Key Information Document

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Downing Strategic Micro-Cap Investment Trust plc

ISIN: GB00BF0SCX52.

LSE Symbol: DSM

Downing Strategic Micro-Cap Investment Trust plc ("the Company" or "DSM") is a public listed company (a "plc") listed on the London Stock Exchange (the "LSE"). It is not therefore regulated or authorised by the Financial Conduct Authority but instead it is subject to the Companies Act, the Listing Rules, the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation, the Prospectus Rules, the guidance and requirements of the Financial Reporting Council ("FRC") and the Corporate Governance requirements of the FRC and the AIC as applicable to publicly listed companies and closed-ended investment companies. As a listed plc it is required to provide a great deal of information to shareholders in the form of reports and accounts, stock exchange announcements and factsheets, all of which can be accessed via its website http://www.downing.co.uk/strategic where it also publishes its prospectus that was approved by the Financial Conduct Authority before the Company's initial public offering. The Company is nevertheless subject to the oversight of the Financial Conduct Authority in relation to the content and preparation of this document.

Following the FCA's invitation to Boards to consider how to address a Key Information Document, produced in accordance with regulation, which may mislead investors, our advice is that you refer to the Company prospectus. Whilst the prospectus is a long document, there are sections on page 46 (which sets out the investment proposition) and page 19 (which discusses risks), which the Board considers gives clearer guidance than this key information document.

Date of Production: 17/09/2018

What is this Product?

The information contained in this document and the methodologies for calculating risks, costs and potential returns are prescribed by EU rules.

Downing Strategic Micro-Cap Investment Trust plc is a public limited liability company governed by a board of directors, with an allotted number of shares of 55,600,002 as at 1 January 2018. DSM had its initial public offering on 9 May 2017 and its shares were issued and subscribed for at 100 pence each. As a company with allotted and fully paid up share capital, DSM is commonly known as a closed-ended investment company. It is categorised by EU rules as an alternative investment fund under the Alternative Investment Fund Managers Directive.

The Company's product is a portfolio of strategic investments in micro-cap companies (companies with market capitalisations of less than £150m) that in turn are listed on the London Stock Market, usually on AIM (the Alternative Investment Market) of that exchange. That portfolio has been constructed and is managed by, Downing LLP, adopting an exceptional approach to identify undervalued stocks as outlined in the Company's prospectus. The Company's shares are listed for trading on the London Stock Exchange, Premium Segment. Investing in the Company is done through buying its shares on that market and disinvestment by selling shares on that market.

The investment objective of the Company is to generate capital growth for shareholders, from a focused portfolio of UK micro-cap companies, targeting a compound return of 15% p.a. over the long-term.

The target investors are institutions, private investors who are financially sophisticated and familiar with stock markets, and professionally advised investors.

The value of the Company's net assets, principally its investments, and the demand for, and supply of, its shares will influence the price of those shares – normally quoted at an 'offer' price at which they are offered for sale to investors and a slightly lower 'bid' price at which the market will buy them. Although shares may remain for as long as the Company continues to trade, the directors are empowered to buy back shares available in the market and there is a discretionary share redemption procedure set out in the Company's issuing prospectus (available on the Company's website). If there is demand and good investment opportunities the directors may issue more shares through London Stock Market procedures. The Company may borrow (known as gearing) within the constraints set out within its prospectus.

There is no fixed maturity date. There is no ability for the Company to terminate holdings unilaterally or for the shares to be terminated automatically.

What are the risks and what could I get in return?

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

1	2	**3**	4	5	6	7

← **Lower risk** **Higher risk** →

In order to understand more about DSM, which is a publicly listed company, investors are urged to read the prospectus issued at launch which was reviewed by the Listing Authority, part of the FCA (https://www.downing.co.uk/sites/default/files/prospectus_-_downing_-_24.03.2017_-_final.pdf). Page 19 onward sets out risks and page 46 onwards sets out the investment proposition.

