing well.

Gama announced that the board was conducting a thorough review of its financial reporting methodology to improve the consistency of financial information. Management reported that the 2019 outlook remains in line with board expectations. Post period end, Gama announced the appointment of Simon To as new chairman of the group. Finsbury provided an update on trading for the six months ended 29 December 2018, reporting revenue declined 3.5% to £152.3 million and like for like revenue increased 0.5% to £145.5 million. Management stated that sales were hampered by the closure of bakeries in the first half of the year, a challenging macro environment and a sustained rise in costs. Despite the testing market conditions, the board is positive on the group's outlook.

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 3.00% for the three-month period ending 31 March 2019, compared with the index, which was up 7.04%.

Cumulative performance

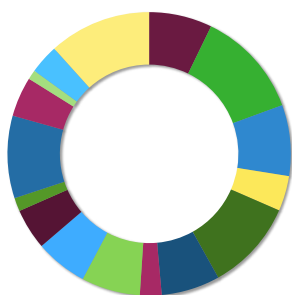


Cumulative performance (%)								
	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-0.33	3.00	-13.97	3.00	-6.75	12.37	14.60	88.21
Index	0.40	7.04	-8.60	7.04	-4.09	24.57	22.97	75.19

Discrete performance (%)					
	31/03/2018	31/03/2017	31/03/2016	31/03/2015	31/03/2014
Service	-6.75	0.05	20.44	-1.56	3.60
Index	-4.09	6.98	21.41	3.56	-4.67

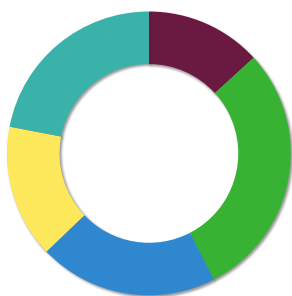
DAEPS launched in March 2012. The Index is shown for illustrative purposes only and is not considered directly comparable to the performance of this Service. Index: Numis Smaller Companies Index Plus AIM Ex. Investment Companies. Source of Service data: Brooks Macdonald. Source of Index data: Numis.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

Portfolio by sector



7.20% Food & beverage	5.97% Software
12.22% Industrial goods & services	4.67% Transport
8.10% Technology	1.53% Cash
4.01% Personal & household goods	9.41% Financial services
10.36% Real estate	4.54% Media
6.69% Healthcare	1.09% Oil and gas
2.47% Technology hardware	3.35% General retailers
6.71% Telecom services	11.68% Support services

Portfolio by market cap



Market Cap bands

13.22% £0m-£50m
29.19% £50m - £100m
20.43% £100m - £150m
15.18% £150m - £200m
21.98% £200m+

Top 5 portfolio holdings	%
AdEPT Technology Group	6.71
Andrews Sykes Group	6.49
Lok N' Store	5.56
Volex	5.46
James Latham	5.43

All data as at 31 March 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, and is a Fellow of the Securities Institute.



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.

11 April 2019

Downing

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Important notice

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