

# Downing AIM Estate Planning Service



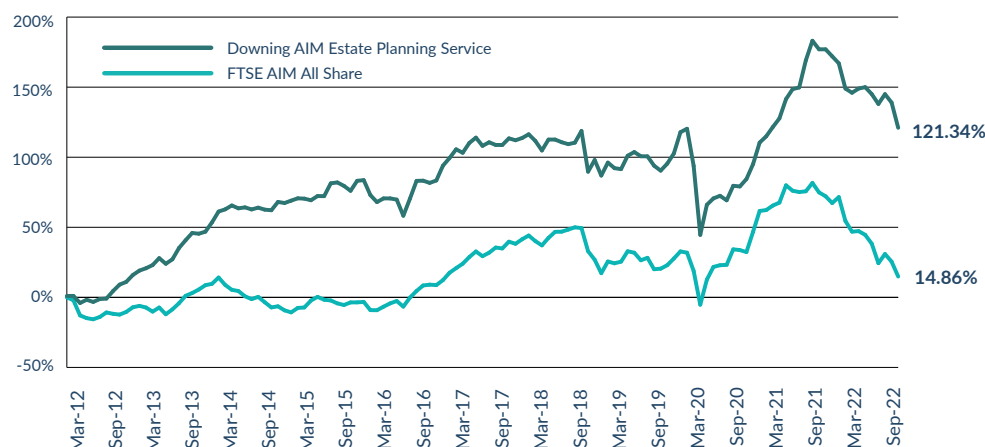
## Commentary for the quarter ending 30 September 2022

In the third quarter of 2022, the Managed Portfolio Service generated a loss of 7.1% versus the AIM All-Share index of -7.7%. It was disappointing that we tracked the AIM All-Share so closely in the period as our style should prove more resilient in declining markets such as the current one. However, the effects of the mini budget drove a risk-off attitude even to our more lowly rated companies. Regardless, our year-to-date performance remains relatively strong at -17% versus the AIM index at -33%. The portfolio PE sits around 12x, which compares favourably to the market and some peers on 20x. With increasing bond yields, we feel that multiples still must compress, and that positions us well. Most of our companies enjoy strong balance sheets and ought to trade through this challenging period, and as valuations become more depressed, our opportunity set and the potential to earn abnormal returns increases.

There were 19 double digit detractors, 17 subject to multiple compression rather than missing guidance. Of the two that did disappoint, **Anpario (-19.1%)**, reported cost inflation driving lower margins on flat revenue, but the longer-term structural growth story remains intact. **Tribal (-19.3%)** reported a delay to the deployment of a significant contract which meant that revenues could not be recognised in the half year, yet management remain confident that this will be delivered in the second half of their financial year.

There were two positive double-digit contributions from **Argentex (+17.1%)** and **EKF (+25.1%)**. Argentex reported that it is benefitting from the current FX and interest rate volatility that is affecting small corporates and have guided to significant upgrades. EKF reported a reassuring set of results following a period of rebasing expectations from the decline of the non-core (Covid related) business.

## Performance



### Cumulative performance (%)

	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-7.35	-7.07	-11.03	-16.98	-20.09	16.24	6.04	121.34
FTSE AIM* All Share TR	-8.48	-7.65	-22.01	-33.05	-34.34	-4.65	-14.86	14.86

### Discrete performance (%)

	30/09/2021 - 30/09/2022	30/09/2020 - 30/09/2021	30/09/2019 - 30/09/2020	30/09/2018 - 30/09/2019	30/09/2017 - 30/09/2018
Service	-20.09	54.64	-5.93	-12.95	4.80
FTSE AIM* All Share TR	-34.34	30.79	11.03	-19.38	10.77

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.

Downing

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 -7.07 for the three-month period ending 30 September 2022 compared with the index, which was down -7.65%.

*\*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.*

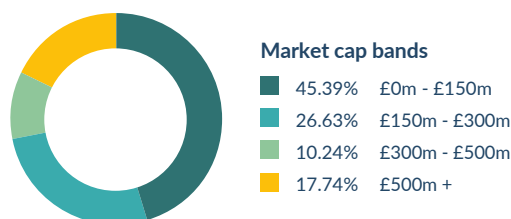
*Past performance is not a reliable indicator of future performance.*

# Portfolio summary

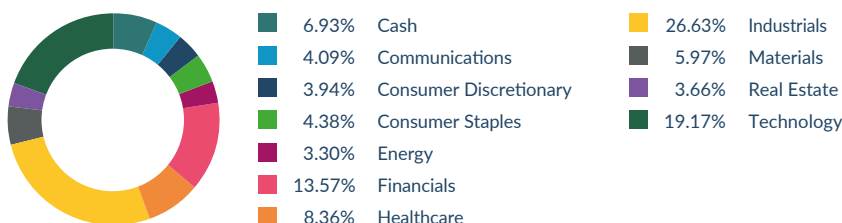
As at 30 September 2022

Top 10 portfolio holdings	%
CareTech Holdings Plc	5.46
Tracsis Plc	4.84
Smart Metering Systems Plc	4.60
Vollex Plc	4.47
Ramsdens Holdings Plc	4.31
Sureserve Group Plc	4.31
Wynnstay Group	4.30
Hargreaves Services	4.23
Centralnic Group Plc	3.98
Lok'n Store Group plc	3.59

## Portfolio by market cap



## Portfolio by sector



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

## 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](https://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.

[downing.co.uk/daeps](https://downing.co.uk/daeps)

**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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