



December 2024

# Downing AIM Estate Planning Service

Brochure

Downing 

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## For UK investors only

If you have any questions, please call us on 020 7416 7780.  
Please note, telephone calls may be recorded for monitoring purposes.

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All information contained in this brochure has been sourced by Downing, unless otherwise stated.

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**Capital is at risk. The value of your investment may go down as well as up and you may not get back the full amount you invested. Also, tax rules and regulations depend on personal circumstances and are subject to change.**

**Information correct as at 30 November 2024**



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# Who is Downing?

Established investment manager founded in 1986, combining scale and experience with a focus on client service



## What do we believe in?

At Downing we focus on investments that matter.

We aim to deliver not only attractive financial returns, but also enable our clients to invest their money in things they care about.

With over three decades' experience managing assets, we pride ourselves on our ability to take both an agile and considered approach, offering investment opportunities that can be both profitable and purposeful.

Our commitment to building long-term relationships and supporting good businesses combined with our entrepreneurial spirit, means we are always looking for new opportunities that create value for our customers.

## Downing in numbers

**£2.1bn<sup>1</sup>**  
assets under  
management

**2007**  
managing IHT  
solutions since

**£1.1bn<sup>1</sup>**  
total IHT assets

<sup>1</sup> As at September 2024



**“At Downing, our vision is to be a leader in our markets so that we can deliver attractive returns for investors by investing in assets and businesses that can contribute to building a better future.”**

Tony McGing, Partner and Chief Executive Officer





# Understanding inheritance tax

## Will your estate have to pay inheritance tax?

The value of your estate that exceeds the below thresholds could be subject to inheritance tax (IHT) at a rate of 40%.

IHT applies to property, savings, investments, and any other assets after deducting debts, such as your mortgage. Any part of your estate that's left to your spouse or civil partner is exempt from IHT if they permanently reside in the UK.

The **Nil-Rate Band (NRB)** is **£325,000** per person. This is the amount of value in your estate that can be passed on without paying IHT. Spouses and civil partners can transfer part or all of their unused NRB to each other.

The **Residence Nil-Rate Band (RNRB)** is **£175,000<sup>1</sup>**. If you own a home, ownership can transfer to a direct descendant after your death. There are conditions for this threshold to be available.

## Did you know about Business Relief?

IHT relief is available after just two years by investing in companies that qualify for Business Relief (BR). This tax relief was established in 1976 to ensure small businesses wouldn't have to be sold to pay IHT bills when an owner died. The tax relief since has been extended to include people who own shares in qualifying UK trading businesses. This includes shares in companies listed on AIM market and shares in unlisted companies that are not traded on a public stock exchange. The level of IHT relief you benefit from will depend on the type of shares you own.

For you to benefit from BR, you must have held the shares for at least two years at the date of your death. You can access BR-qualifying companies by investing in an estate planning solution such as the Downing AIM Estate Planning Service.

Until April 2026, all BR-qualifying shares will be fully exempt from IHT. After this date, AIM-listed shares that qualify for BR will benefit from a halved IHT rate of 20%<sup>2</sup>.



<sup>1</sup> The NRB and RNRB are frozen until April 2030.

<sup>2</sup> The proposed reforms to IHT/BR were announced in the Autumn 2024 Budget and, as they have not been drafted in legislation, are subject to change.

# Why consider an inheritance tax solution?



We understand that wanting to pass on as much of your wealth as possible to your loved ones leaves you with several options to consider.

Investing in an estate planning service can have a role to play in a wide range of circumstances. Perhaps you have recently sold a trading business, have a lasting power of attorney in place, or you simply want flexibility and control over your estate.

## What are the benefits of choosing a Business Relief solution?

Traditional estate planning solutions can be inflexible or involve a lengthy process. For example, if you give away your assets to family and friends during your lifetime, these gifts can take seven years before they become exempt from IHT.

BR can be a useful tool in your IHT planning toolkit and could:



Offer you eligibility for IHT relief after just two years (subject to thresholds and conditions; shares must be held at death)



Allow you to retain access and control over your assets (subject to liquidity)



Enable you to invest in UK businesses, with the potential for returns

## What types of businesses qualify for Business Relief?

It is important to note that businesses must conduct a qualifying trade, so not all will qualify for BR. BR can be available for:



Shares in unlisted companies that are not traded on a public stock exchange



Shares in companies listed on the AIM market

Find out more about BR on the HM Revenue & Customs (HMRC) website at [hmrc.gov.uk](https://www.hmrc.gov.uk). Find the relevant page by entering 'Business Relief' in the search box.



