

Commentary for the months of April and May 2020

In the two-month period ending 31 May 2020, Universe Group (up 135.85%), and Ramsdens Holdings (up 51%) were positive contributors to performance, while Lok'nStore (down 10.43%) and Hargreaves Services (down 1.48%) were detractors.

Universe announced its results for the year to 31 December 2019 and reported that notwithstanding the considerable challenges posed by Covid-19, the business has robust financial resources and its customers are retailers of essential supplies. It has a revenue pipeline for this year that indicates completed revenues of £5.2 million in Q1, with further revenues of £16.8 million visible through existing recurring and repeatable revenue contracts and the order book.

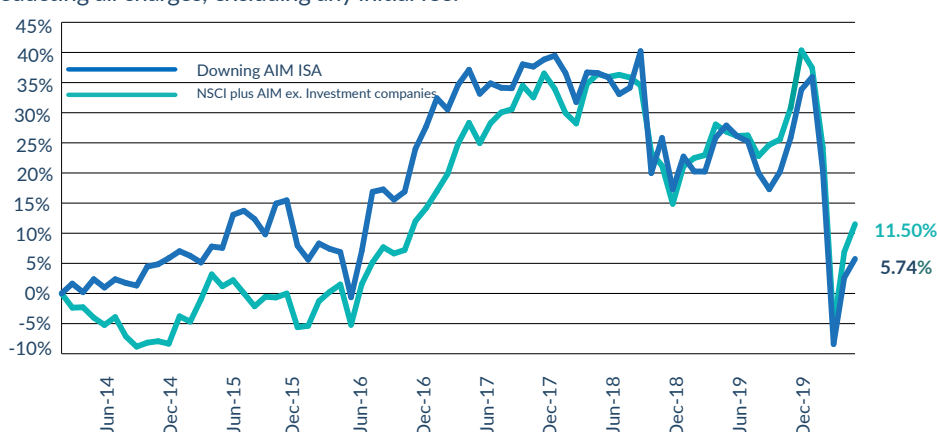
Ramsdens issued its results for the 12 months to 31 March 2020 and announced the group had delivered a year of further growth and increased profitability. While all stores were closed in March in accordance with government guidance, the board is confident that the business is supported by a strong balance sheet, good cash position and an ability, if needed, to quickly convert jewellery stock into cash.

Lok'nStore announced its interim results for the six months to 31 January 2020. The share price declined in the period, however, management reported that despite the current circumstances, the group has a resilient business model and a flexible and conservative debt structure. It has created a strong platform with revenue, cash flow and asset values all moving ahead and it is raising the interim dividend by 9% to 4 pence per share.

Hargreaves provided an update on trading ahead of reporting its preliminary results for the year ended 31 May 2020 post period end. The group has not experienced any material impact from Covid-19 other than in its Property business and the board expects to report underlying results* in line with market expectations. (Note that underlying results are stated prior to exceptional items and amortisation and impairment of intangible assets and include the group's share of the profit of its German associate).

Performance

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



Cumulative performance (%)

| | 1m | 3m | 6m | YTD | 1y | 3y | 5y | Launch |
|---------|------|--------|--------|--------|--------|--------|-------|--------|
| Service | 3.04 | -12.11 | -15.98 | -20.99 | -17.31 | -22.89 | -1.90 | 5.74 |
| Index* | 4.29 | -10.22 | -14.77 | -20.55 | -12.10 | -13.11 | 8.07 | 11.50 |

Discrete performance (%)

| | 31/05/2019 - 31/05/2020 | 31/05/2018 - 31/05/2019 | 31/05/2017 - 31/05/2018 | 31/05/2016 - 31/05/2017 | 31/05/2015 - 31/05/2016 |
|---------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Service | -17.31 | -6.37 | -0.40 | 28.31 | -0.85 |
| Index* | -12.10 | -7.01 | 6.31 | 26.43 | -1.63 |



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.

Opinions expressed in Judith's commentary represent her 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 ISA was down 12.11% for the three-month period ending 31 May 2020, compared with the index, which was down 10.22%

DAISA 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 summary

As at 31 May 2020

| Top 5 portfolio holdings | % |
|--------------------------|-------|
| Volex Plc | 6.98% |
| Sureserve Group Plc | 6.92% |
| James Latham Plc | 6.89% |
| Caretech Holdings Plc | 6.29% |
| Lok'N'Store Group Plc | 5.48% |

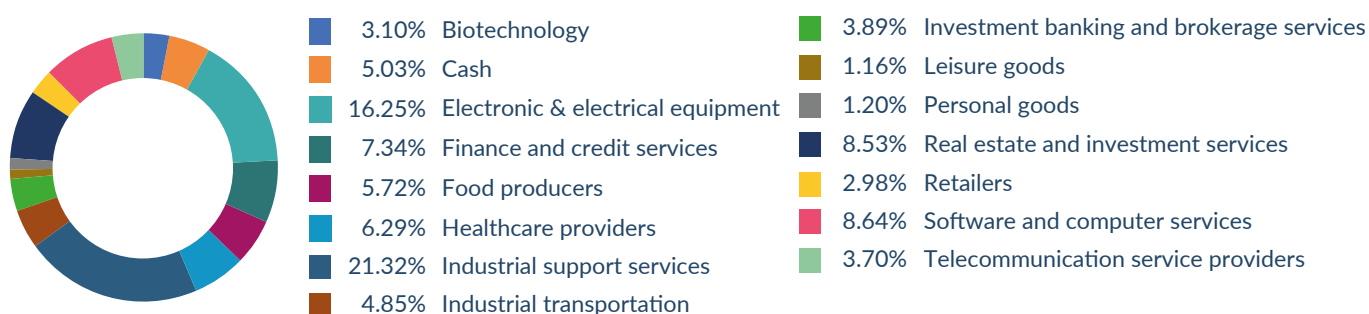
Portfolio by market cap



Market cap bands

| | |
|--------|---------------|
| 24.71% | £0m - £50m |
| 22.29% | £50m - £100m |
| 3.30% | £100m - £150m |
| 19.05% | £150m - £200m |
| 30.65% | £200m+ |

Portfolio by sector



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

About the Downing AIM ISA

The Downing AIM ISA (DAISA) 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 25 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.

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).

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.
- ▶ 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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