Downing

Downing AIM Estate Planning Service

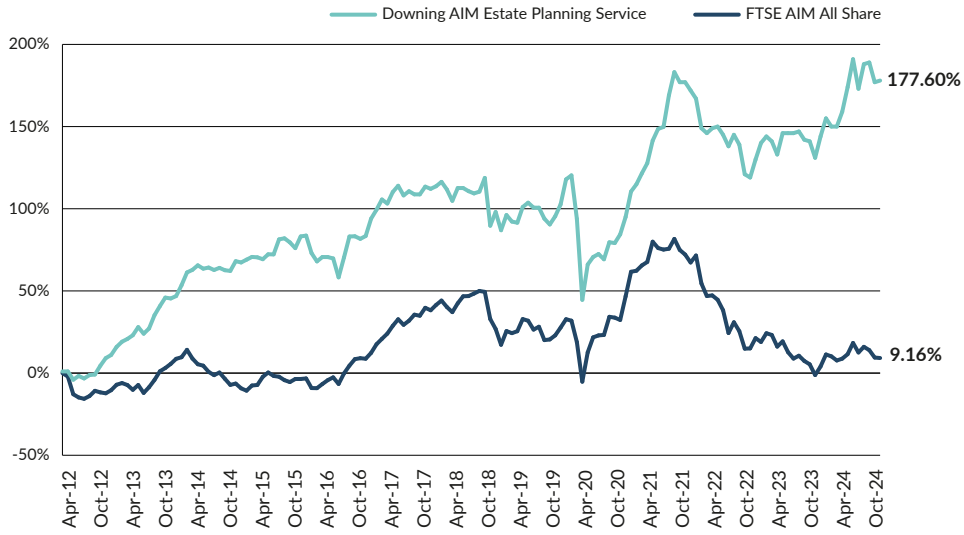
October 2024 Commentary

The AIM market welcomed Rachel Reeves' budget with a strong rally, reflecting how oversold the junior market had become in the lead up to the announcement. The maintenance of some inheritance tax relief on AIM shares is encouraging. With the uncertainty now lifted, we hope that attention can return to the fundamentals and growth opportunities of the companies listed there. The value on offer remains compelling relative to other markets, and investors should realise this in higher future returns. For those looking for a catalyst to stimulate inflow, it is hoped that the much anticipated Mansion House Compact may deliver this in due course.

The implications for the businesses which we invest in are more complex. Taxes are ultimately borne by the consumer, and it seems most likely to us that companies will attempt to offset tax increases through higher prices, rather than lowering their profits or offsetting through efficiency investments. Whether consumption is negatively affected by higher prices remains to be seen, but either way, these changes are inflationary and may postpone the meaningful rate cuts that the market had expected through to the end of 2024. The companies most likely to benefit are those that we own or will seek to own at the right price. These are innovative, customer-centric and competitively strong businesses with a long growth runway and are driven by exceptional management.

Regardless of the new 20% inheritance tax on AIM shares, we believe that the value proposition for our service remains strong, combining top-quartile growth with unique downside protection. AIM shares remain one of the quickest and easiest ways to achieve business relief and the only way to meaningfully grow capital value in real terms.

Performance



Cumulative performance (%)	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	0.11	-3.47	1.35	8.88	20.37	0.38	42.05	177.60
FTSE AIM* All Share TR	-0.27	-5.88	-2.09	-1.94	10.49	-36.57	-11.22	9.16

Discrete performance (%)	31/10/2023 - 31/10/2024	31/10/2022 - 31/10/2023	31/10/2021 - 31/10/2022	31/10/2020 - 31/10/2021	31/10/2019 - 31/10/2020
Service	20.37	5.28	-20.79	49.98	-5.64
FTSE AIM* All Share TR	10.49	-14.10	-33.18	30.07	7.62

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 31 October 2024

Top 10 portfolio holdings	%
Cohort Plc	5.68
Volex Plc	5.49
Hargreaves Services Plc	4.66
Kitwave Group Plc	4.51
Restore Plc	4.50
Avingtrans Plc	4.41
Ramsdens Holdings Plc	4.38
FRP Advisory Group Plc	4.24
Tatton Asset Mgmt Plc	4.15
Sigmaroc Plc	3.89

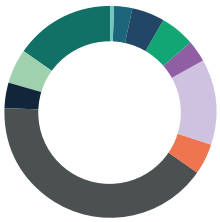
Portfolio by market cap



Market cap bands

- 29.60% £0m - £150m
- 35.09% £150m - £300m
- 25.93% £300m - £500m
- 9.38% £500m +

Portfolio by sector



- 0.82% Cash
- 2.78% Communications
- 4.86% Consumer Discretionary
- 5.39% Consumer Staples
- 3.13% Energy
- 13.07% Financials
- 4.72% Healthcare
- 40.86% Industrials
- 3.89% Materials
- 5.41% Real Estate
- 15.09% 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 an enduring competitive advantage

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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