

# Downing AIM ISA

Investor guide

## Key points

- ▶ IHT relief after only two years with ISA tax benefits.
- ▶ Capital growth targeted from a portfolio of at least 20 companies traded on AIM.
- ▶ Downside Protection Cover, covering a loss in the value of up to 20% on your net initial investment, on death up to the age of 90 for a minimum of the first two years.

Please see key risks overleaf.

## The Downing AIM ISA allows you to combine ISA tax benefits with inheritance tax (IHT) relief through a portfolio of companies traded on AIM - potentially saving up to 40% IHT.

One of the most popular ways to build up savings is through an Individual Savings Account (ISA), which offers generous tax breaks including tax-free income and capital growth.

However, you may not be aware that the value of any investments and cash held in ISAs are typically counted as part of your taxable estate - so if you have built up a substantial nest egg and want to pass it on to your family when you die, it may be subject to 40% inheritance tax (IHT).

Traditional options to mitigate IHT – such as complex trusts and gifts – can lead to losing control of capital, and could require you to live up to a further seven years to obtain full IHT relief on your estate.

## The Downing AIM ISA - a flexible solution

The Downing AIM ISA has been designed to combine existing ISA tax benefits with IHT relief after only two years. The IHT relief is available because we invest in shares of smaller AIM-quoted companies that qualify for Business Relief. This means that the value of your shares held in these companies will fall outside of your estate for IHT purposes (so long as the shares are held for a minimum of two years and at death).

You can transfer all or part of your existing ISA to the Downing AIM ISA. Our experienced team will then invest your funds into at least 20 AIM-quoted companies in a variety of sectors, seeking to reduce risk.

## The AIM market

AIM was launched in 1995 as the London Stock Exchange's junior market. It provides smaller, growing companies with access to capital.

Since then, smaller companies quoted on AIM have raised more than £100 billion of initial and ongoing funding to support their growth<sup>1</sup>. In 2013 alone, they contributed approximately £15 billion to the UK's GDP and directly supported around 430,000 jobs in Britain<sup>2</sup>.

With almost 1,000 companies listed on AIM<sup>3</sup>, we have a wide range of potential investment opportunities available.

<sup>1</sup>Source: London Stock Exchange, *AIM Factsheet, February 2017*, includes new and further fundraisings.

<sup>2</sup>Source: Grant Thornton UK LLP, *'The Economic Impact of AIM'*, April 2015.

<sup>3</sup>Source: London Stock Exchange, *List of All AIM Companies, 31 March 2017*.

## Insurance policy

Downside Protection Cover is designed to reduce the impact of loss to you during a minimum of the first two years before your investment qualifies for IHT relief. In the event of death under the age of 90, it covers a loss in value of up to 20% on your net initial investment.

This policy covers investors under the age of 90 years, with no medical questionnaires or exclusions for pre-existing conditions, at no extra cost.

Please read the relevant product literature for further details.

## Performance

We operate a model portfolio and each client portfolio will typically hold the same stocks. The performance figures below have been compiled from the first client portfolio under the Service and is based on the net performance (after deducting all charges excluding any initial fee).

Cumulative performance	Portfolio	Index*
From inception to 31 Dec 2016	+24.00%	+12.00%
1 year to 31 Dec 2016	+7.41%	+12.01%
6 months to 31 Dec 2016	+24.79%	+18.14%

Discrete performance		
	31/12/2015 - 31/12/2016	31/12/2014 - 31/12/2015
Fund	7.41%	10.11%
Index	12.01%	8.58%

Launched in March 2014. 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 Service data: Brooks MacDonald. Source of Index data: Thomson Reuters. Past performance is not a reliable indicator of future performance.

## Our Public Equity team

The Service is managed by our experienced Public Equity team, who take the time to diligently research companies, their competitive landscapes and management teams to seek the most attractive investment opportunities. An integral part of the investment process is the Investment Committee, which draws on over 100 years of combined investment experience to provide oversight on new investments and portfolio management.

The team is headed by Judith MacKenzie, a Citywire AAA rated fund manager<sup>5</sup> who manages the Service in the same style as our F.E. Five-Crown rated<sup>6</sup> OEIC, the MI Downing UK Micro-Cap Growth Fund.

<sup>5</sup>For the 3-year risk adjusted performance to 31/03/2017, source: Citywire. <sup>6</sup>For the 3-year period to 31/03/2017, source: Trustnet/F.E.



## Service details & charges

- ▶ **Minimum subscription:** £50,000 (this can spread across the Downing AIM ISA and the Downing AIM Estate Planning Service).
- ▶ **Downing's initial charge:** 2%.
- ▶ **Downing's management charge:** 2% p.a. plus VAT.
- ▶ **Adviser charges:** both initial and annual adviser charges may be facilitated through the Service.

These charges are listed on the basis that no commission is payable to the intermediary (e.g. where advice has been provided). We do not charge dealing fees, however, third party transactional fees will apply (e.g. stamp duty). Please refer to the product literature for full details of charges.

**Applications will only be accepted if introduced by an FCA authorised intermediary.**

## Risk factors

By investing through the Service, investors place their capital at risk. Investors should read the full list of risk factors set out in the relevant product literature and take appropriate financial advice before investing. Set out below are some of the key risks:

- ▶ **Tax reliefs are not guaranteed:** the IHT relief referred to in this guide is described in accordance with Downing's interpretation of current legislation, rules and practice, which are subject to: (i) change in the future; and (ii) personal circumstances. IHT relief will not be available if the investor has not held shares for at least two years at the date of death.
- ▶ **You cannot rely on past performance:** past performance is not a guide to future performance and there is no guarantee that the Service's objectives will be met. The value of investments and income derived from them may go down as well as up and investors may not get back the full amount invested.
- ▶ **The insurance policy is not guaranteed:** the insurance policy is a Downing group policy, paid for by Downing. It is renewable annually after two years and there is no guarantee that it will remain in place throughout the term of an investor's investment.
- ▶ **There may not be sufficient IHT companies to invest in:** there is no guarantee that sufficient investments in IHT-qualifying companies will be made or that all investments made through the Service will qualify for IHT relief. In addition, investee companies that initially qualify for IHT relief may subsequently cease to qualify. In such cases, the IHT relief could be lost.
- ▶ **Your ISA may be difficult to sell:** the shares of AIM companies tend to be harder to sell than those of large companies. This means that if you decide to make a withdrawal or transfer from your ISA, you may not be able to sell the shares immediately and you may have to accept a price that is less than the real value of the companies.
- ▶ **This is a long-term investment:** an investment in the Service should be considered a long-term investment.

2 May 2017



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