

Downing AIM NISA

January
2016

About Downing AIM NISA

The Downing AIM NISA (DNISA) provides investors with the opportunity to combine NISA tax benefits with IHT relief by investing in AIM shares that carry on an IHT-qualifying trade*. 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.

The Downing AIM NISA diversifies risk by investing in a portfolio of at least 20 companies across a variety of sectors, and has a similar strategy to our flagship OEIC, the PFS Downing UK Micro-Cap Growth Fund

The service also benefits from Downside Protection Insurance, covering the first 20% of any loss (net of initial investment) for investors aged less than 90 years at the date of death, 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.

**Provided the shares have been held for at least two years at death*

Why Downing small-cap?

- ▶ Experienced & qualified Public Equity team of 8 executives, headed by Judith MacKenzie
- ▶ Private equity approach to micro cap investing, drawing on our private equity and venture capital heritage
- ▶ Investment Committee oversight provides access to 100+ years of investment experience
- ▶ Value strategy with rigorous bottom up approach
- ▶ Exhaustive diligence process that can take up to 18 months
- ▶ Concentrated portfolio of 20 - 30 investments, which we believe provides optimal diversification and access to strategic investments
- ▶ Only invests in profitable businesses with strong management teams and a sustainable competitive advantage

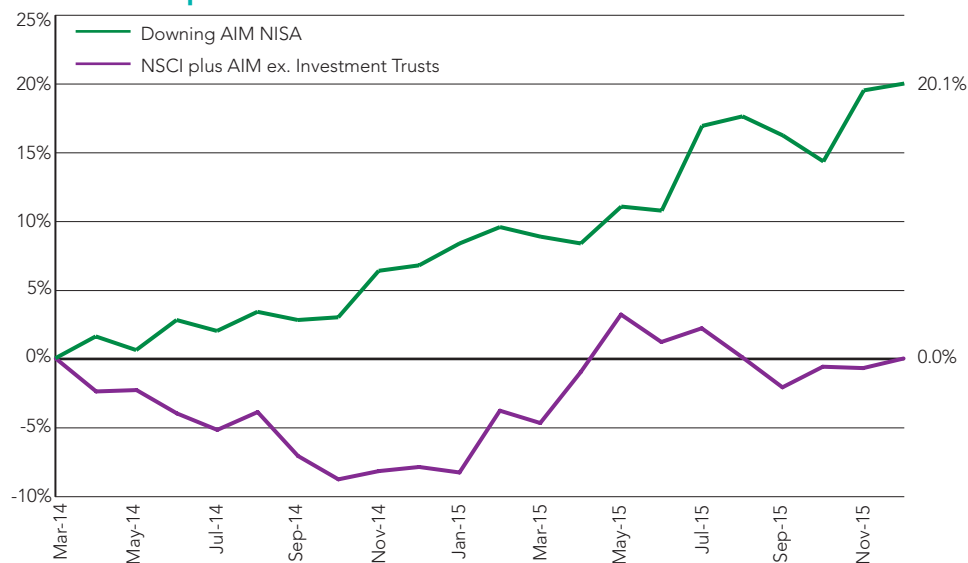
Market commentary

The fund returned 0.4% in December, slightly underperforming the index which returned 0.7%. The fund outperformed the index by almost 4% in the calendar year, returning a respectable 12.4%.

A positive contribution came from Inland Homes Plc, the brownfield site developer, which was up over 20% in the month on positive sentiment stemming from their upbeat full year results published at the end of November. Tracsis Plc was up around 15% in the month, benefiting from the completion of its Ontrac acquisition. And Sprue Aegis, the carbon monoxide manufacturer, was up almost 8% on the trading update that they were ahead of schedule on their new Chinese manufacturing facility which had been perceived by the market as a significant risk.

Universe Group, the point of sale payments processor for petrol stations, which makes up 4.2 % of the fund, lost over 7% in the month, on general sentiment. The business has long been a core holding and we therefore have a very good working relationship with the board and management team and remain positive on the long term prospects of the business. Plastics Capital is a consolidator of plastics products manufacturers, specifically films and industrial products. The half year update in the month highlighted good underlying performance with a significant improvement in the order book coming through in the second half, but management cautioned towards foreign exchange and polymer price volatility and some end market weakness.

Cumulative performance*



Cumulative performance (%)

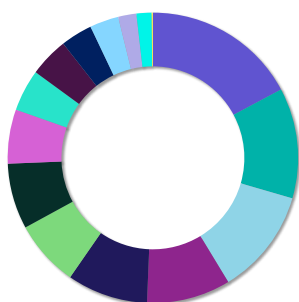
	1m	3m	6m	YTD	1y	3y	5y	Launch
Fund	0.45	3.27	8.35	12.44	12.44	N/A	N/A	20.09
Index	0.65	2.16	-1.20	8.58	8.58	N/A	N/A	-0.01

Discrete performance (%)

	31/12/2014 31/12/2015	31/12/2013 31/12/2014	31/12/2012 31/12/2013	31/12/2011 31/12/2012	31/12/2010 31/12/2011
Fund	12.44	N/A	N/A	N/A	N/A
Index	8.58	N/A	N/A	N/A	N/A

*DNISA launched in March 2014. Gross performance shown is for the first investor in DNISA. The Index is shown for illustrative purposes only and is not considered directly comparable to the performance of this Service. Index: Numis Smaller Companies Index Plus AIM Ex. Investment Companies. Source of Fund data: Brooks MacDonald. Source of Index data: Thomson Reuters. All figures as at 31 December 2015. Past performance is not a reliable indicator of future performance.

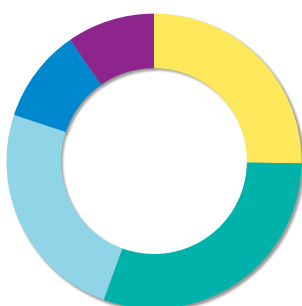
Portfolio by sector



17.20%	Food & beverage	4.65%	Software
12.30%	Industrial goods & services	4.37%	Cash
11.82%	Technology	3.52%	Financial services
9.33%	Personal & household goods	3.23%	Chemicals
8.99%	Real estate	2.03%	Utilities
7.40%	Technology hardware	1.68%	Media
7.31%	Health care	0.14%	Travel & leisure
6.03%	Telecom services		

As at 31 December 2015, Source: Downing LLP, based on the first investor in DNISA

Portfolio by company size



Market Cap bands	
25.24%	£0 - £50m
30.30%	£50m - £100m
24.54%	£100m - £150m
10.28%	£150m - £200m
9.63%	£200m+

As at 31 December 2015, Source: Downing LLP, based on the first investor in DNISA

Top 5 portfolio holdings	%
Finsbury Food Group PLC	7.59
Adept Telecom PLC	6.03
Sprue Aegis PLC	4.81
Tracsis PLC	4.65
Inland Homes PLC	4.58

As at 31 December 2015, Source: Downing LLP, based on the first investor in DNISA

Lead Fund Manager: Judith MacKenzie

Judith joined Downing in 2009, and is a Partner and Head of Downing Public Equity. Previously she was a Partner at Acuity Capital, managing AIM-quoted VCT & IHT investments, and a small-cap activist fund.

Prior to this, Judith spent seven years as a senior investment manager with Aberdeen Asset Managers Growth Capital and co-managed the five Aberdeen VCTs, focusing on technology and media investments in both the public and private arenas.

She has held various non-executive and advisory roles in Scottish Government and private companies, and is a Fellow of the Securities Institute.



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 total return (value of the investments plus cash including income after all expenses and charges), ignoring taxation. Please note that past performance is not a guide to future performance.

22 January 2016



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