

Downing AIM ISA

July 2019

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 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.

Portfolio commentary

In the three-month period ending 30 June 2019, FireAngel Safety Technology (up 83.33%) and Sanderson Group (up 36.70%) were positive contributors to performance, while Craneware (down 21.81%) and Hargreaves Services (down 22.57%) were detractors.

FireAngel announced the results of a successful placing and open offer to raise approximately £6 million to accelerate recovery. The net proceeds will be used to reduce indebtedness, for investment in the company's Connected Homes proposal and for working capital purposes. The share price over the period was further supported by directors purchasing shares. Sanderson announced the acquisition of Gould Hall Computer Services for a maximum enterprise value of £3.17 million. The board stated that the opportunities that will arise from this complementary acquisition further strengthens the range of group solutions and services available to customers within the supply chain logistics and distribution sectors.

Craneware provided a trading update for the year ending 30 June 2019 and reported lower than anticipated sales in the second half of the year. Further, capitalised research and development has increased significantly, reflecting the group's ongoing commitment to new product development. The board believe that the strategy, its financial strength and high levels of revenue visibility for future years combine to give confidence in Craneware's future. Hargreaves share price was impacted by uncertainty over the financial position of British Steel. The potential impact currently cannot be fully determined, however, the board estimates that the group has a current net exposure of approximately £4.5 million to British Steel, some or all of which may prove to be irrecoverable if it is unable to continue trading. This overshadowed the positive news that Hargreaves had conditionally sold 10.75 acres of serviced residential development land at its key Blindwells site to Bellway.

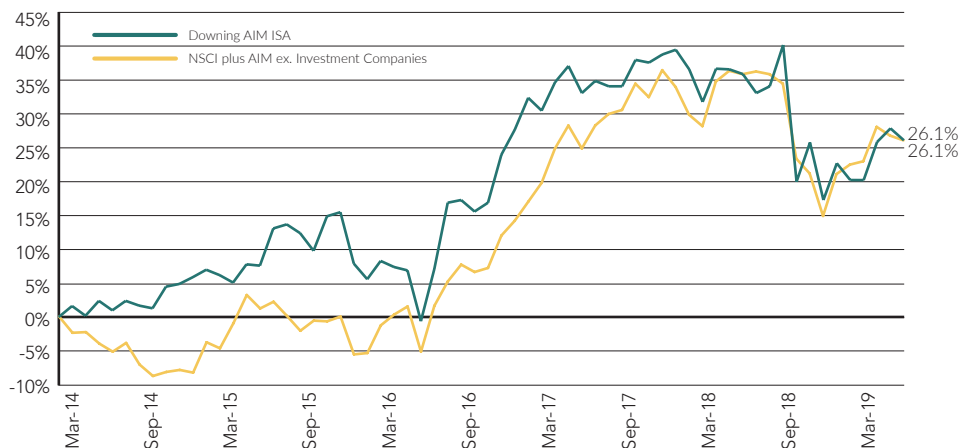
Please note that not all portfolios contain the holdings mentioned above.

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 4.89% for the three-month period ending 30 June 2019, compared with the index, which was up 2.57%.

Cumulative performance

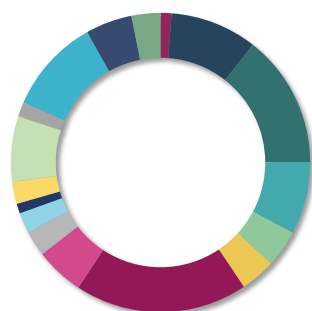


Cumulative performance (%)								
	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-1.37	4.89	7.54	7.54	-7.17	26.92	23.20	26.12
Index	-0.57	2.57	9.79	9.79	-7.22	33.05	31.41	26.13

Discrete performance (%)					
	30/06/2018	30/06/2017	30/06/2016	30/06/2015	30/06/2014
Service	-7.17	2.04	33.99	-7.62	5.08
Index	-7.22	8.80	31.80	-6.33	5.44

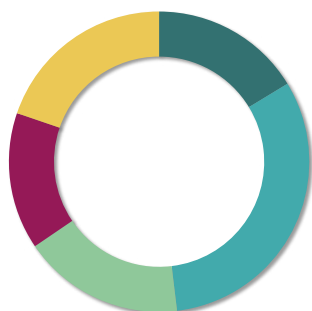
DISA launched in March 2014. The Index is shown for illustrative purposes only and is not considered directly comparable to the performance of this Service. Index: Numis Smaller Companies Index Plus AIM Ex. Investment Companies. Source of Service data: Brooks Macdonald. Source of Index data: Numis. Past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

Portfolio by sector



1.18%	Cash	2.20%	Leisure goods
9.40%	Electronic & electrical equipment	1.07%	Personal goods
14.38%	Finance and credit services	2.39%	Biotechnology
7.81%	Food producers	7.07%	Real estate investment and services
4.01%	Healthcare providers	1.58%	Retailers
3.81%	Household goods & home construction	10.26%	Software and computer services
18.64%	Industrial support services	5.03%	Telecommunications service providers
5.28%	Industrial transportation	3.12%	Travel & leisure
2.77%	Investment banking and brokerage services		

Portfolio by market cap



Market Cap bands

16.31%	£0m-£50m
31.78%	£50m - £100m
17.40%	£100m - £150m
14.75%	£150m - £200m
19.76%	£200m+

Top 5 portfolio holdings	%
James Latham	5.57
Volex	5.49
AdEPT Technology Group	5.03
Ramsdens Holdings	4.55
Tracsis	4.47

All data as at 30 June 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.

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Downing LLP, St Magnus House,
3 Lower Thames Street,
London EC3R 6HD
020 7416 7780 / www.downing.co.uk

Important notice

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