Downing

Downing AIM Estate Planning Service

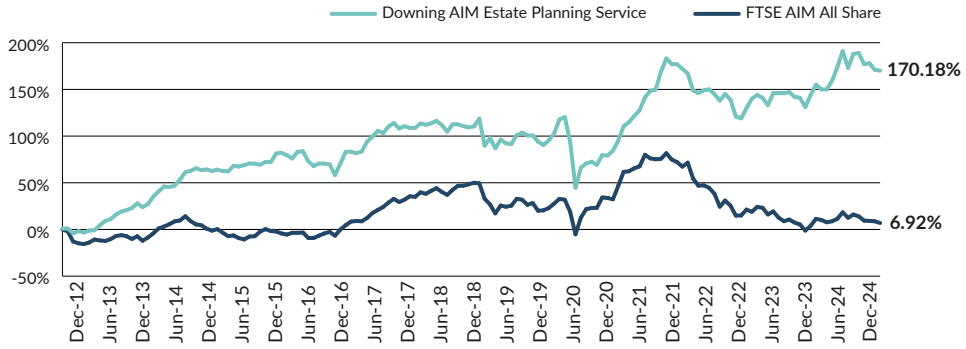
December 2024 Commentary

In the fourth quarter, the Service generated -2.6% versus the index, which returned -2.3%. This closed out a tumultuous year, and while the c.9.9% outperformance over the 12 months is pleasing, there is always room for improvement. The period was affected by the fallout from Labour's misguided budget, which has dented both business and consumer confidence, alongside the US election, which has reinvigorated growth prospects for businesses there. Looking forward, 2025 will be a challenging year but with plenty of opportunity for stock-picking. Inflation, interest rates, geopolitical issues and general macro-economic divergence will generate significant equity mispricing, particularly in small companies, which improves the prospects for our clients to earn higher returns in the future.

There were five double-digit positive contributors in the period. **Synectics (+35%)** continued to re-rate following new contract awards which have driven earnings ahead of market expectations. **1Spatial (+31%)** re-rated from a strong set of interim results which highlighted the significant growth prospects of 1Streetworks in the UK and NG-911 in the US. **Equals (+18%)** finally received a recommended cash offer from private equity after a process lasting over 12 months. **Cohort (+15%)** continues to impress with order book growth and very strong interim results. They also announced a £75 million acquisition of EM Solutions which was well supported by shareholders and expected to be c.20% earnings accretive in the first full year of ownership. **Loungers (+12%)** announced a recommended takeover by private equity. We believe that the premium is too low for the quality and growth on offer and have voted against the recommendation.

There were eight double-digit negative contributors in the period. **Team Internet (-28%)** warned on earnings, primarily driven by the underperformance of recent acquisition Shienz. Subsequently, the business announced a possible offer from private equity although there is no certainty that this will go ahead. **hVIVO (-27%)** de-rated following concerns around the ongoing demand for human challenge studies, which we believe will prove to be robust as demonstrated by a notable new contract win. **Volex (-15%)** announced reassuring interim results with strong revenue growth, albeit higher interest and tax costs negatively affecting earnings per share. The group also announced a potential offer for TT Electronics which was subsequently withdrawn in mid-December. **Inspecs (-11%)** announced that revenues and earnings would be below expectations due to lower-than-expected orders from a few customers. We remain confident that there is significant value on offer and the shares should re-rate once the group returns to growth. There was no material newsflow from the other detractors in the period.

Performance



Cumulative performance (%)	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-0.26	-2.56	-1.16	5.97	5.97	1.34	24.01	170.18
FTSE AIM* All Share TR	-1.70	-2.32	-4.98	-3.95	-3.95	-37.67	-19.48	6.92

Discrete performance (%)	31/12/2023 - 31/12/2024	31/12/2022 - 31/12/2023	31/12/2021 - 31/12/2022	31/12/2020 - 31/12/2021	31/12/2019 - 31/12/2020
Service	5.97	6.45	-10.16	26.69	-3.41
FTSE AIM* All Share TR	-3.95	-6.40	-30.67	6.12	21.74



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.

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.

Portfolio summary

As at 31 December 2024

Top 10 portfolio holdings	%
Cohort Plc	5.32
Hargreaves Services Plc	4.92
Volex Plc	4.91
Ramsdens Holdings Plc	4.84
Kitwave Group Plc	4.53
Avingtrans Plc	4.34
Restore Plc	4.31
Tatton Asset Mgmt Plc	4.18
FRP Advisory Group Plc	4.05
Equals Group Plc	3.74

Portfolio by market cap



Market cap bands

- 33.97% £0m - £150m
- 32.75% £150m - £300m
- 19.68% £300m - £500m
- 13.60% £500m +

Portfolio by sector



- 5.48% Cash
- 2.98% Communications
- 5.17% Consumer Discretionary
- 5.42% Consumer Staples
- 3.21% Energy
- 13.43% Financials
- 5.77% Healthcare
- 35.74% Industrials
- 3.38% Materials
- 5.77% Real Estate
- 13.66% 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.

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 is a trading name of Downing LLP. Downing does not offer investment or tax advice or make recommendations regarding investments. 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. Downing LLP is authorised and regulated by the Financial Conduct Authority (Firm Reference No. 545025). Registered in England No. OC341575. Registered Office: 3rd Floor, 10 Lower Thames Street, London, EC3R 6AF.