# The Downing AIM Estate Planning Service

We aim to provide IHT relief after two years and seek attractive investment opportunities in growth companies

The Downing AIM Estate Planning Service invests in companies that we expect to qualify for BR. These shares can then be left to your beneficiaries with a reduced IHT liability, provided they are held for at least two years and at the date of death. Our experienced investment team will spread your capital across 25-40 carefully selected companies that are listed on AIM (the Alternative Investment Market). The fund managers select companies they believe are in a strong position to deliver positive returns and have a fair share price at the point of investing.

The team follows a disciplined investment process, focusing on diligent research and careful analysis. They thoroughly evaluate each company to ensure it meets our high standards for long-term value and growth potential.

## Why does experience matter for Business Relief eligible investments?

When investing with the goal of qualifying for BR, having a team with the right experience and expertise is essential. Identifying which companies on AIM qualify for BR – and ensuring they continue to do so – requires specialist knowledge. Our expert team is skilled at selecting and managing investments that are likely to qualify for BR, helping you maximise the benefits of your portfolio. Additionally, an external tax adviser provides us with advice and monitors the eligibility of portfolio companies to qualify for BR.

We aim to invest in businesses with strong management teams capable of making sound decisions over the long term

# Why choose the Downing AIM Estate Planning Service?

A simple and flexible solution for IHT planning that provides access to carefully selected UK growth companies

## The benefits of investing

### Speed of IHT relief

Your investment could benefit from IHT relief after two years, provided you hold the shares at the time of death. This could significantly benefit your estate planning and mean more of your estate is left to your loved ones.

### A diversified portfolio

We believe there is power in diversification and typically invest in 25-40 companies across various industries. This approach can help spread risk and balance your portfolio, reducing reliance on any single investment.

### Focus on growth

We invest in companies that we believe can generate enduring growth over the long term and aim to maximise the potential of your investment.

### Access to your investment

You can request to sell down your shares at any time, subject to liquidity. This flexibility gives you access to your funds when you need it.

### Wealth Guard protection

Your net initial investment is automatically protected from falls in value of up to 20%, at no extra cost (up to a maximum payout of £100,000). This is guaranteed for the first two years you are invested by our unique Wealth Guard.

The cover ceases when you reach 90 years old. Please see pages 17-18 for more information.

## The risks of investing

### Tax reliefs

Tax reliefs are not guaranteed, subject to change, and only apply if you hold your shares for a minimum of two years and at death. There is no guarantee that the companies that we invest in will remain BR qualifying.

### Performance

Your capital is a risk. The value of any investment can fall as well as rise and investors may not get back the full amount they put in. Past performance of the portfolio is not a reliable indicator of future results.

### Liquidity

The Service invests in AIM-listed shares. This means that the shares we invest in may take longer to sell than shares of companies listed on the London Stock Exchange.



# What is AIM?

London Stock Exchange's market for small and medium-sized growth companies

Originally known as the Alternative Investment Market, AIM was established in 1995 to enable smaller companies to raise funds.

AIM has grown to become a vital part of the UK equity market. It can provide exciting opportunities for investors looking to capitalise on the potential of businesses with promising prospects.

**29 years**

since AIM launched

**Over 700**

companies currently listed on AIM

**£78.3 billion**

combined market capitalisation

Source: London Stock Exchange, 31 July 2024

## What makes AIM attractive

We favour AIM over other markets because it offers unique benefits for investors. It provides a wider range of opportunities at lower prices compared to larger markets. Our strategy targets overlooked companies that, as they grow and attract bigger investors, often see their value rise. This approach enables us to potentially sell these stocks at higher prices, helping us deliver stronger returns for our clients.

“By focusing on companies valued at less than £500 million, we consistently uncover undervalued opportunities. This is our specialty and helps us maximise the potential of what AIM has to offer.”

**Nick Hawthorn, Fund Manager**



# Why small is a big opportunity

'Smaller' companies can offer attractive returns and have the potential to outperform larger firms

While AIM-listed companies are usually smaller compared to those on the main stock exchange, many are well-established businesses with solid track records. Some have histories dating back to the 1700s, such as James Latham, and the 1800s, like Volex.

**Find out more by reading the case studies on pages 15 and 16.**

## Room for substantial growth

Smaller companies inherently have greater growth potential and may be able to grow their earnings faster than larger businesses. This offers the possibility for higher returns, which can make smaller companies an attractive option for investors seeking opportunities beyond those found in larger businesses.

## Hidden gems at lower prices

Smaller companies tend to be under researched and therefore can offer potential for attractive investment. We apply our expertise to seek out companies in overlooked parts of the market, making sure we acquire them without paying more than necessary.

