Downing

# Downing AIM Estate Planning Service

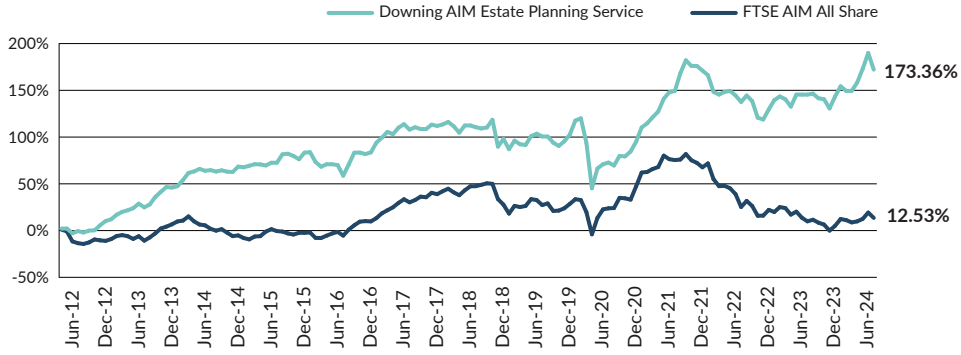
## June 2024 Commentary

In the second quarter, the Service generated 5.6%, versus the AIM index which was up 3.5%. The performance was particularly affected in June which reflected increased uncertainty in the market overall, driven by UK and European elections, but also by Marlowe going ex-special dividend with the cash not received until early July. Most of the domestic uncertainty from June has now passed with a new Labour government now in place. Europe and the US remain more uncertain in the short term and the market's focus remains on reducing inflation to drive interest rate cuts.

There were ten double-digit contributors to performance in the period. Flowtech (+38%) had no new news but re-rated on more positive sentiment. Loungers (+27%) issued a positive trading update to the end of April, despite challenging conditions for peers, highlighting the strength of their offering. Restore (+24%) issued a reassuring trading update and re-rated ahead of results in July. Team Internet (+24%) announced very strong profit growth and cash generation. Tatton (+19%) generated strong AUM growth, in a weak market, underlining the strength of its core offering. 1Spatial (+15%) reported reasonable growth in the period and continues to make good progress in the US. Volex (+12%) re-rated on full-year results which were ahead of expectations. The company enters an exciting new growth phase across its five core markets. Cohort (+12%) continued to re-rate post the significant Royal Navy contract award in March and record closing order book announced in the May trading update. James Latham (+11%) reported robust results following a normalisation in trading. Key is the strong cash generation which will drive a 45p special dividend and a 25% increase in the ordinary dividend. Inspecs (+11%) issued a trading statement which pointed towards a higher second half weighting. We currently believe that there are sufficient catalysts in H2 to meet guidance.

There were four double-digit detractors from performance in the period. Tracsis (-20%) warned that earnings would be significantly below expectations due to deferred sales in the UK and the US. Marlowe (-17%) went ex-dividend of 155p which was received in July. Adding back the special dividend to the closing price generated a +13% return over the period. Frenkel Topping (-12%) reported growth in its lower margin money market products which detracted from its higher market equity solutions. Eagle Eye (-12%) reported no new news.

## Performance




| Cumulative performance (%) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1m | 3m | 6m | YTD | 1y | 3y | 5y | Launch |
| Service | -5.92 | 5.56 | 7.22 | 7.22 | 11.09 | 9.44 | 36.21 | 173.36 |
| FTSE AIM* All Share TR | -4.91 | 3.46 | 1.09 | 1.09 | 3.41 | -35.75 | -11.01 | 12.53 |

| Discrete performance (%) | | | | | |
|---|---|---|---|---|---|
| | 30/06/2023 - 30/06/2024 | 30/06/2022 - 30/06/2023 | 30/06/2021 - 30/06/2022 | 30/06/2020 - 30/06/2021 | 30/06/2019 - 30/06/2020 |
| Service | 11.09 | 3.31 | -4.64 | 44.84 | -14.06 |
| FTSE AIM* All Share TR | 3.41 | -12.50 | -28.99 | 42.46 | -2.78 |

**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, net of fees. From 31 December 2019 onwards, the performance calculation includes every investor across both products, net of fees. Individual portfolio returns may be different to the consolidated returns stated on this factsheet.**



**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. Source of Index data: FTSE.*

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

# Portfolio summary

As at 30 June 2024

| Top 10 portfolio holdings | % |
|---|---|
| Volex Plc | 5.77 |
| Cohort Plc | 5.58 |
| Team Internet Group Plc | 5.23 |
| Restore Plc | 5.19 |
| Hargreaves Services Plc | 5.01 |
| Kitwave Group Plc | 4.90 |
| Ashtead Technology Holdings Plc | 4.78 |
| Ramsdens Holdings Plc | 4.73 |
| Tatton Asset Mgmt Plc | 4.60 |
| Avingtrans Plc | 4.03 |

## Portfolio by market cap



**Market cap bands**

- 27.94% £0m - £150m
- 30.08% £150m - £300m
- 27.82% £300m - £500m
- 14.16% £500m +

## Portfolio by sector



- 3.45% Cash
- 2.69% Communications
- 2.92% Consumer Discretionary
- 6.72% Consumer Staples
- 4.78% Energy
- 14.14% Financials
- 3.15% Healthcare
- 36.92% Industrials
- 3.61% Materials
- 5.01% Real Estate
- 16.61% Technology

*Source of sector, market cap and top holdings data: Factset, Third Platform Services Ltd and Downing.*

## 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 Wealth Guard 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.

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