



Downing Strategic Micro-Cap Investment Trust Factsheet

May 2020

Portfolio commentary

The Covid-19 pandemic continues to dominate the news. However, after share prices fell largely in line with markets in March, in April there was some significant recovery in a number of our holdings. All the companies in the portfolio have now issued Covid-related trading updates and we believe that most are well capitalised and able to survive the pandemic, taking into account downside scenarios. DSM is well positioned with more than 15% of NAV in cash, allowing flexibility to support existing positions if appropriate, and to take advantage of market weakness in potential new holdings that have been in diligence for some time. The portfolio has little direct exposure to high street retail and leisure sectors, and many operate in

sectors that produce or provide some essential goods or services and are seeing increased demand in parts of their business during this time of disruption. As we emerge from the pandemic, we believe that all the companies in the Trust have an identifiable 'niche' and should continue to have 'survivability' for the products and services that they offer. Reassuringly, most positions show balance sheet strength, which when combined with strong management teams, should allow a return to some form of normality. We believe that the disruption of Covid has deferred, but not fundamentally altered, the considerable performance potential prospect for this portfolio. Given the strength of balance sheets in the majority of investees, and our belief in the ability of these businesses to weather the current issues, it is not difficult for us to look to a post-Covid world where these companies will demonstrate earnings and values at a significant premium to the current share prices and DSM's NAV. We are actively engaged with competent management teams, helping them navigate the current crisis, as they adapt their businesses for the future.

Fund discrete performance (%)						Rolling 12-month period -18.66% (30/04/2019-30/04/2020)							
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	1.26	-10.64	-17.04	8.45									-18.58
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 ¹					-0.02	-0.12	-0.64	-1.31	-0.16	-1.02	-0.55	0.86	-2.94 ¹

Please note that past performance is not a reliable indicator of future results.

Key facts as at 30 April 2020

The Trust 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.

Total market value
£27,689,151.01

Total net assets
£35,174,499.85

No of Ordinary Shares in issue
54,830,002

NAV incl. income (starting NAV 98.04p)
64.15p

Market price of Ordinary Shares
50.50p

Premium (Discount)
-21.28%

Source of performance, holding and sector data is Downing LLP.

Source of market cap data is Factset.

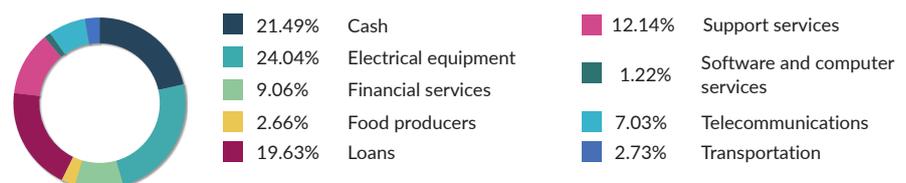
¹From inception 09/05/2017 to 31/12/2017.

²Includes loan notes.

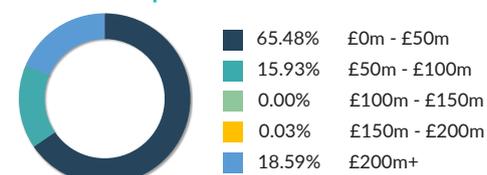
Top five holdings

Holding	Sector	% of Trust
Real Good Food plc ²	Food producers	20.16
Volex Plc	Electrical equipment	18.60
Adept Technology Group Plc	Telecommunications	7.03
Ramsdens Holdings Plc	Financial services	6.30
Hargreaves Services Plc	Support services	6.13

Sector



Market cap



Information correct as at 30 April 2020.

Judith MacKenzie, Lead Investment Manager

Judith founded Downing Public Equity in 2009 and 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.



Trust objectives

- ▶ The Trust 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 Trust seeks to hold a concentrated portfolio between 12-18 holdings.
- ▶ The Trust 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 Trust seeking to closely control discount (at the Board's ultimate discretion and subject to shareholders' annual approval).

Investment rationale

- ▶ Private-equity approach to research and engagement seeks to unlock greater shareholder value over the long term.
- ▶ We believe a strategic, proactive investment approach can help smaller companies realise their potential.
- ▶ UK micro caps offer a wider investment universe and can offer better value relative to larger caps (Factset).

Share price information, the latest investor letter which contains comprehensive information on the Trust's performance, strategy and holdings, plus historical factsheets, RNS announcements, and video interviews with the manager, are all available to download from the homepage of the Downing Strategic Micro-Cap Investment Trust website.

Dividends

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

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%.

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.

Company information

Launch date 9 May 2017

Morningstar sector UK Smaller Companies

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

Further information

Company's registered office

St Magnus House
3 Lower Thames Street
London
EC3R 6HD
Telephone: 0207 416 7780

Company Secretary

St Magnus House
3 Lower Thames Street
London
EC3R 6HD
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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 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.

Important notice

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19 May 2020

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Downing LLP, St Magnus House,
3 Lower Thames Street, London
EC3R 6HD

020 7416 7780 / www.downing.co.uk