

# Downing AIM Estate Planning Service

January  
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 December 2018, Sanderson Group (up 5.36%) and Volex (up 4.03%) were positive contributors to performance, while Amino Technologies (down 44.10%) and Andrews Sykes Group (down 26.00%) were detractors.

Sanderson issued positive preliminary results for the year ended 30 September 2018, highlighting group trading results and cash ahead of market expectations, and an increased final dividend. Management reported that the group has a clear growth strategy with organic growth planned from the fast expanding digital retail division and renewed growth impetus from the enlarged enterprise division. In the period, Volex announced the acquisition of GTK Limited for a total consideration of approximately £14.3 million. Management stated that the acquisition represents an important next step in expanding its market-leading cable assemblies division, bringing new customer relationships, a skilled European-based sales and engineering team, and innovative new products.

Amino's share price fell sharply on a trading update which stated the board expects adjusted profit before tax for FY2018 to be around \$11.5 million. The diversity and depth of change in the industry this year has created difficult trading conditions in the short term, however the board believes the company is well positioned to take advantage of the all intellectual property future, and remains profitable and cash generative. Andrews Sykes issued no material news over the period but earlier reported in its interim results to the 30 June that trading in the third quarter had continued to be positive. Europe experienced strong trading results and activity in the Middle East remained consistent through the summer. The board remains cautiously optimistic that the group will have further success in the remainder of the year.

**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 down 16.48 % for the three-month period ending 31 December 2018, compared with the index, which was down 14.61%.

## Cumulative performance



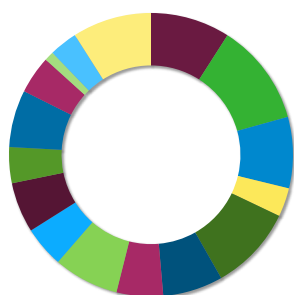
Cumulative performance (%)								
	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-5.98	-16.48	-12.29	-13.31	-13.31	-0.17	23.67	82.73
Index	-5.20	-14.61	-15.49	-15.84	-15.84	14.90	18.78	63.66

Discrete performance (%)					
	31/12/2017 31/12/2018	31/12/2016 31/12/2017	31/12/2015 31/12/2016	31/12/2014 31/12/2015	31/12/2013 31/12/2014
Service	-13.31	9.88	4.80	9.98	12.64
Index	-15.84	21.89	12.01	8.58	-4.79

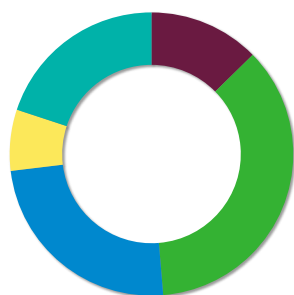
DAEPS launched in March 2012. The Index is shown for illustrative purposes only and is not considered directly comparable to the performance of this Service. Index: Numis Smaller Companies Index Plus AIM Ex. Investment Companies. Source of Service data: Brooks Macdonald. Source of Index data: Numis.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

## Portfolio by sector



9.05% Food & beverage	4.67% Software
11.64% Industrial goods & services	5.74% Transport
8.12% Technology	4.10% Cash
3.28% Personal & household goods	6.52% Financial services
9.68% Real estate	4.31% Media
6.85% Healthcare	1.08% Oil and gas
5.30% Technology hardware	3.21% General retailers
7.45% Telecom services	9.00% Support services

## Portfolio by market cap



### Market Cap bands

12.65% £0m-£50m
36.03% £50m - £100m
24.41% £100m - £150m
6.98% £150m - £200m
19.93% £200m+

Top 5 portfolio holdings	%
AdEPT Technology Group	7.45
Andrews Sykes Group	5.69
Volex	5.40
Lok N' Store	4.73
Tracsis	4.67

All data as at 31 December 2018.

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.

15 January 2019



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