

Downing Strategic Micro-Cap Investment Trust Factsheet

October 2019

Portfolio commentary

The Trust's NAV decreased by 2.83% over the period. Positive contributions came from Pennant International and Duke Royalty, while the main detractors were FireAngel and Synectics. A snapshot of announcements that we believe indicate the strategic initiatives we have helped put in place are beginning to deliver on their objective of value realisation include:

Duke announced results for the 12 months ended 31 March 2019 and highlighted the positive performance that its portfolio diversification strategy has delivered. Operating cash flow, a key metric for the business, has grown

substantially, together with revenue. As a result of the group's high operating leverage and the quadrupling of its royalty portfolio in the past year, the board noted the financial benefits that have been generated, particularly in relation to an increased dividend.

Gama Aviation announced Daniel Ruback's appointment as CFO, effective from 16 December 2019 when he will also join the board. Gama also announced the results for the six months to 30 June 2019. Management are continuing to oversee reforms in corporate governance and financial discipline, while supporting Gama's organic and acquisitive growth strategy, with the aim of delivering stronger future shareholder returns.

FireAngel announced its results for the six months ended 30 June 2019. In the period the interim loss widened on exceptional costs, leading to expectations of a loss for FY2019. Looking ahead, the board is cautious around when strategically significant trials in progress will be completed, however these trials are expected to generate revenue in 2020 and beyond.

Science in Sport announced the appointment of James Simpson as CFO effective from 26 September 2019. The group also announced its unaudited results for the six months ended 30 June 2019. Management remains confident of delivering on full year expectations, and of the future growth of the PhD and SiS brands. Further investment will underpin expected growth in 2020 and beyond.

Synectics' share price dipped during the month and it made a negative contribution to the portfolio. We believe this was due to sentiment rather than fundamentals as the group made no announcements to the market in September.

Pennant announced interim results for the six months ended 30 June 2019 and reported that trading in the period was in line with management expectations. The board anticipates a profitable outcome for the full year and remains confident of future prospects and of delivering long-term shareholder value.

Fund discrete performance (%)						Rolling 12-month period -19.60% (30/09/2018-30/09/2019)							
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	-1.81	-3.59	1.65	4.01	-3.93	-1.20	0.57	-3.75	-2.83				-10.65
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 September 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
£36,495,201.33

Total net assets
£38,645,594.27

No of Ordinary Shares in issue
54,880,002

NAV incl. income (starting NAV 98.04p)
70.42p

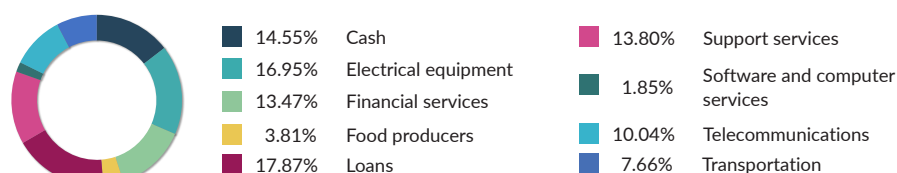
Market price of Ordinary Shares
66.50p

Premium (Discount)
-5.56%

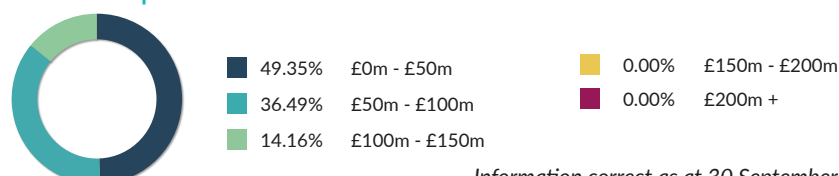
Top five holdings

Holding	Sector	% of Trust
Real Good Food plc ²	Food producers	18.80
Volex plc	Electrical equipment	14.16
AdEPT Technology Group plc	Telecommunications	10.04
Ramsdens Holdings plc	Financial services	7.78
Synectics plc	Support services	7.46

Sector



Market cap



Source of performance, holding and sector data is Maitland Institutional Services Ltd.
Source of market cap data is Factset.

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

²Includes loan notes.

Information correct as at 30 September 2019.

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 maiden dividend of 1.25p for the year ending 28 February 2019 was paid to shareholders on 5 July 2019.

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 28 February 2019 were 1.84%.

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
- ▶ Andrew Griffiths, Non-Executive Director
- ▶ Linda Bell, Non-Executive Director
- ▶ Robert Legget, 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
Hamilton Centre
Rodney Way
Chelmsford, Essex
CM1 3BY

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 Limited. 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.

14 October 2019

Downing



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