

Downing AIM ISA

January
2019

About 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*. 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.

**Provided the shares have been held for at least two years at death.*

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.

Market commentary

In the three-month period ending 31 December 2018, Shoe Zone (up 5.64%) and Bonhill Group (up 2.50%) were positive contributors to performance, while Amino Technologies (down 44.10%) and FireAngel Safety Technology Group (down 39.26%) were detractors.

Shoe Zone issued a full-year trading update for the period to 29 September 2018, reporting it had traded well in the second half of the year and expected to report revenues of approximately £161 million for the period. This improvement is due to strong performance across the business, with both physical and digital channels demonstrating growth, allied with the completion of the loss-making store rationalisation programme. Bonhill announced interim results for the six months ended 30 September 2018, noting that the name change (from Vitesse Media) is the first symbolic step in its transformation into a new entity with a significantly updated growth strategy. Management is confident in the new strategy and looks forward to driving the business forward.

FireAngel issued a trading update that warned 2018 results would likely be materially below market expectations due to the cost of transition into an independent technology-led business. The extended time to optimise production impacted the delivery of certain high-margin products and added short-term costs. Management stated that core product sales were recovering through traditional retailers and digital channels. German trade sales have also started to improve, which should provide further momentum in 2019. Amino's share price fell sharply on a trading update which stated that the board expected adjusted profit before tax for FY2018 to be around \$11.5 million. The diversity and depth of change in the industry this year has created difficult trading conditions in the short term, however the board believes the company is well positioned to take advantage of the all intellectual property future, and remains profitable and cash generative.

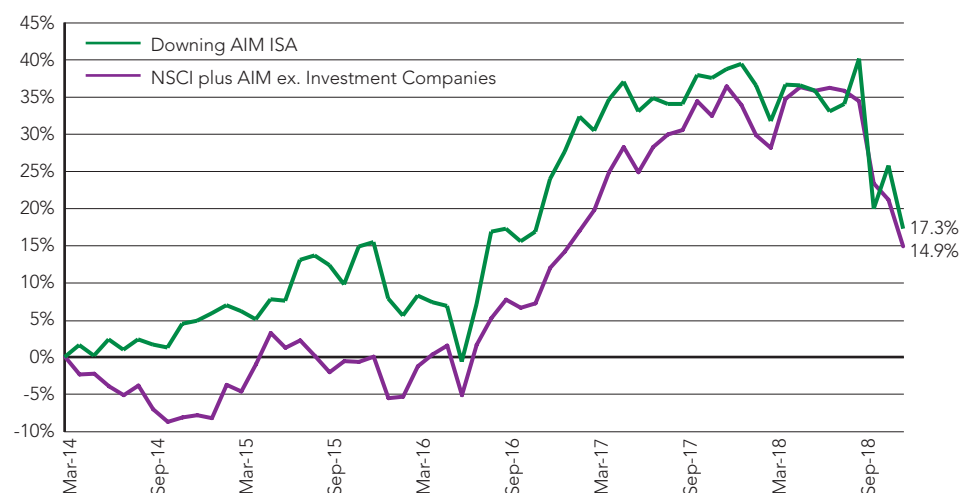
Please note that not all portfolios contain the holdings mentioned above.

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 16.36% for the three-month period ending 31 December 2018, compared with the index, which was down 14.61%.

Cumulative performance



Cumulative performance (%)								
	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-6.78	-16.36	-13.68	-15.52	-15.52	1.58	N/A	17.28
Index	-5.20	-14.61	-15.49	-15.84	-15.84	14.90	N/A	14.88

Discrete performance (%)					
	31/12/2017 31/12/2018	31/12/2016 31/12/2017	31/12/2015 31/12/2016	31/12/2014 31/12/2015	31/12/2013 31/12/2014
Service	-15.52 -15.52	11.95 11.95	7.41 7.41	10.11 10.11	N/A N/A
Index	-15.84 -15.84	21.89 21.89	12.01 12.01	8.58 8.58	N/A N/A

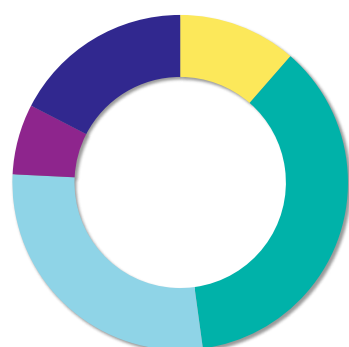
*DISA launched in March 2014. The Index is shown for illustrative purposes only and is not considered directly comparable to the performance of this Service. Index: Numis Smaller Companies Index Plus AIM Ex. Investment Companies. Source of Service data: Brooks Macdonald. Source of Index data: Numis.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

Portfolio by sector



9.16%	Food & beverage	4.30%	Software
12.75%	Industrial goods & services	3.58%	Cash
7.72%	Technology	6.52%	Financial services
3.03%	Personal & household goods	5.87%	Transport
7.52%	Real estate	7.50%	Media
4.83%	Technology hardware	5.43%	Oil & gas
7.48%	Health care	4.10%	General retailers
6.08%	Telecom services	4.13%	Support services

Portfolio by market cap



Market Cap bands	
11.41%	£0m - £50m
36.43%	£50m - £100m
27.94%	£100m - £150m
6.80%	£150m - £200m
17.42%	£200m+

Top 5 portfolio holdings	%
AdEPT Technology Group	6.08
Volex	5.40
Bonhill Group	4.33
Ramsdens	4.33
Lok N' Store	4.32

All data as at 31 December 2018.

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, and is a Fellow of the Securities Institute.



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.

16 January 2019

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Important notice

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