

Downing AIM Estate Planning Service



Commentary for the quarter ending 31 December 2021

In the three months to December, the portfolio management service returned -3.8% versus the FTSE AIM All Share which returned -1.9%. This was a disappointing return for the quarter, driven by negative sentiment against some of our strongest performing companies throughout the year. Nevertheless, the portfolio service returned 26.7% over the year, comparing favourably against peers and the index which returned 6.1%

In the quarter, the model portfolio had 15 positive contributors, of which seven were double digits. Brooks Macdonald (+10.8%) reported a respectable increase in Funds under Management for the first quarter of its financial year. CentralNic (+18.9%) continued to beat analyst expectations with a very strong Q3 trading update with higher-than-expected organic growth. Eagle Eye (+18.9%) announced several new contract wins in the quarter, including its third in the US, which could prove to be a significant market for the loyalty solutions provider if they can continue gaining traction. Inland Homes (+15.8%) reported a strong finish to their H2, highlighted by the 20% reduction in net debt and with a portfolio gross development value of £3 billion. Lok'n Store (+22.9%) reported a record set of results with pricing up 8.7% and occupancy up to 85.8%, driving strong cash flows and a NAV increase of 31.6%. There remains a healthy pipeline which could add 38% more trading space. Sureserve (+17.1%) announced a strong full year update with £16 million of net cash and a 30% increase in order book. The business subsequently acquired CorEnergy which will add capabilities across EV charging, battery storage and renewable heating solutions. Tatton Asset Management (+22.3%) announced record Assets under Management of £10.8 bn with double digit revenue, operating profit and EPS growth.

There were 14 negative performers in the period, of which five were double digits. CareTech (-10.5%) reported strong results but the market became concerned around labour cost inflation. Cohort (-11.4%) reported a weak set of interim results driven by unexpected weakness in Chess. We expect this to revert over the medium term. EKF (-10.1%) reported no material news in the period. Strix (-10.8%) reported no news but was likely affected by negative sentiment around supply chain and cost inflation, and a poorly managed sell down of management shares. Volex (-19.9%) reported very strong headline earnings but this failed to translate into significant EPS growth due to tax and share dilution. The business also reported some temporary margin headwinds.

Performance



Cumulative performance (%)								
	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-2.15	-3.75	6.74	26.69	26.69	42.64	37.45	166.61
FTSE AIM* All Share TR	2.55	-1.92	-2.05	6.12	6.12	46.33	52.79	71.55

Discrete performance (%)					
	31/12/2020 - 31/12/2021	31/12/2019 - 31/12/2020	31/12/2018 - 31/12/2019	31/12/2017 - 31/12/2018	31/12/2016 - 31/12/2017
Service	26.69	-3.41	16.57	-12.53	10.17
FTSE AIM* All Share TR	6.12	21.74	13.26	-17.12	25.97

Performance from inception to 30 December 2019 is based on the return of the first investor's portfolio in the Downing AIM Estate Planning Service and the Downing AIM ISA Service, net of fees. From 31 December 2019 onwards, all investors' performance across both products has been consolidated, thus capturing every investment decision of the manager, on a net of fees basis. We believe that this new method provides the most relevant way of providing performance information however investors should note that actual portfolio returns may be different to the returns of the model portfolio.



Fund Manager
Judith MacKenzie

Judith is a Partner at Downing, having joined in 2009 and founding Downing Fund Managers. Previously she was a partner at Acuity Capital managing AIM-quoted VCT and IHT investments and a small-cap activist fund. Prior, Judith spent nine years as a senior investment manager with Aberdeen Asset Management Growth Capital as co Fund Manager of the five Aberdeen VCTs, focusing on technology and media investments in both the public and private arenas.



Fund Manager
Nick Hawthorn

Nick began working on the buy side in 2013 and joined Downing in September 2015 from BP Investment Management. Prior to this, he worked for Aberdeen Asset Management. Nick holds an MSc in Finance and Investment from Durham University and a MA in Accounting and Economics from the University of Aberdeen.

Opinions expressed in Judith and Nick's commentary represent their views at the time of publication, are subject to change, and should not be interpreted as investment advice. Not all portfolios contain the holdings mentioned.

The Downing AIM Estate Planning Service was down 3.75% for the three-month period ending 31 December 2021 compared with the index, which was down 1.92%.

**The Index is shown for illustrative purposes only and is not considered directly comparable to the performance of this Service. Index: FTSE AIM All Share Index. Source of Service data: IBP Markets Ltd & Downing LLP. Source of Index data: FTSE.*

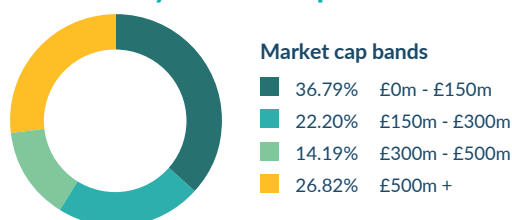
Past performance is not a reliable indicator of future performance.

Portfolio summary

As at 31 December 2021

Top 10 portfolio holdings	%
Volex Plc	5.32
Hargreaves Services	4.71
Tatton Asset Management Plc	4.57
CareTech Holdings Plc	4.52
Sureserve Group Plc	4.37
Tracsis Plc	4.24
Centralnic Group Plc	4.07
Lok`n Store Group plc	4.03
Wynnstay Group	3.59
EKF Diagnostics Holdings plc	3.58

Portfolio by market cap



Portfolio by sector



Source of sector and top holdings data: IBP Markets Ltd and Downing LLP. Source of market cap data: Factset.

About the Downing AIM Estate Planning Service

The Downing AIM Estate Planning Service 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.

The Downing AIM Estate Planning Service aims to manage risk by spreading your funds across at least 25 companies across a variety of sectors.

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.

There is also an option for life cover - insurance which covers 40% of your original gross investment (before charges) if you die in your first two years in the service. (Subject to terms and conditions).

Downing AIM Estate Planning service is also available within an ISA wrapper.

Fees and charges are payable in respect of both the Downing AIM Estate planning Service and ISA, please see the relevant product brochure for details. Visit downing.co.uk.

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.
- ▶ Advisory 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.
- ▶ Aims to manage risk by spreading your funds across at least 25 AIM-quoted companies in a variety of sectors.
- ▶ Seeks to invest in profitable businesses with strong management teams and a sustainable competitive advantage.

www.downing.co.uk

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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