



# Downing Strategic Micro-Cap Investment Trust Factsheet

February 2020

## Portfolio commentary

The Trust's NAV increased by 1.26% over the period. Positive contributions came from Volex and Hargreaves Services, while the main detractors were Duke Royalty and Gama Aviation.

Below are a series of announcements we believe indicate that the strategic initiatives we have helped put in place are beginning to deliver on their objective of value realisation:

Duke Royalty announced a follow-on investment of approximately £7.7 million into existing royalty partner Bakhchysarai (Ireland) Limited (BIL). Providing existing royalty partners with capital to

undertake synergistic M&A transactions is a core part of Duke's investment mandate, and it looks forward to a long and successful partnership with BIL as it executes its strategy.

Gama, while a detractor this month, made no news announcements in January.

Hargreaves Services announced positive interim results for the six months ended 30 November 2019. The board believe that these financial results demonstrate the group's progress in delivering higher quality earnings from the Distribution & Services business. It was also positive about the initiatives being driven by the group's German associate in developing and enhancing the underlying value of its German investment.

Pennant announced the acquisition of Absolute Data Group. The board believes that there are clear synergies and numerous opportunities to provide an end-to-end solution to the users of Pennant products.

Ramsdens issued a trading update, announcing that the group delivered strong trading during the Christmas period. The board was encouraged by the strong momentum across the business and anticipates full year profits will be comfortably ahead of current market expectations.

Science in Sport announced a trading update for the financial year ended 31 December 2019 and reported that results are in line with market expectations. The board believe that the strengthened executive management team, along with important operational progress, has positioned the group for the next stage of its growth.

Synectics announced the appointment of Dr Alison Vincent as a non-executive director with immediate effect.

Volex made no news announcements during January. The group previously issued strong results which we believe significantly heightened the company's profile.

Fund discrete performance (%)	Rolling 12-month period 3.12% (31/01/2019-31/01/2020)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	1.26												1.26
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 <sup>1</sup>					-0.02	-0.12	-0.64	-1.31	-0.16	-1.02	-0.55	0.86	-2.94 <sup>1</sup>

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

### Key facts as at 31 January 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  
£39,614,676.45

Total net assets  
£43,749,283.47

No of Ordinary Shares in issue  
54,830,002

NAV incl. income (starting NAV 98.04p)  
79.79p

Market price of Ordinary Shares  
72.25p

Premium (Discount)  
-9.45%

### Top five holdings

Holding	Sector	% of Trust
Volex plc	Electrical equipment	19.05
Real Good Food plc <sup>2</sup>	Food producers	16.39
Ramsdens Holdings plc	Financial services	8.54
Adept Technology Group plc	Telecommunications	8.35
Hargreaves Services plc	Support services	7.42

### Sector



16.75%	Cash	13.79%	Support services
21.15%	Electrical equipment	1.66%	Software and computer services
13.41%	Financial services	8.35%	Telecommunications
2.86%	Food producers	6.24%	Transportation
15.79%	Loans		

### Market cap



46.02%	£0m - £50m
22.63%	£50m - £100m
12.30%	£100m - £150m
0.00%	£150m - £200m
19.05%	£200m+

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

Source of market cap data is Factset.

<sup>1</sup>From inception 09/05/2017 to 31/12/2017.

<sup>2</sup>Includes loan notes.

Information correct as at 31 January 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 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
- ▶ 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

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.

## Important notice

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10 February 2020

**Downing** 

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