

# Downing Strategic Micro-Cap Investment Trust Factsheet



March  
2019

## Portfolio commentary

The Trust's NAV decreased by 3.59%, over the period. Positive contributions came from Hargreaves Services and Duke Royalty, while the main detractors were Volex and Gama Aviation. A number of our holdings made announcements in the period which we believe is indicative of the amount of work taking place as the strategic initiatives we have helped put in place begin delivering on their objectives of value realisation.

Braemar announced that Steve Kunzer was appointed as a non-executive director in February, with Nick Stone appointed Finance Director with effect from 1 April 2019.

Duke Royalty announced that it has provided a £10 million royalty financing into Miriad. This is Duke's twelfth core holding and builds on the diversification recently achieved through the acquisition of Capital Step. Importantly, Duke's existing cash holdings and acquired debt facility mean that it is well positioned to make more investments in the coming months.

Gama's share price fell as the group announced that it had identified the receipt of two overpayments, in error, from Gama Aviation LLC, its US Air associate. Both of these overpayments were re-paid in full.

Volex share price fell in the period and we believe that the decline was due to an overhang from a forced seller on the market. Post month end, the share price rebounded back to over 90p.

Real Good Food (RGF) announced the sale of Chantilly to its management team. This disposal (and those of Haydens, Garretts and R&W Scott), frees RGF to focus on growing its two profitable, continuing businesses which together now comprise the majority of the group. Having transformed the group's financial position as a result of these disposals and other financing activities, the resources are now available to fund this growth.

Synectic's results highlighted that the strong performance in the gaming sector was offset by weak performance in the UK bus market producing satisfactory results overall. The board reported a strong pipeline of new business and said it expects to benefit from growing momentum in certain market sectors.

Fund discrete performance (%)		Rolling 12-month period -19.64% (28/02/2018-28/02/2019)											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	-1.81	-3.59											-5.34
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 28 February 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**  
£40,588,001.46

**Total net assets**  
£41,476,833.31

**No of Ordinary Shares in issue**  
55,600,002

**NAV incl. income (starting NAV 98.04p)**  
74.60

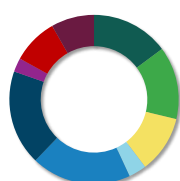
**Market price of Ordinary Shares**  
73.00

**Premium (Discount)**  
-2.14%

## Top five holdings

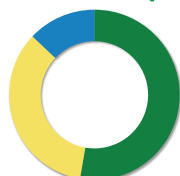
Holding	Sector	% of Trust
Real Good Food plc <sup>2</sup>	Food producers	18.15
Volex plc	Electrical equipment	12.95
Adept Technology Group plc	Telecommunications	8.76
Synectics plc	Support services	8.57
Hargreaves Services plc	Support services	7.45

## Sector



14.83%	Cash	18.19%	Support services
13.92%	Electrical equipment	2.66%	Software and computer services
10.94%	Financial services	8.76%	Telecommunications
3.40%	Food producers	8.23%	Transportation
19.07%	Loans		

## Market cap



52.71%	£0m - £50m	0.00%	£150m - £200m
34.34%	£50m - £100m	0.00%	£200m +
12.95%	£100m - £150m		

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

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 28 February 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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12 March 2019

**Downing**

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