

Downing AIM ISA

October 2016

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.

The Downing AIM ISA 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 MI 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 period has been uncharacteristically volatile with Brexit causing uncertainty in domestic and foreign markets. The UK is currently enjoying levels of equity asset pricing last experienced in summer 2015, buoyed by cheap sterling.

In the period, Craneware PLC and Science in Sport PLC both performed strongly, up 60.38% and 53.19%, respectively. Craneware sells billing and auditing software to the US healthcare industry and holds a dominant market share in a highly regulated market. The company reported good results at the beginning of September. We believe Craneware is a high-quality company and that this has merited increased investor confidence and the subsequent share price increase. We have backed Science in Sport since 2013 and took part in their most recent placing in 2015 to help fund their international expansion. The business continues to exceed our expectations, having delivered in excess of 20% revenue growth in their most recent results. We believe that this growth is set to continue, with their recent announcement to become official sports nutrition supplier to USA cycling, giving them presence in the world's largest sports supplement market.

Universe, the payment and online loyalty solutions business for UK petrol forecourt and convenience stores, sold off towards the end of September, declining 8.35%. This was on the back of a minor profits warning due to a delayed start in some of their contracts. We have been long term holders in the business and know the management team well. We are confident that the business has the ability to continue to deliver continued growth.

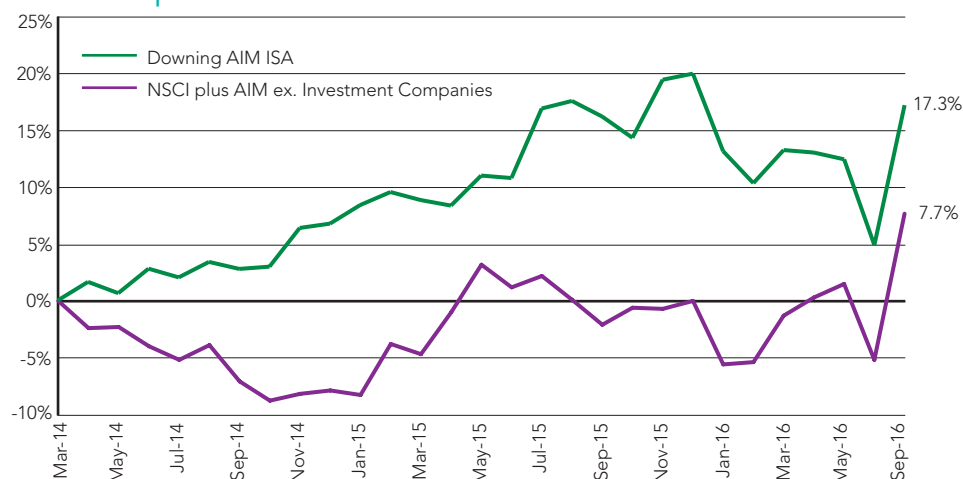
Please note that not all portfolios contain the holdings mentioned above.

Performance

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

In the three months to 30 September 2016, the Fund has returned 18.0%, outperforming the benchmark by 4.0%.

Cumulative performance



Cumulative performance (%)

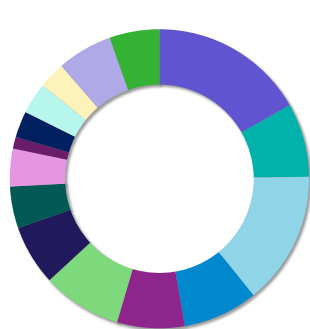
	1m	3m	6m	YTD	1y	3y	5y	Launch
Fund	0.35	18.02	8.29	1.58	4.38	N/A	N/A	17.28
Index	2.40	13.59	9.08	7.70	10.02	N/A	N/A	7.68

Discrete performance (%)

	30/09/2015 30/09/2016	30/09/2014 30/09/2015	30/09/2013 30/09/2014	30/09/2012 30/09/2013	30/09/2011 30/09/2012
Fund	4.38	10.43	N/A	N/A	N/A
Index	10.02	5.40	N/A	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**



16.81%	Food & beverage	4.08%	Software
7.98%	Industrial goods & services	1.27%	Cash
14.41%	Technology	2.85%	Financial services
8.09%	Personal & household goods	3.39%	Chemicals
7.28%	Real estate	2.88%	Media
8.56%	Technology hardware	5.99%	Oil and gas
6.52%	Health care	5.38%	General Retailers
4.51%	Telecom services		

Portfolio by company size**



Market Cap bands	
30.96%	£0m - £50m
22.90%	£50m - £100m
16.36%	£100m - £150m
11.47%	£150m - £200m
18.32%	£200m+

Top 5 portfolio holdings**	%
Smart Metering Systems PLC	5.99
Science in Sport PLC	5.81
Craneware PLC	5.67
Amino Technologies PLC	4.70
Churchill China	4.55

**As at 30 September 2016, 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.

14 October 2016



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Important notice

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