## Impact on the UK economy

Companies listed on AIM play a crucial role in the UK economy. Their capacity to attract long-term investment supports growth and job creation. By investing in these companies, you can not only benefit from Business Relief but also contribute to the success of British businesses and the overall strengthening of the UK economy.

Please note that investing in smaller companies also comes with some risks. These business typically present higher risk than those listed on the FTSE100, along with less liquidity and greater price volatility. The combination of these factors may make smaller companies more sensitive to market shifts.



# The Downing AIM Estate Planning Service in action

How much could you save?



1

Meet Thomas, 75, who is considering **IHT solutions** to minimise the tax bill his beneficiaries will face. Thomas has an existing **£100,000 share portfolio**.



3

Thomas's financial adviser advises him to sell his share portfolio and invest the proceeds in the **Downing AIM Estate Planning Service**.



2

Thomas consults with his financial adviser. He learns that the value of his other assets will use up the available IHT reliefs and exemptions. As a result, his beneficiaries could be left paying **40% IHT** on the value of his share portfolio. That's a bill of **£40,000**.



4

After two years, Thomas's investment is expected to qualify for **Business Relief**. Provided he still holds the investment when he dies, it can be passed on to his beneficiaries with a reduced IHT liability.

## Here's an example of how the Downing AIM Estate Planning Service could help retain the value of Thomas's estate.

	Thomas invests in the Downing AIM Estate Planning Service	Thomas keeps his share portfolio
<b>Net investment</b>	£100,000	£100,000
<b>Potential value after five years (7.5% p.a. growth rate)</b>	£143,563	£143,563
<b>IHT at 40%</b>	(£28,713)	(£57,425)
<b>Net value after IHT</b>	£114,850	£86,138

### Assumptions:

- ▶ The IHT Nil-Rate Band and Residence Nil-Rate Band are fully used against other assets.
- ▶ Both investments are assumed to grow at a compound rate of 7.5% per annum after charges.
- ▶ Note that achieving the assumed growth rate outside the Downing AIM Estate Planning Service would require finding an alternative product or strategy offering similar growth.
- ▶ All other charges, costs, taxes and tax reliefs have not been considered.
- ▶ The example assumes Thomas passes away prior to April 2026. After April 2026, AIM-listed shares that qualify for BR will be subject to a halved IHT rate of 20%.

The above is for illustrative purposes only and should not be relied upon. It is not a forecast of the likely performance of the Service. The assumed return of 7.5% is not guaranteed. Tax rules and regulations may change in the future and there is no guarantee that IHT businesses will maintain their qualifying status. For personalised advice, consult with a financial adviser.

# Meet the Fund Managers

## The expert team managing your investment

Our skilled investment team has nearly forty years of combined experience investing in smaller companies and the UK market, with significant expertise in AIM-listed businesses. Having worked together for nearly a decade, they have refined their investment approach to achieve a strong track record of performance for our clients.

### **Judith MacKenzie, Partner and Head of Downing Fund Managers**

Judith is a Partner and joined Downing in October 2009. Previously Judith was a partner at Acuity Capital, a buy-out from Electra Partners, where she managed AIM-quoted VCT and IHT investments and a small-cap activist fund. Prior to Acuity, Judith held senior investment management positions at Aberdeen Asset Management Growth Capital and has over 30 years of experience of investing in UK Smaller Companies and has been a Citywire AAA rated Manager. Judith is Chair of the Quoted Companies Alliance and is an active member on boards both in the private and public arenas.



### **Nick Hawthorn, Fund Manager**

Nick joined Downing in September 2015 and works across our AIM portfolio mandates. Nick has significant investment management industry experience and prior to Downing held roles at BP Investment Aberdeen Asset Management. Nick's particular interest is in investigating unloved and overlooked situations in the smaller company universe as these have historically been a source of strong returns. He holds a MSc in Finance and Investment from Durham University and a MA in Accounting and Economics from the University of Aberdeen.





# How we invest your money

A dedicated and experienced investment manager

We pride ourselves on allocating your money to quality businesses while ensuring they are acquired at the right price. We build a high-conviction portfolio of 25-40 AIM-listed companies across sectors, focusing on durable growth potential and solid management.

## What makes a good investment opportunity?

1

### Good companies first

Our focus is on owning **high-quality companies**.

We seek enduring companies with strong management teams capable of creating long-term returns for investors.



2

### Strong growth prospects

We look for companies that have **room to grow** and can use their capital wisely.

This means they have the **potential to expand** and make the most of new opportunities.



3

### High quality management

We seek management teams that act like owners, prioritising **long-term value** creation for investors over short-term gains.



4

### The price is right

By exploring parts of the market that others might overlook, **we identify companies at lower prices**.



