

# Downing AIM Estate Planning Service



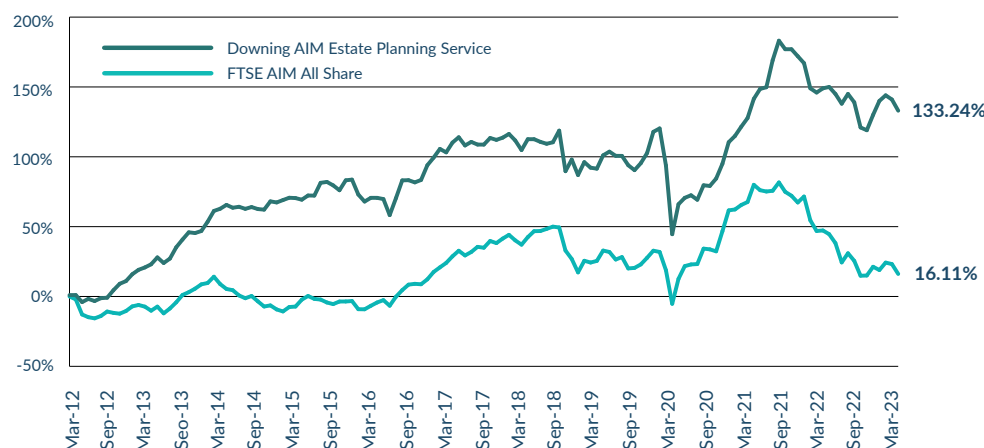
## Commentary for the quarter ending 31 March 2023

In the first quarter of 2023, the Service generated a negative return of 2.6% versus the index which lost 2.4%. It was a challenging period for markets with the year initially starting well, before concerns around Silicon Valley Bank and Credit Suisse rocked confidence in risk assets at the quarter end. Our quarterly performance masks a 3.4% decline in March, versus a 5.8% decline for the index, thus the defensiveness of our lower valuations and asset backing reducing drawdown in the face of uncertainty. Some confidence has returned, however, concerns around inflation and terminal interest rates still remain. It seems like much hope from investors – especially those invested in growth companies – rests on a 'Fed pivot', an aggressive rate cut which will drive market-wide multiple expansion. We still struggle with this view and expect terminal rates in the 3 - 4% range if inflation is to be controlled, thus we prefer the better value parts of the universe.

Four companies enjoyed double-digit share price increases in the period. **Inspeks (+122%)**, a new model holding, is one of the world's largest eyewear manufacturers. It outperformed on the back of a better-than-expected end to 2022. The company had several issues through the year which had driven the shares down almost 90%. As we expected, many of those issues appear to have been temporary and the company should recover through 2023 and 2024. **Kitwave (+36%)** continued to re-rate on the back of strong earnings and wider investor recognition. **Marlowe (+19%)**, another new model holding, re-rated following a reassuring capital markets day, which provided greater visibility on organic growth and cash flow quality. **Ramsdens (+12%)** reported a strong set of results with continued momentum across all divisions. Legacy holding **AdEPT Technology** was acquired for a 75% premium in the period.

Eight companies had double-digit declines in the period. **Anpario (-59%)** suffered from negative growth in Europe combined with margin pressures. **Wynnstay (-26%)** declined due to earnings normalisation post an exceptional 2022 driven by one-off fertiliser stock gains due to the Russia/ Ukraine war. We also expect a tougher year for UK farmers. **EKF (-37%)** disappointed again as we believe management have not managed to transition the business quickly in the post-Covid environment. **Restore (-18%)** de-rated for reasons unknown and now presents good value in our view. **Lok'n Store (-24%)** and **Volex (-14%)** de-rated on no news, but have subsequently reported positive results or news flow in April.

## Performance



### Cumulative performance (%)

	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-3.41	-2.62	5.38	-2.62	-6.25	61.33	13.89	133.24
FTSE AIM* All Share TR	-5.76	-2.38	1.09	-2.38	-21.16	22.53	-15.30	16.11

### Discrete performance (%)

	31/03/2022 - 31/03/2023	31/03/2021 - 31/03/2022	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020	31/03/2018 - 31/03/2019
Service	-6.25	9.27	57.50	-24.50	-6.50
FTSE AIM* All Share TR	-21.16	-12.14	76.89	-24.48	-8.47

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 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.*

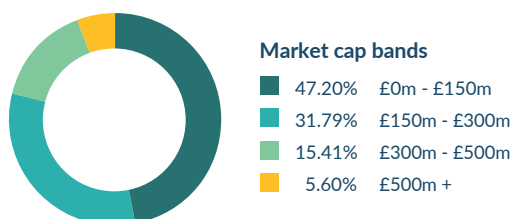
*Past performance is not a reliable indicator of future performance.*

# Portfolio summary

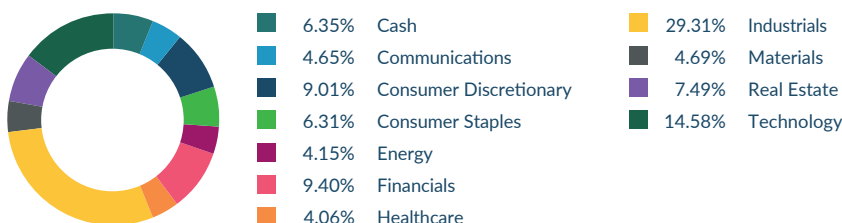
As at 31 March 2023

Top 10 portfolio holdings	%
Sureserve Group Plc	5.18
Ramsdens Holdings Plc	5.08
Tracsis Plc	4.67
Centralnic Group Plc	4.30
Ashtead Technology Holdings Plc	4.15
Hargreaves Services	4.15
Avingtrans plc	3.87
SigmaRoc Plc	3.84
Vollex Plc	3.84
Argentex Group Plc	3.83

## 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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