Producing the risk indicator above and the formulaic tabulation of various outcomes under different scenarios overleaf is a requirement of EU policy applied through the FCA. Following a statement from the FCA on situations where a Key Information Document may be misleading, the Board consider that the following table is not helpful. Investors are referred to the Company prospectus as referenced above.

The risk indicator assumes you keep the product for 5 years. If you sell the shares at an earlier stage the actual risk can vary significantly, which may mean you get back less.

We have classified this product as 3, which is a medium low risk class. This rates the potential losses from future performance at a medium low level, and poor market conditions are unlikely to impact the amount you could get back.

What are the risks and what could I get in return? (continued)

This table shows the money you could get back over the next 5 years, under different scenarios, assuming that you invest £10,000. The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past and are not an exact indicator of what your returns will be. Your returns will depend on how the market performs and how long you keep the investment. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you.

Investment £10,000				
Scenarios		**1 year**	**3 years**	**5 years (Recommended holding period)**
Stress scenario	What you might get back after costs	£6,558	£6,875	£6,113
	Average return each year	-34.42%	-11.74%	-9.37%
Unfavourable scenario	What you might get back after costs	£9,143	£8,903	£8,911
	Average return each year	-8.57%	-3.80%	-2.28%
Moderate scenario	What you might get back after costs	£10,315	£10,972	£11,671
	Average return each year	3.15%	3.14%	3.14%
Favourable scenario	What you might get back after costs	£11,631	£13,516	£15,278
	Average return each year	16.31%	10.56%	8.85%

The figures shown include all the costs of the product itself, where applicable, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

What happens if the Company is unable to pay out?

As a shareholder of a listed company you would not be able to make a claim to the Financial Services Compensation Scheme about the Company in the event the Company becomes insolvent. A default by the Company or any of the underlying holdings could affect the value of your investment.

What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs.

The amounts shown here are the cumulative costs of the Company itself, for three different holding periods. The figures assume you invest £10,000. The figures are estimates and may change in the future.

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

Investment £10,000			
Scenarios	**If you cash in after 1 year**	**If you cash in after 3 years**	**If you cash in at 5 years**
Total costs	£155	£471	£798
Impact on return (RIY) per year	1.50%	1.50%	1.50%

What are the costs? (continued)

The table below shows the impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period and the meaning of the different cost categories.

This table shows the impact on return per year			
One-off costs	**Entry costs**	0.00%	The impact of the costs you pay when entering your investment.
	Exit costs	0.00%	The impact of the costs of exiting your investment when it matures.
Ongoing costs	**Portfolio transaction costs**	0.02%	The impact of the costs of us buying and selling underlying investments for the product.
	Other ongoing costs	1.48%	The impact of the costs that are incurred each year for managing your investments and running the Company.
Incidental costs	**Performance fees**	0.00%	The impact of performance fees on your investment.
	Carried interests	0.00%	The impact of carried interests on your investment.

How long should I hold it and can I take money out early?

The recommended minimum holding period of 5 years has been selected for illustrative purposes only and reflects the long-term nature of the Company’s investment objectives, but investors may elect to sell their shares on the market at any time without penalty by the Company. The value of shares and the income derived from them (if any) may go down as well as up, and investors may not get back the full value of their investments. Whilst the shares are traded on the main market, it is possible that there may not be a liquid market in the shares and investors may have difficulty selling them.

How can I complain?

If you have a complaint this should be directed to the Company Secretary, Maitland Administration Services Limited, Springfield Lodge, Colchester Road, Chelmsford, Essex, CM2 5PW, tel: 01245 398950, email: cosec@maitlandgroup.co.uk.

Other relevant information

The cost, performance and risk calculations included in this KID follow the methodology prescribed by EU rules. Depending on how you buy these shares you may incur other costs, including broker commission, platform fees and Stamp Duty.

Other relevant information on the Company's style and objectives and the management team's track record can be obtained from Downing's web pages: http://www.downing.co.uk/strategic.