We meet with the management teams of all the companies we invest in, as it's a key part of our investment process. This direct interaction helps us ensure informed investment decisions.

# Example holding: Volex

Volex, established in Manchester in 1892 as Ward & Goldstone Ltd, manufactures electrical connection products for five structurally growing end markets. The company has expanded significantly, employing 6,000 staff across fifteen UK factories, and serves as a critical supplier to leading technology, medical, and industrial companies worldwide.

## Why we invested

### Business quality

By combining all parts of production and constantly improving its processes, the company has increased its profit margins nearly five times since 2017. Disciplined investment in both internal growth and acquisitions has led to steady and high returns for the business.

### Growth potential

The company is selectively investing to increase capacity in its key facilities. It continues to integrate its power cord manufacturing capability and optimise its supply chain and production capacity to reflect economic trends. It has also grown by acquiring 12 other businesses, which has added new markets and customers while increasing profits and providing strong returns on investment.

### Management

Investors are well aligned with management who themselves own more than 25% of Volex. The operational and cultural turnaround since 2015 has been impressive and builds a foundation for long term growth.



Information accurate as at November 2024.

# Example holding: James Latham

James Latham started importing hardwoods into Liverpool in 1757 and became a public company in 1965. Eight generations of the Latham family have expanded the business from one location in Clapton to a leading distributor of hardwood, softwood, and panel products across the UK.

The company has mainly grown by carefully investing its resources and focusing on customer needs, introducing new and innovative products for their trade customers.

## Why we invested

### Business quality

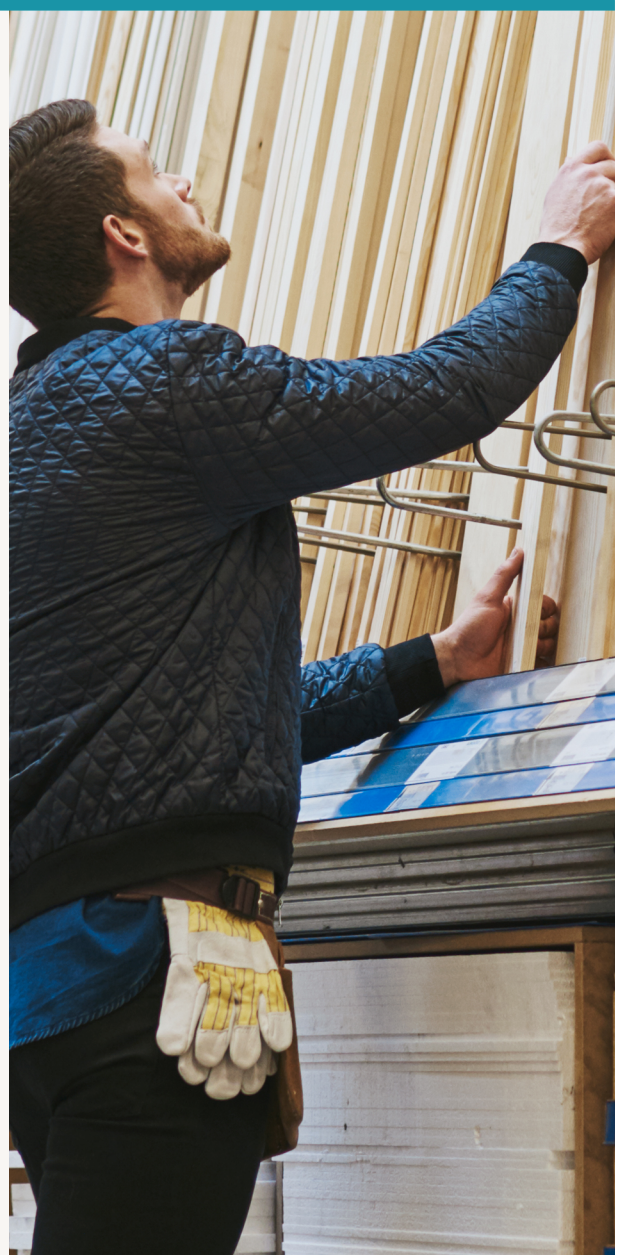
Latham has demonstrated disciplined investment over multiple decades, growing a lasting business. Their profit margins are strong, and their returns have consistently been higher than their costs.

### Growth potential

The company has grown its revenues and operating profit at impressive rates over the last 10 years. Exceptional operating conditions during the COVID pandemic led to a significant windfall, which will be reinvested into the future growth of the business.

### Management

The Latham family have managed the business for over eight generations. As is typical with family-owned and managed businesses, strategic decisions are typically taken with an ultra-long-term perspective. This is evident in how the company has evolved into one of the UK's largest independent timber distributors.



Information accurate as at November 2024.



