

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 Public Equity 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.

Portfolio commentary

In the three-month period ending 31 December 2019, Volex (up 77.83%), and Dart Group (up 85.14%) were positive contributors to performance, while Bonhill Group (down 30.91%) and Applegreen (down 7.65%) were detractors.

Volex announced strong interim results for the 26 weeks to 29 September 2019. Importantly, the group recommenced the payment of a dividend, the first since 2013. Management reported that this is due to the significant re-positioning seen across the business – it is now cash generative, creating healthy profits across its two business divisions, and is in acquisitive growth mode. The board remains confident of delivering its full-year expectations and in the company's ability to drive shareholder value.

Dart Group issued a trading update and reported that its leisure travel business has continued to receive encouraging levels of later season bookings, with overall demand continuing to strengthen. Given the improving booking trend, the board believes current market expectations for group profit before foreign exchange revaluations and taxation for the year ending 31 March 2020 will be exceeded.

Bonhill Group warned that the company's results for the year ending 31 December 2019 will not reach the levels previously anticipated. The group continues to develop its offering and investment in technology will create a platform to provide a much better service to core markets giving the board confidence going into 2020.

Applegreen's share price dipped at the beginning of December, which we believe was due to volatility in sentiment post its interim results. The shares staged a recovery in early January. The only significant news was the acquisition of on-highway service plazas in the US by a consortium of which Applegreen is a member.

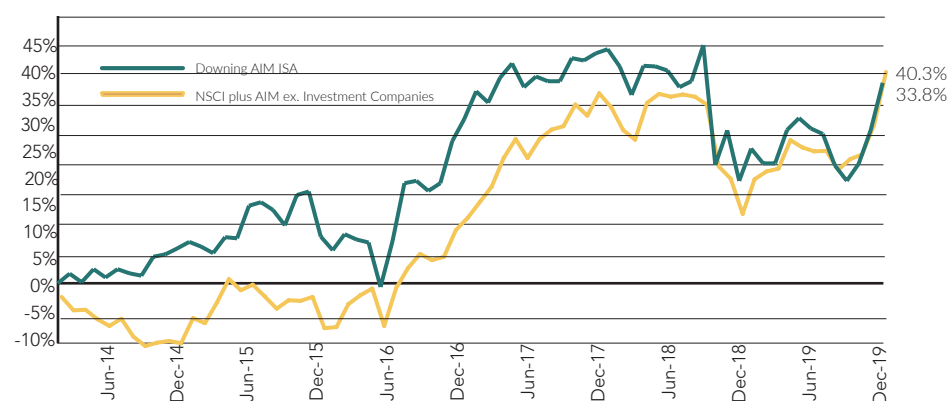
Please note that not all portfolios contain the holdings mentioned above.

Performance

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

The Downing AIM ISA was up 14.11% for the three-month period ending 31 December 2019, compared with the index, which was up 12.57%.

Cumulative performance



Cumulative performance (%)

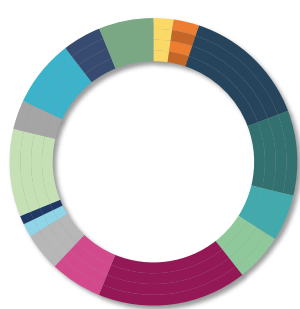
	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	6.35	14.11	6.12	14.13	14.13	7.93	27.65	33.84
Index	7.27	12.57	11.27	22.16	22.16	25.31	52.40	40.34

Discrete performance (%)

	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015
Service	14.13	-15.52	11.95	7.41	10.11
Index	22.16	-15.84	21.89	12.01	8.58

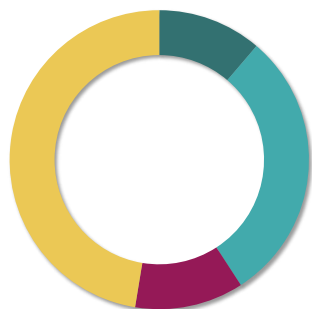
DISA launched in March 2014. The Index is shown for illustrative purposes only and is not considered directly comparable to the performance of this Service. Index: Numis Smaller Companies Index Plus AIM Ex. Investment Companies. Source of Service data: Brooks Macdonald. Source of Index data: Numis. Past performance is not a reliable indicator of future performance.

Portfolio by sector



2.25%	Biotechnology	4.28%	Investment banking and brokerage services
2.89%	Cash	1.54%	Leisure goods
14.10%	Electronic & electrical equipment	0.98%	Personal goods
9.54%	Finance and credit services	9.84%	Real estate investment and services
5.23%	Food producers	3.28%	Retailers
5.40%	Healthcare providers	7.56%	Software and computer services
16.78%	Industrial support services	4.34%	Telecommunications service providers
5.85%	Industrial transportation	6.14%	Travel & leisure

Portfolio by market cap



Market Cap bands

11.25%	£0m-£50m
29.58%	£50m - £100m
0.00%	£100m - £150m
11.76%	£150m - £200m
47.41%	£200m+

Top 5 portfolio holdings	%
Volex Plc	7.15
Dart Group Plc	6.14
Lok'N Store Group Plc	6.00
James Latham Plc	5.87
Ramsdens Holdings Plc	5.64

All data as at 31 December 2019.

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 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.



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.

21 January 2020

Downing

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Important notice

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