

Downing Strategic Micro-Cap Investment Trust Factsheet



April
2019

Portfolio commentary

The Trust's NAV increased by 1.65% over the period. Positive contributions came from Volex and Synectics, while the main detractors were Redhall and Gama Aviation. During March, a number of our holdings made announcements that we believe indicate that the strategic initiatives we've helped put in place are beginning to deliver on their objective of value realisation.

Braemar provided a trading update and confirmed that results for the second half of the year are in line with expectations. The board expects to report a full year underlying profit before tax within the range of £6.8 to £7.2 million.

Duke appointed Cenkos Securities as sole broker and Nominated Adviser. Charlie Cannon-Brookes, Executive Director, purchased 100,000 ordinary shares in the company.

Gama Aviation reported a review of its financial reporting methodology will result in changes to accounting policies and estimates. The 2019 outlook remains in line with expectations and the company remains well-funded for its ongoing operations and the delivery of its strategy in 2019. A new chairman will be appointed by 3 April 2019.

Ramsdens announced the acquisition of 18 stores trading as 'The Money Shop' for a consideration of £1.5 million.

Redhall announced that Joe Oatley was appointed chairman, replacing Martyn Everett who became a Non-Executive Director.

Science in Sport's final results reflected another period of very strong growth and the sixth consecutive year where it has significantly outperformed the sector. The core business generated operating profits of £2.0 million.

Synectics secured a multi-million dollar contract from a new customer in the gaming sector. The initial phase of the project is expected to be delivered this financial year, with potential for significant further revenue in future.

Volex reported that trading continues to be ahead of market expectations, with the three acquisitions made during the year all performing to plan. Full-year sales are expected to exceed \$365 million (2017/18: \$322 million).

Fund discrete performance (%)		Rolling 12-month period -16.86% (31/03/2018-31/03/2019)											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	-1.81	-3.59	1.65										-3.79
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 31 March 2019

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
£39,754,001.43

Total net assets
£42,159,145.90

No of Ordinary Shares in issue
55,600,002

NAV incl. income (starting NAV 98.04p)
75.83p

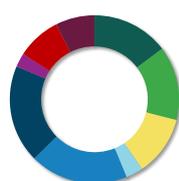
Market price of Ordinary Shares
71.50p

Premium (Discount)
-5.70%

Top five holdings

Holding	Sector	% of Trust
Real Good Food plc ²	Food producers	17.79
Volex plc	Electrical equipment	13.49
Synectics plc	Support services	9.57
AdEPT Technology Group plc	Telecommunications	8.51
Hargreaves Services plc	Support services	7.45

Sector



14.73%	Cash	18.84%	Support services
14.25%	Electrical equipment	2.63%	Software and computer services
11.55%	Financial services	8.51%	Telecommunications
3.28%	Food producers	7.45%	Transportation
18.76%	Loans		

Market cap



52.31%	£0m - £50m	0.00%	£150m - £200m
34.20%	£50m - £100m	0.00%	£200m +
13.49%	£100m - £150m		

Source of performance, holding and sector data is Maitland Institutional Services.

Source of market cap data is Factset.

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

²Includes loan notes.

Information correct as at 31 March 2019.

Judith MacKenzie, Lead Investment Manager

Judith is a Certified Fellow of the Securities Institute and has held a number of public and private directorships. She 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. No dividends have been declared or paid to date.

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 period 17/02/2017 - 28/02/2018 were 1.48%.

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
- ▶ Alyx Wood
- ▶ Nick Hawthorn

Directors

- ▶ Hugh Aldous, Chairman
- ▶ Stephen Yapp, Non-Executive Director
- ▶ Andrew Griffiths, Non-Executive Director
- ▶ Linda Bell, 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

Maitland Administration Services Ltd
Springfield Lodge
Colchester Road
Chelmsford, Essex
CM2 5PW

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 Maitland Institutional Services. 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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11 April 2019

Downing

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