# Wealth Guard

Unique cover designed to provide extra security

## Investing comes with risk

We can't know for sure what the future will bring so it's important to plan for what may happen. While we manage the Downing AIM Estate Planning Service in a way that seeks to mitigate risk, it can't be fully eliminated.

At no extra cost to you, provided you're under 90 at time of death, our Wealth Guard covers a fall in value of up to 20% of your net initial investment (i.e. the amount invested after charges) when paying out upon your death.

### Key features of Downing's Wealth Guard:

- ▶ Available at no extra cost and guaranteed for the first two years you are invested, after which it will be reviewed annually by the insurer.
- ▶ You are covered up to £500,000, which means there is a maximum payout of £100,000. Joint applications are treated separately for insurance purposes.
- ▶ Wealth Guard is provided through a group insurance policy with an A-rated insurer.
- ▶ Cover will cease when you reach 90 years old.

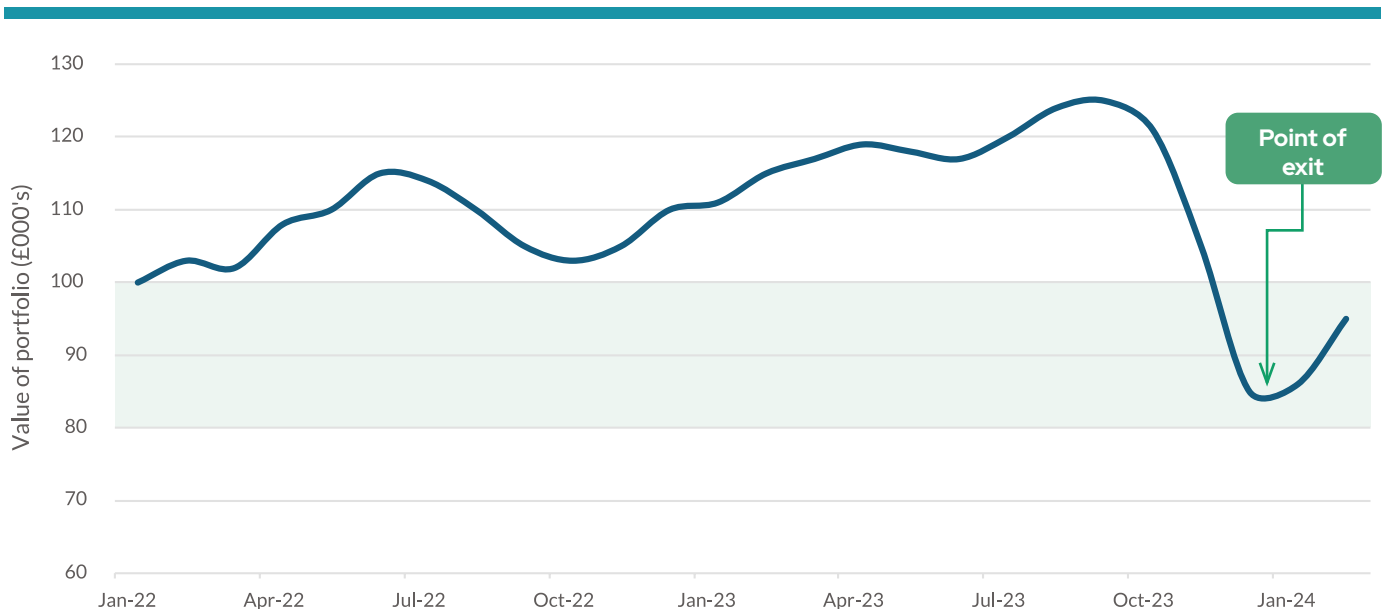
Please note this is a summary only and investors should read the full policy and general exclusions which can be found in the terms and conditions.



# An example scenario

How could Wealth Guard work for you?

## Illustrative performance



The shaded area represents the 20% covered by Wealth Guard as standard when investing through the Downing AIM Estate Planning Service.

## Meet Mrs Thomson

- ▶ Mrs Thomson invests £100,000 into the Downing AIM Estate Planning Service (after Downing and adviser initial fees).
- ▶ After two years of holding the investment, Mrs Thomson passes away. Her beneficiaries look to sell her investment which is now valued at £85,000.
- ▶ Because Mrs Thomson's investment in the Downing AIM Estate Planning Service benefited from Wealth Guard, the insurers paid out £15,000, which is the drop in value from the initial investment.
- ▶ As Mrs Thomson held her investment for at least two years and when she died, there was reduced IHT payable on the value of her shares. Depending on the timeframe, her beneficiaries inherited between £80,000 and £100,000.

