

Portfolio commentary

The first quarter of 2020 was a difficult period for performance. 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, and continues to, severely depress markets across the globe. During the quarter, the portfolio was down 31.56% and the benchmark was down 32.69%. Sureserve (up 12.86%) was the only positive contributor to performance, while Wynnstay (down 25.62%) and Universe (down 49.52%) were detractors.

Sureserve announced its preliminary results for the year ended 30 September 2019 and reported an excellent year of both operational progress and improved financial performance, with its results exceeding market and internal targets. The board believe that the group's outlook remains positive and it is confident of continuing to deliver on a clearly defined growth strategy, evidenced by the proposed dividend for the full-year of 0.5 pence per share.

Wynnstay advised on 24 March 2020 that trading in the first four months of its financial year was subdued but broadly in line with management expectations. This reflected generally lower farmgate prices, severe wet weather that limited sowing activities, and continued farmer cautiousness. The financial impact of coronavirus on the business is difficult to predict. However, the group's strong balance sheet, substantial headroom in banking facilities, and broad spread of activities provide considerable resilience and the board retains its view that looking beyond the current coronavirus crisis, the business is well placed in the sector.

Universe Group made no news announcements during the period and we believe the shares offer good value at current levels.

About the Downing AIM ISA

The Downing AIM ISA (DISA) provides investors with the opportunity to combine ISA tax benefits with IHT relief by investing in AIM shares that carry on an IHT-qualifying trade (provided the 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.

The Downing AIM ISA 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?

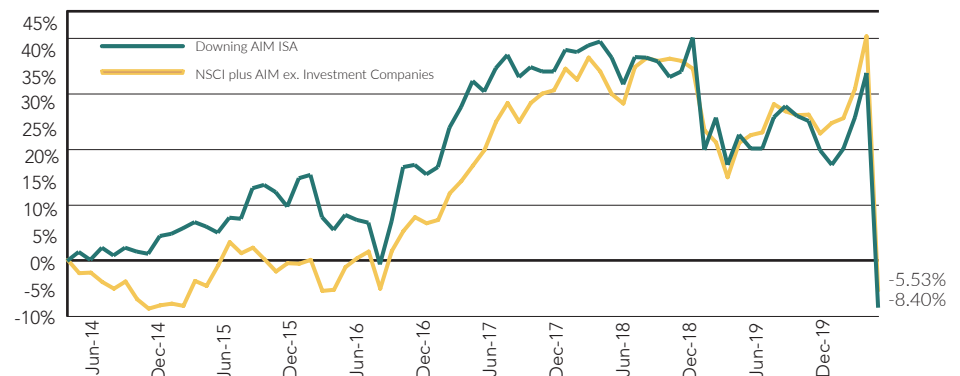
- ▶ Experienced and qualified Downing Fund Managers team headed by Judith MacKenzie.
- ▶ Private equity approach to micro cap investing, drawing on our private equity and venture capital heritage.
- ▶ Investment Committee oversight provides access to many years of investment experience.
- ▶ Value strategy with rigorous bottom up approach.
- ▶ Exhaustive diligence process that can take up to 18 months.
- ▶ Concentrated portfolio of 20 - 30 investments, which we believe provides diversification and access to strategic investments.
- ▶ Seeks to invest in profitable businesses with strong management teams and a sustainable competitive advantage.

Performance

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

The Downing AIM ISA was down 31.56% for the three month period ending 31 March 2020, compared with the indices which was down 32.69%.

Cumulative performance



Cumulative performance (%)

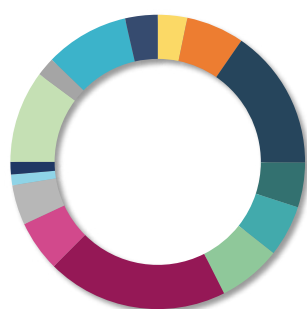
	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-23.87	-31.56	-21.91	-31.56	-23.82	-29.82	-13.79	-8.40
Index	-23.93	-32.69	-24.22	-32.69	-23.18	-21.18	-0.90	-5.53

Discrete performance (%)

	31/03/2019	31/03/2018	31/03/2017	31/03/2016	31/03/2015
	31/03/2020	31/03/2019	31/03/2018	31/03/2017	31/03/2016
Service	-23.82	-8.74	0.94	20.52	1.93
Index	-23.18	-4.09	6.98	21.41	3.56

DISA launched in March 2014. 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



3.23%	Biotechnology	4.39%	Investment banking and brokerage services
6.38%	Cash	1.18%	Leisure goods
15.47%	Electronic & electrical equipment	1.38%	Personal goods
4.91%	Finance and credit services	10.15%	Real estate investment and services
5.65%	Food producers	2.07%	Retailers
6.93%	Healthcare providers	9.20%	Software and computer services
19.89%	Industrial support services	3.57%	Telecommunications service providers
5.60%	Industrial transportation		

Portfolio by market cap



Market Cap bands

28.03%	£0m-£50m
18.84%	£50m - £100m
7.97%	£100m - £150m
20.63%	£150m - £200m
24.53%	£200m+

Top 5 portfolio holdings	%
Volex Plc	7.89
Sureserve Group Plc	7.19
Lok'N Store Group Plc	7.16
Caretech Holdings Plc	6.93
Latham (James) Plc	6.08

All data as at 31 March 2020.

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

Lead Fund Manager: Judith MacKenzie

Judith joined Downing in 2009, and is a Partner and Head of Downing Fund Managers. 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.

20 April 2020

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Important notice

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