

Downing AIM Estate Planning Service

October 2018

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 30 September 2018, Craneware PLC (up 59.20%) and AdEPT Technology Group PLC (up 25.38%) were positive contributors to performance, while James Latham PLC (down 11.68%) and Sanderson Group PLC (down 22.22%) were detractors.

Craneware announced positive results for the year ended 30 June 2018. The company has experienced an outstanding year in terms of financial results and operational progress, and investment into the organisation is delivering excellent results. Management stated that growing market opportunities, a record sales pipeline and increasing long-term revenue visibility gave confidence in the ongoing success of the business. AdEPT reported that, in the six months to 30 September 2018, it had made considerable progress in expanding its managed service and IT capability. AdEPT provides a full suite of managed services and is in an excellent position to take advantage of the continuing convergence between IT and telecoms.

James Latham reported sales for the first four months of the current financial year, (April to July 2018), were 9.1 % higher than the same period last year. Management stated that it was entering a period with more uncertainty, greater competition, and market pressure, but it remains positive on meeting the challenges ahead and continuing to grow the business. Sanderson did not report any material news in the period but earlier in the year the board reported that group trading results for the six month period ended 31 March 2018 were slightly ahead of expectations. It remains focused on achieving 'on-target' results, increased earnings, good cash generation and a robust balance sheet, thereby increasing shareholder value and growing dividend returns.

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 5.01% for the three-month period ending 30 September 2018, compared with the index, which was down 1.03%.

Cumulative performance

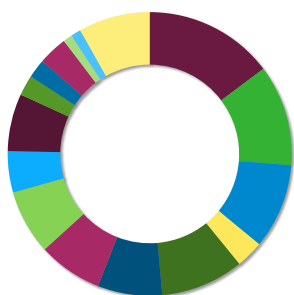


Cumulative performance (%)								
	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	4.76	5.01	8.39	3.79	5.26	22.04	54.51	118.78
Index	-0.97	-1.03	4.93	-1.44	3.04	37.47	49.95	91.67

Discrete performance (%)					
	30/09/2017	30/09/2016	30/09/2015	30/09/2014	30/09/2013
	30/09/2018	30/09/2017	30/09/2016	30/09/2015	30/09/2014
Service	5.26	15.70	0.21	10.59	14.49
Index	3.04	21.26	10.02	5.40	3.49

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



14.76% Food & beverage	4.70% Software
11.52% Industrial goods & services	6.55% Transport
9.71% Technology	2.34% Cash
3.14% Personal & household goods	2.13% Financial services
9.45% Real estate	3.34% Media
7.34% Healthcare	1.06% Oil and gas
7.32% Technology hardware	1.13% General retailers
7.37% Telecom services	8.14% Support services

Portfolio by market cap



Market Cap bands

12.97% £0m-£50m
17.05% £50m - £100m
29.11% £100m - £150m
9.77% £150m - £200m
31.10% £200m+

Top 5 portfolio holdings	%
AdEPT Technology Group	7.37
Craneware	6.46
Andrews Sykes Group	6.42
Amino Technologies	5.28
Tracsis	4.70

All data as at 30 September 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.

18 October 2018

Downing

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Important notice

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