<b>Initial net subscription</b>	£100,000
<b>Value of portfolio at exit</b>	£85,000
<b>Wealth Guard payout</b>	£15,000
<b>IHT payable</b> if death occurred before April 2026 (full inheritance relief)	£0
<b>IHT payable</b> if death occurred after April 2026 (20% inheritance relief)	£20,000
<b>Amount left to the beneficiary(ies)</b>	£80,000- £100,000 depending on the timeframe

Please note that the above is for illustrative purposes only, is not indicative of returns and should not be relied upon. Wealth Guard cover is not guaranteed to stay in place after two years and is subject to the age of the investor.

# Life Cover

## An optional feature

Life Cover is designed to mitigate the risk of having to pay inheritance tax when your investment hasn't yet qualified for Business Relief. If you were to pass away within two years of acquiring your shares, the insurance could cover the tax bill.

<b>Term</b>	Maximum of two years
<b>Cover</b>	40% of the original gross investment on death
<b>Maximum pay-out</b>	£100,000 /£200,000 for joint life cover
<b>Maximum age</b>	Under 85 years at the investment date
<b>Life Cover charge</b>	2.25% + VAT per annum/1.86% + VAT per annum <sup>1</sup>

For more information, please request a copy of our Life Cover booklet, and read pages 10-13 of the Dowling AIM Estate Planning Service terms & conditions document, which includes more details of conditions and medical exclusions.

Please note: Medical exclusions/conditions apply and this option may not be available to everyone. <sup>1</sup> Single life cover - 2.25% + VAT per annum/joint life second death cover - 1.86% + VAT per annum.

The charge is calculated on the original gross investment and is allocated annually in advance. There will be no refund of the charge in the event of death. In the case of funds being withdrawn, pro-rata charges will be rebated to reflect the new amount invested and the sum insured will be proportionately reduced. (See the Life Cover booklet and terms & conditions for details.)



# Downing's commitment to responsible investing

Making investment more rewarding: investing responsibly for growth, profit and a better tomorrow

## B Corporation

In 2022, we became a B Corporation. This means that we meet high standards of social and environmental performance.

