

Downing AIM ISA

October 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 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 30 September 2019, Inland Homes (up 20.61%), and Dart Group (up 9.58%) were positive contributors to performance, while FireAngel Safety Technology (down 53.25%) and Bonhill Group (down 30.38%) were detractors.

Inland Homes announced that it had received planning consent for its flagship site at Wilton Park in Buckinghamshire, with an estimated gross development value of £350 million. The group also announced that it will acquire its joint venture partner's 50% interest in Cheshunt Lakeside Developments Ltd. These sites will either be sold to other developers or fed into Inland's growing housebuilding operations. Dart Group reported in September 2019 that the later booking trend had continued in the leisure travel business, with overall demand for flight-only and package holidays strengthening. Although there's still some way to go in the winter booking cycle, the board remains optimistic that current market expectations for group profit before foreign exchange revaluations and taxation for the year ending 31 March 2020 will be met.

FireAngel announced its results for the six months ended 30 June 2019. In the period the interim loss widened on exceptional costs, leading to expectations of a loss for FY2019. Looking ahead, the board is cautious on when strategically significant trials in progress will be completed, however these trials are expected to generate revenue in 2020 and beyond. Bonhill announced interim results for the six months ended 30 June 2019, and highlighted revenue and organic UK growth. Challenging conditions impacted trading at InvestmentNews in the US, and the board believes the lack of fund flows in the UK fund management industry and issues in Hong Kong will impact performance. It expects results for the year ending 31 December 2019 to be below market expectations. However, continued investment in people and technology gives management confidence that Bonhill will enter 2020 in a stronger position.

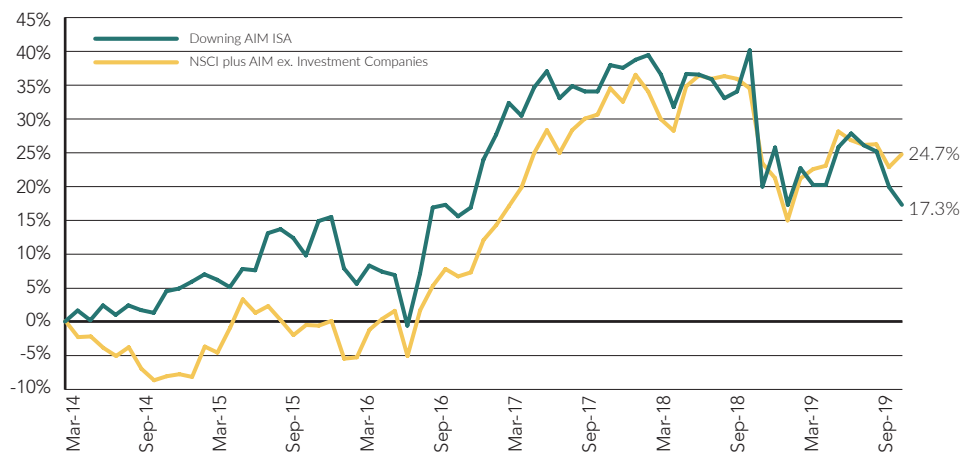
Please note that not all portfolios contain the holdings mentioned above.

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 down 7.00% for the three-month period ending 30 September 2019, compared with the index, which was down 1.16%.

Cumulative performance



Cumulative performance (%)								
	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-2.24	-7.00	-2.45	0.02	-16.34	0.02	15.29	17.30
Index	1.52	-1.16	1.37	8.51	-7.34	15.77	34.25	24.67

Discrete performance (%)					
	30/09/2018	30/09/2017	30/09/2016	30/09/2015	30/09/2014
Service	-16.34	4.58	14.32	4.38	10.43
Index	-7.34	3.04	21.26	10.02	5.40

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



2.50%	Biotechnology	3.71%	Investment banking and brokerage services
9.59%	Cash	1.47%	Leisure goods
8.81%	Electronic & electrical equipment	1.12%	Personal goods
10.94%	Finance and credit services	8.59%	Real estate investment and services
6.23%	Food producers	2.95%	Retailers
5.04%	Healthcare providers	6.35%	Software and computer services
1.15%	Household goods & home construction	5.26%	Telecommunications service providers
16.39%	Industrial support services	4.55%	Travel & leisure
5.35%	Industrial transportation		

Portfolio by market cap



Market Cap bands

24.63%	£0m-£50m
27.11%	£50m - £100m
7.42%	£100m - £150m
20.99%	£150m - £200m
19.85%	£200m+

Top 5 portfolio holdings	%
James Latham plc	5.55
Volex plc	5.33
AdEPT Technology Group plc	5.26
Ramsdens Holdings plc	5.18
Lok'N Store Group plc	5.15

All data as at 30 September 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.

31 October 2019

Downing

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Important notice

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