

Downing AIM ISA

April
2017

About Downing AIM ISA

The Downing AIM ISA (*DISA*) provides investors with the opportunity to combine ISA 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 and 10 days' notice.

The Downing AIM ISA aims to manage 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 MI Downing UK Micro-Cap Growth Fund.

The service also benefits from Downside Protection 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.

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

Why Downing small-cap?

- ▶ Experienced and 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

Churchill China and Science in Sport were positive contributors in the three-month period to March 2017, while Lok'nStore Group and Tracsis were detractors.

In January 2017 Churchill China published a trading update ahead of their 31 December 2016 full-year results. The update highlighted that we should expect another strong set of results, with final-quarter trading ahead of earlier expectations. They noted that export performance has benefitted from continued progress with new products and more favourable exchange rates. In January 2017 Science in Sport issued a pre-close trading update for their full-year results ending to 31 December 2016, which indicated revenues increased 30% to £12.2 million. There was strong growth in some of their international markets, with the newly launched Australian business delivering sales ahead of plan. We expect further investment in the online business to deliver margin improvements going forwards, despite input cost headwinds.

Lok'nStore's first-half trading to 31 January 2017 was strong with revenues up 3.9% and self-storage unit occupancy up 4.6% year-on-year. The document storage business also performed well with revenue up 8.8%. They have a strong balance sheet and room in their debt facility; we expect this to drive the rollout of new locations, growing revenues and earnings. Despite these strong results the shares sold off as investors took profits. In March 2017 Tracsis issued a trading update for the six-month period ending 31 January 2017 which highlighted that the headline numbers were marginally ahead of the comparable period last year and a strong cash balance. However, management's comments on the uncertainty of the full-year outcome caused panic selling. Our conversations with management provide confidence for the continued long-term growth of the business.

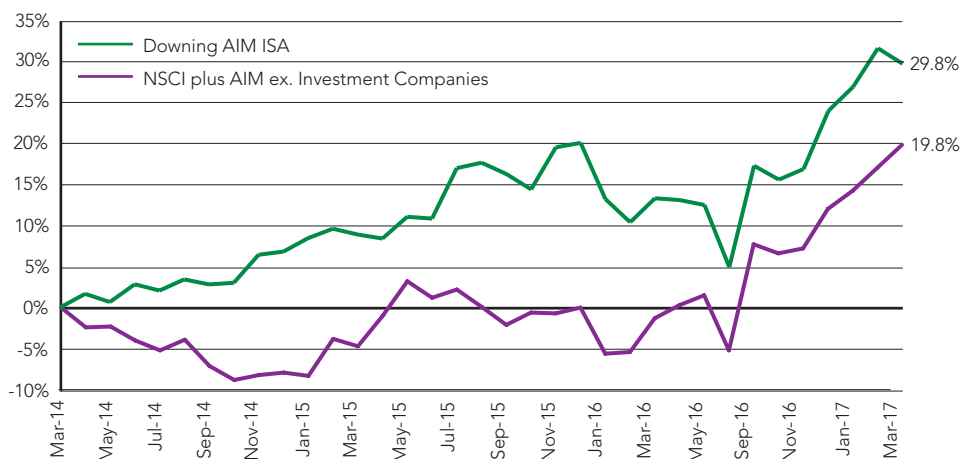
Please note that not all portfolios contain the holdings mentioned above.

Performance

The net performance is the performance of the first investor's portfolio after deducting all charges excluding any initial fee.

The Service returned 4.6% in the period to 31 March 2017, versus the index's 7.0%.

Cumulative performance



Cumulative performance (%)

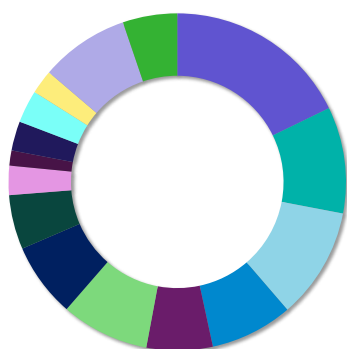
	1m	3m	6m	YTD	1y	3y	5y	Launch
Service	-1.43	4.64	10.65	4.64	19.81	29.76	N/A	29.76
Index	2.47	7.01	11.30	7.01	21.41	19.85	N/A	19.85

Discrete performance (%)

	31/03/2016 31/03/2017	31/03/2015 31/03/2016	31/03/2014 31/03/2015	31/03/2013 31/03/2014	31/03/2012 31/03/2013
Service	19.81	1.93	6.25	N/A	N/A
Index	21.41	3.56	-4.67	N/A	N/A

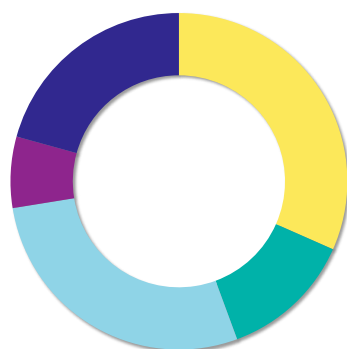
DISA launched in March 2014. The Index is shown for illustrative purposes only and is not considered directly comparable to the performance of this Service. Index: Numis Smaller Companies Index Plus AIM Ex. Investment Companies. Source of Service data: Brooks MacDonald. Source of Index data: Thomson Reuters. Past performance is not a reliable indicator of future performance.

Portfolio by sector**



17.59%	Food & beverage	2.77%	Software
10.10%	Industrial goods & services	1.43%	Cash
10.57%	Technology	2.79%	Financial services
7.83%	Personal & household goods	3.10%	Chemicals
6.26%	Real estate	2.28%	Media
8.35%	Technology hardware	8.43%	Oil and gas
7.06%	Health care	5.16%	General Retailers
5.16%	Telecom services		

Portfolio by company size**



Market Cap bands	
31.62%	£0m - £50m
12.76%	£50m - £100m
28.06%	£100m - £150m
6.84%	£150m - £200m
20.71%	£200m+

Top 5 portfolio holdings**	%
Science in Sport LTD	6.07
Amino Technologies PLC	5.45
Conviviality PLC	5.16
Adept Telecom PLC	5.16
Smart Metering Systems	4.86

**As at 31 March 2017, Source: Brooks Macdonald, based on the first investor in DISA

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 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.

5 May 2017



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Important notice

This document is for information only. Opinions expressed represent the views of the Fund Manager at the time of publication, are subject to change, and should not be interpreted as investment advice. You should only invest based on the information contained in the relevant Product Literature available from Downing. Downing does not offer investment or tax advice or make recommendations regarding investments. Please see the relevant Product Literature for details of charges; your attention is drawn to the risk factors contained therein. Downing is authorised and regulated by the Financial Conduct Authority (Firm Registration No. 545025). Registered in England No. OC341575. Registered Office: Ergon House, Horseferry Road, London SW1P 2AL.