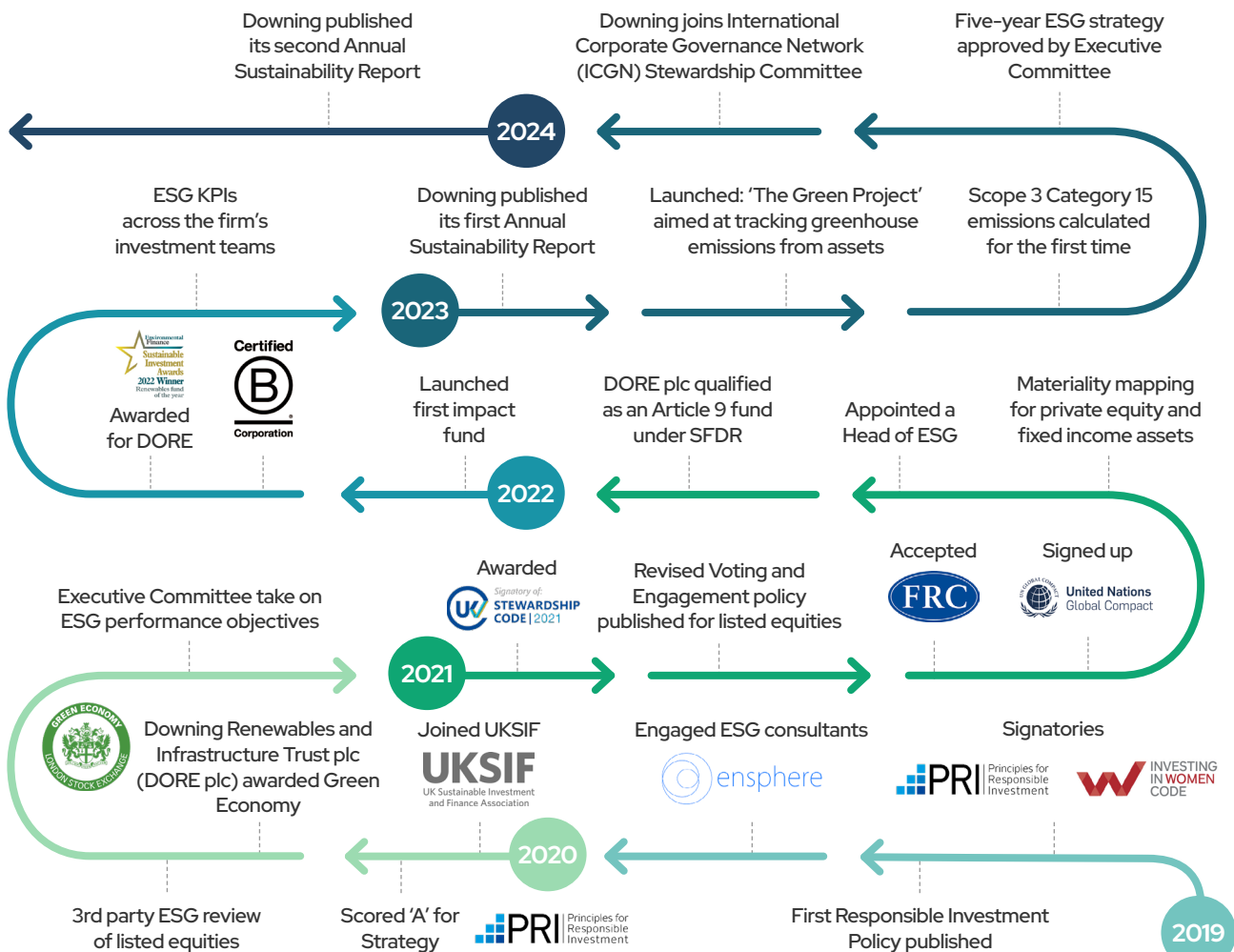
## Net zero and natural capital

In 2023, we made the Net Zero Asset Managers commitment. This is one of Downing's main contributions to limiting warming to two degrees and avoiding physical, economic and other irreversible impacts in this century.

## Robust governance

We are committed to accountability, transparency and clear roles and responsibilities for Downing's Committees.

Our investment strategy and policies at firm and investment team levels are available at: [www.downing.co.uk/sustainability](http://www.downing.co.uk/sustainability)



# Our transparent fee structure

To ensure a fair and transparent structure for our investors, we charge no initial or dealing fees

We aim to be as transparent as possible with the costs associated with investing in the Downing AIM Estate Planning Service. It's important you understand these fees fully. If you do not, we recommend you seek financial advice before investing.

As with any investment product, there are costs involved in researching businesses, making investments, monitoring performance, and administering the Service. Below are the charges designed to cover these costs when you invest through a financial adviser.

To ensure a fair and transparent structure for our investors, we charge no initial or dealing fees.

Description	Charge	Comments
Annual management charge	1.5% plus VAT	Based on the value of your portfolio
Bargain fee <sup>1</sup>	£35 (capped at 0.5% per annum)	Per transaction

Where the investor has come in directly or where initial commission is payable on the application, there will be an initial charge of 2%. Out of its fees Downing will pay or will ensure the payment of any initial commission, where applicable.

Further details on charges and fees are set out on page 13 in the terms & conditions, which also includes information on additional charges where an investor has come in directly or where commission is payable on an investment (e.g. by those investing on an 'execution-only' basis).

Initial and ongoing adviser fees can be facilitated through the Service (see the application form for more details). Alternatively, you can choose to pay any such fees personally.

<sup>1</sup> The bargain fee we charge is representative of actual transaction costs and is capped at 0.5% per annum to protect smaller investors from paying high ongoing costs.

# How we support you

Putting you and your beneficiaries first



Our dedicated customer service team, led by Jane, are here to help you. Whatever decision you make, we are with you at every step, helping things to go as smoothly as possible. Please don't hesitate to call our team on 0207 416 7780 or email us at: [customer@downing.co.uk](mailto:customer@downing.co.uk)

**Jane Hart, Customer Services Director**

- 1** Before investing it is important to understand your personal inheritance tax situation and what type of planning would be best for you. When considering investing please read all relevant literature, paying close attention to the risks. If you have any questions, please contact your financial adviser or our customer service team on the number above.
- 2** Should you decide to invest, we can provide the relevant application forms to complete. A financial adviser will be able to help with filling these in.
- 3** Once we have received your application, we will send you an acknowledgement letter.
- 4** Once the funds are received, we will write to you to let you know the investment programme has begun and provide your login details for the portal. We will send additional confirmation when the investment programme is completed.
- 5** If you have selected the optional Life Cover policy, we will ensure your first-year premium is paid to the insurers. The second-year premium will be paid on the one-year anniversary of your investment.
- 6** You can access your portfolio at any time to add or withdraw, subject to liquidity.
- 7** We will provide you with online access to your portfolio and with a periodic statement every quarter in respect of each portfolio. The report will comprise the cost, current value and dividends of all holdings within a portfolio as at the last business day of the period in question. The performance of the investments will be measured against a stock market index.
- 8** We will provide an annual tax pack detailing capital gains and income after the end of each tax year.



