

Downing AIM Estate Planning Service

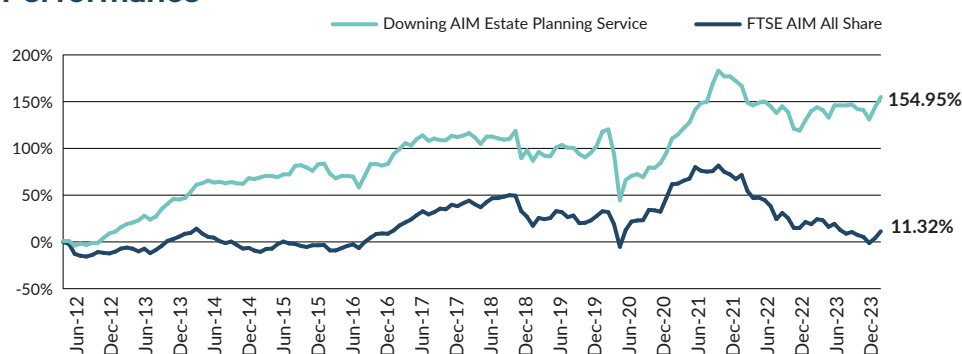
December 2023 Commentary

In the final quarter of 2023, the Service returned 5.9% versus the index which returned 5.7%. The performance was more stark over twelve months, with the Service up 6.5% and the index down 6.4%. While growth and higher risk assets have rallied hard into 2024 on the expectation of reducing interest rates, we are cautious that the pace and quantum of rate cuts could disappoint which would result in a large correction for some parts of the market. Despite this caution, and increasing political and conflict risk, we are generally more positive looking forwards due to a more 'normal' macro set-up combined with the prospects and relative undervaluation of our portfolio companies.

There were ten double-digit positive performers in the period. **OnTheMarket (+80%)** was bid for and taken over by a strategic buyer. **Smart Metering Systems (+51%)** was bid for by private equity and remains in an offer period. **Ashtead Technology (+41%)** made a highly earnings accretive acquisition of ACE Winches, broadening the depth of their sub-sea hire portfolio. **Lok'nStore (+24%)** rallied with a robust set of results and as sentiment improved on reducing rates. **Cohort (+13%)** reported a very encouraging set of interim results and order book growth as defence spending has increased. **Equals (+12%)** rallied as the company entered a period of strategic review which could lead to a sale. The rest largely reported in-line results and benefited as sentiment improved towards year end.

There were two double-digit negative contributors. **Marlowe (-26%)** disappointed as management continued to be acquisitive, increasing exceptional and financing costs and net debt, while the market had expected a reduced level of M&A activity to drive improved quality of earnings. **Wynnstay (-14%)** warned on earnings due to unusually bad weather and weaker farm gate prices affecting farmer's spending decisions.

Performance



Cumulative performance (%)								
	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	4.61	5.85	3.61	6.45	6.45	21.15	36.40	154.95
FTSE AIM* All Share TR	7.02	5.67	2.29	-6.40	-6.40	-31.14	-5.04	11.32

Discrete performance (%)					
	31/12/2022 - 31/12/2023	31/12/2021 - 31/12/2022	31/12/2020 - 31/12/2021	31/12/2019 - 31/12/2020	31/12/2018 - 31/12/2019
Service	6.45	-10.16	26.69	-3.41	16.57
FTSE AIM* All Share TR	-6.40	-30.67	6.12	21.74	13.26

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.



Judith MacKenzie
Fund Manager

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.



Nick Hawthorn
Fund Manager

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: Third Platform Services Ltd & Downing LLP. Source of Index data: FTSE.*

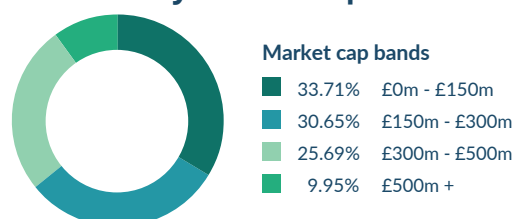
Past performance is not a reliable indicator of future performance.

Portfolio summary

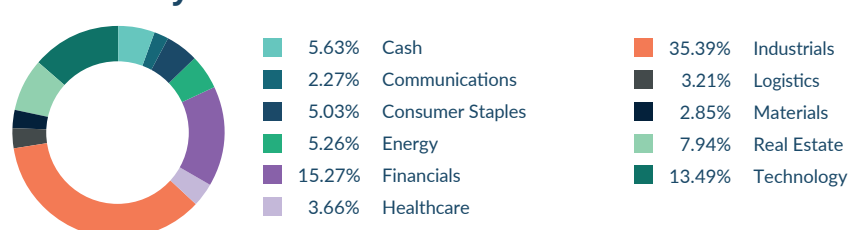
As at 31 December 2023

Top 10 portfolio holdings	%
Volex Plc	5.63
Ashtead Technology Holdings Plc	5.26
Smart Metering Systems Plc	5.26
Tracsis Plc	4.68
Ramsdens Holdings Plc	4.62
Cohort Plc	4.50
Lok'nStore Group Plc	4.42
Avingtrans Plc	4.03
Restore Plc	4.00
Hargreaves Services Plc	3.94

Portfolio by market cap



Portfolio by sector



Source of sector, market cap and top holdings data: Factset, Third Platform Services 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/daeps.

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
- Material sustainability factors are integrated into investment decisions, followed by active ownership to manage their risk and opportunity

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.

This document has been prepared for existing investors and their advisers and has been approved as a financial promotion in line with Section 21 of the FSMA by Downing LLP ("Downing"). This document contains information and analysis that is believed to be accurate at the time of publication, but is subject to change without notice. Whilst care has been taken in compiling the content of this document, no representation or warranty, express or implied, is made by Downing LLP as to its accuracy or completeness, including for external sources (which may have been used) which have not been verified. You should only invest based on the information contained in the relevant Product Literature available from Downing and your attention is drawn to the charges and risk factors contained therein. Downing does not offer investment or tax advice or make recommendations regarding investments. Downing is authorised and regulated by the Financial Conduct Authority (Firm Reference No. 545025). Registered in England No. OC341575. Registered Office: St Magnus House, 3 Lower Thames Street, London EC3R 6HD.