Downing

Downing AIM Estate Planning Service

September 2024 Commentary

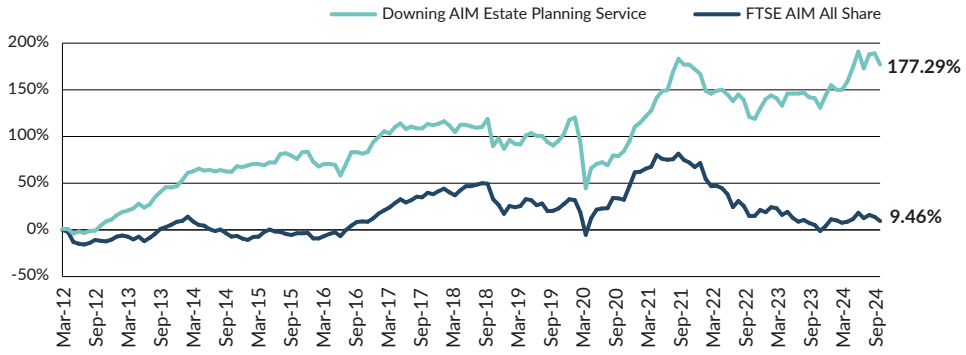
In the third quarter, the Service generated 1.4% against the index which declined by 2.7%. The strong performance of July and August was largely eroded in September as the wider AIM market sold off ahead of the upcoming budget in which Labour is expected to announce changes to Capital Gains Tax. While it has also been mooted that they will change Business Relief, we do not think that this will occur as it would undermine the critical growth agenda of the Labour party. Elsewhere, concerns around economic growth are translating into supportive interest rate cuts.

There were three companies whose share prices increased by double digits in the period. **Cohort (+27%)** continues to generate significant earnings momentum against a backdrop of heightened defence spending. **FRP Advisory (+18%)** delivered strong results and should continue to grow as administrations increase in the UK. **Avingtrans (+13%)** demonstrated good growth in its energy division and has signalled that a disposal of some of the group companies is likely under the businesses PIE (Pinpoint, Invest, Exit) strategy, where management have historically generated over a 3x return on initial investment.

There were nine companies which declined by double digits in the period. The majority of these declined on no news or on in-line results which were used as an opportunity to take profits. Disappointing updates came from **Team Internet (-28%)** which suffered from weaker yields across its Marketing division which has generated some concern over its ability to meet full year numbers. **Tracsis (-24%)** continued to de-rate following a warning in the last period. **Flowtech (-20%)** warned on earnings due to weaker manufacturing activity and from absorbing operating losses from a recent acquisition.

Marlowe (-25%) declined due to the demerger of Optima Health. This completes Marlowe's reorganisation which has resulted in the sale of its GRC division to private equity; the separate listing of its occupational health business, Optima; leaving the standalone and original Testing, Inspection and Certification business focused on regulatory driven end markets. Marlowe investors received one share in Optima for every one share held in Marlowe along with the 155p special dividend from the GRC sale.

Performance



Cumulative performance (%)	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-4.01	1.44	7.08	8.76	15.12	0.10	45.62	177.29
FTSE AIM* All Share TR	-3.96	-2.73	0.63	-1.67	3.90	-37.42	-9.13	9.46

Discrete performance (%)	30/09/2023 - 30/09/2024	30/09/2022 - 30/09/2023	30/09/2021 - 30/09/2022	30/09/2020 - 30/09/2021	30/09/2019 - 30/09/2020
Service	15.12	8.82	-20.09	54.64	-5.93
FTSE AIM* All Share TR	3.90	-8.28	-34.34	30.79	11.03

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 September 2024

Top 10 portfolio holdings	%
Cohort Plc	6.15
Volex Plc	5.68
Kitwave Group Plc	5.04
Hargreaves Services Plc	4.87
Ramsdens Holdings Plc	4.73
Restore Plc	4.22
Avingtrans Plc	4.21
Tatton Asset Mgmt Plc	4.15
FRP Advisory Group Plc	3.74
Sigmaroc Plc	3.54

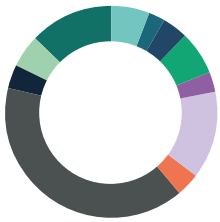
Portfolio by market cap



Market cap bands

- 33.56% £0m - £150m
- 31.89% £150m - £300m
- 25.33% £300m - £500m
- 9.22% £500m +

Portfolio by sector



- 6.06% Cash
- 2.48% Communications
- 3.88% Consumer Discretionary
- 6.51% Consumer Staples
- 3.07% Energy
- 13.32% Financials
- 3.59% Healthcare
- 39.96% Industrials
- 3.54% Materials
- 4.87% Real Estate
- 12.72% 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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