## Our in-house bereavement team are here to help

We have a dedicated team that are here to help you and your beneficiaries. If you pass away while holding an investment, the team can talk your loved ones through the options they have available. You can contact the team at the number or email address above.

**Sunil Patel, Bereavement Team**



# Key risks

Here are some of the risks that you should consider before investing

We always recommend that you seek specialist independent tax and financial advice before investing. Downing does not offer tax or investment advice.

## Risk to your capital

The value of your investment may go down as well as up. You may not get back the full amount you invested. The Financial Services Compensation Scheme (FSCS) for deposits does not apply to investments in the Service. However, under the FSCS investment protection scheme there may be circumstances in which investors can claim compensation where Downing LLP is unable or unlikely to honour legally enforceable obligations against it (e.g. claims for fraud or misrepresentation). For more details on the FSCS and its eligibility criteria please visit [www.fscs.org.uk/what-we-cover](http://www.fscs.org.uk/what-we-cover).

## Tax reliefs are not guaranteed

The rates of tax, tax benefits and tax allowances in this brochure are based on current legislation and HMRC practice. They are not guaranteed, are subject to change and depend on personal circumstances. Any changes to the sectors that qualify as IHT trades may have a material adverse effect on the value of the shares or the ability of the Service to achieve its objectives. We cannot guarantee that sufficient investments in IHT qualifying businesses will be made within the expected timetable, or at all.

IHT qualifying businesses may subsequently cease to qualify for IHT relief, in which case IHT relief could be delayed or lost.

## You cannot rely on past performance and target returns are not guaranteed

Please remember that past performance is not a guide to future performance and there is no guarantee that the Service's target return objectives will be achieved.

## Liquidity

The shares of AIM listed companies tend to be harder to sell than those of larger companies. This means that if you want to make a withdrawal or transfer funds from your portfolio, you may not be able to sell the shares immediately. You can request a withdrawal from your portfolio at any time, but this may be delayed because investments made through the Service will be in companies whose shares are less liquid than those of companies listed on the FTSE or another main stock exchange.

There could be a delay in returning cash in the event of significant demand for withdrawals or distributions. Investors may not receive the full amount they request of to withdraw for up to 12 months or more.

## Conflicts of interest

The portfolio companies in the Service may co-invest alongside other funds managed or advised by Downing. If this happens, there's a chance that the interests of one group of investors will be in conflict with the interests of another group, or with the interests of Downing. In the event of a conflict of interest, Downing's investment committee and conflicts committee (and their external advisers) will work to ensure that this is resolved fairly and in accordance with Downing's conflicts policy.

# Key risks (continued)

Here are some of the risks that you should consider before investing

## Global events

Where events occur that have a far-reaching impact on the operations of the Portfolio Companies and their underlying businesses, their value and that of the underlying businesses may be reduced. Examples of such macroeconomic events include (but are not limited to) the significant and broad economic impacts caused by a global pandemic, Brexit, cyclical falls in the values in the residential property market, reductions in the availability of credit from financial institutions, sustained falls in major listed stock markets, adverse movements in interest rates, or currency rates and the failure of political institutions including government.

## Concentration

The Portfolio Companies will typically hold interests in a number of underlying businesses. These businesses may vary by sector, value, scale, stage, geography and technology. The relative concentration of businesses held by the Portfolio Companies across these variables will move over time, as existing underlying businesses are sold and new businesses are added by the Portfolio Companies. The Portfolio Companies may have exposure to high levels of concentration within one or more such variables, for example by sector, which in turn may impact the value of the investors' shares in the event of an adverse development within that variable.

## Currency movements

Adverse movements in currency may impact the financial performance of the Portfolio Companies and their underlying businesses.

## Geography

Although all of the Portfolio Companies are listed in the UK, the Portfolio Companies may have operational activities and generate earnings outside of the UK. Adverse changes in the business environment that the non-UK underlying businesses operate in, may impact on the value of the Portfolio Companies' holdings. These adverse changes could relate to developments in the tax framework, the regulatory environment, the legal system, the political infrastructure, domestic currency controls, the financial services sector, local supply and demand dynamics, and the currency exchange rate.

## Wealth Guard is not guaranteed to remain in place

The insurance policy is a Downing group policy, paid for by Downing. It is renewable each year (subject to a minimum period of at least two years for each investor) but there is no guarantee that it will remain in place following each renewal date.

## Life Cover payout

There is no guarantee that the life cover policy will always pay out if a claim is made because there are a number of exclusions.

The information in this brochure is based upon current taxation, other legislation, and HMRC practice. Any changes in the legislation or HMRC practice may affect the value of an investment.

**For further details of the risks associated with investing, please see pages 8-10 of the terms & conditions.**



# Investments that matter

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