

Downing Strategic Micro-Cap Investment Trust



November 2020 Commentary

The company's NAV returned 8.69% in the month and the share price returned 7.52%. This was a pleasing performance, driven largely by strong underlying results from companies such as [Volex](#), but also through a wider market recovery fueled by positive vaccine news. Overall, we continue to believe that our portfolio companies are significantly undervalued. For example, Ramsdens trades on a historic EV/EBITDA of less than 4x, and we expect this to rerate as sentiment continues to improve.

[Volex](#) had the strongest positive contribution following a positive set of results and the announcement of an earnings enhancing acquisition of DEKA. We are pleased with progress here and look forward to a recovery of the healthcare business, which has been delayed by Covid-19, as well as the earnings opportunities from DEKA. [AdEPT](#) Technology Group announced results which were impacted by Covid-19, but in our view, demonstrated a resilient performance. We still see significant scope for value creation for equity holders.

We made some changes to the portfolio in the month, removing [Pennant](#) and [Science in Sport](#) entirely. We added to our toehold [Venture Life](#), now a core position, on the back of a [placing](#) to fund an acquisition. We think that Venture Life, a leading developer, manufacturer and distributor of consumer self-care products, has significant scope to grow revenues, which should generate substantial operational gearing and earnings growth in the medium term. We think that the group has potential synergistic and strategic value to larger players in the space.

Opinions expressed in this document represent the views of the investment manager at the time of publication, are subject to change, and should not be interpreted as investment advice.



The Downing Strategic Micro-Cap Investment Trust [website](#) includes further information about the company including annual and half year reports, investor update letters, historic factsheets and video content from the manager.



Judith is a Partner at Downing, having joined in 2009 and founding Downing Fund Managers. She was named Small-Cap Fund Manager of the Year at the Small-Cap Awards in 2013 and 2015 for the Downing UK Micro-Cap Growth Fund.

Company Objectives

- ▶ The Company aims to generate a return of 15% p.a. compound over the long term. Please note that this is a target only and is not guaranteed.
- ▶ The Manager employs a value approach and seeks to be influential through taking strategic stakes.
- ▶ The Company seeks to hold a concentrated portfolio between 12-18 holdings.
- ▶ The Company will typically hold between 3 - 25% of the equity of investee companies, notwithstanding ability to use debt instruments alongside equity.
- ▶ Long-term investment horizon over three to seven years.
- ▶ Buyback mechanism for up to 14.99% of the equity of the Company seeking to closely control discount (at the Board's ultimate discretion and subject to shareholders' annual approval).

	Fund discrete performance (%)												Rolling 12-month period -1.98% (30/11/2019-30/11/2020)	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	
2020	1.26	-10.64	-17.04	8.45	0.64	0.12	-2.09	6.44	-2.09	2.04	8.69		-7.16	
2019	-1.81	-3.59	1.65	4.01	-3.93	-1.20	0.57	-3.75	-2.83	0.72	5.23	5.57	-0.02	
2018	-0.98	-1.49	-1.76	-1.15	1.14	-2.24	-1.04	-0.19	-0.51	-7.23	1.07	-4.04	-17.18	
2017*					-0.02	-0.12	-0.64	-1.31	-0.16	-1.02	-0.55	0.86	-2.94	

* From inception 09/05/2017 to 31/12/2017

Source: Downing LLP. Please note that past performance is not a reliable indicator of future results.

Portfolio summary As at 30 November 2020

Top five holdings

Holding	Sector	% of Company
Real Good Food Plc*	Food Producers	18.21
Volex Plc	Electrical Equipment	14.35
Hargreaves Services Plc	Support Services	7.22
Ramsdens Holdings Plc	Financial Services	6.03
Adept Technology Group Plc	Telecommunications	5.62

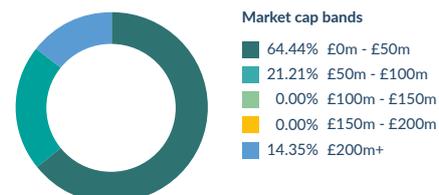
*Holding includes a 17.63% loan note and 0.58% equity split

Portfolio by sector



Source of holding and sector data is Downing LLP.

Market Cap



Source of market cap data is Factset.

Key facts As at 30 November 2020

The Company targets positive returns over the long term from a focused portfolio of UK micro-cap companies believed to be undervalued and could benefit from strategic and operational initiatives.

Launch date

9 May 2017

Morningstar sector

UK Small Cap Equity

Total market value

£32,537,287.51

Total net assets

£39,180,939.74

No of Ordinary Shares in issue

53,559,321

NAV incl. income (starting NAV 98.04p)

73.15p

Market Price of Ordinary Shares

60.75p

Premium (Discount)

-16.96%

Dividends

The Company has no stated dividend target. A dividend of 1.6p for the year ending 29 February 2020 was paid to shareholders on 3 July 2020.

Codes and fees

Ordinary Share ISIN: GB00BF0SCX52

Ordinary Share SEDOL: BF0SCX5

Ordinary Share Ticker: DSM

AMC on market cap: 1%

Ongoing charges

The ongoing charges represent the Company's management fee and all other operating expenses excluding any finance costs, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ending 29 February 2020 were 1.83%.

Managers

Judith MacKenzie, James Lynch & Nick Hawthorn

Directors

- » Hugh Aldous, Chairman
- » Linda Bell, Non-Executive Director
- » Robert Legget, Non-Executive Director
- » William Dawkins, Non-Executive Director

Financial calendar

The Company's annual financial statements will be prepared to 28 February in each year and will typically be sent to shareholders within four months of its financial year end.

The Company also publishes an unaudited interim report covering the six months to 31 August each year, typically within two months of that date.

Further information

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www.downingstrategic.co.uk

Risk warning: Your capital is at risk. Investments and the income derived from them can fall as well as rise and investors may not get back the full amount invested. Investments in smaller companies will normally involve greater risk or volatility than investments in larger, more established companies. Performance figures are taken from daily valuations provided by Downing LLP. Return is the total return (value of the investments plus cash including income after all expenses and charges), ignoring investor's taxation. Because shares in an investment Trust are listed on the London Stock Exchange their price is affected by supply and demand. This means that the share price may be different from the NAV. The Company's investment strategy may involve the use of leverage, which exposes the Company to risks associated with borrowings. Please note that past performance is not a guide to future performance.

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