



Downing Strategic Micro-Cap Investment Trust Factsheet

August 2019

Portfolio commentary

The Trust's NAV increased by 0.57% over the period. Positive contributions came from Synectics and Hargreaves Services, while the main detractors were FireAngel and Volex.

We believe the strategic initiatives we've helped put in place are beginning to deliver on their objective of value realisation. Below is a snapshot of some announcements that we believe indicate progress has been made:

AdEPT announced positive results for the year ended 31 March 2019 and highlighted that the business has delivered an 11% increase to revenue, gross profit and underlying EBITDA for the year end.

FireAngel issued a trading update for the six months ended 30 June 2019 and stated that the company expects to report results in the period ahead of budget. We believe the share price declined due to negative market sentiment and is in contrast to the positive trading statement.

Gama Aviation reported that underlying trading performance for the six months to 30 June 2019 is in line with management expectations and the outlook for FY 2019 remains in line with previous guidance.

Hargreaves announced its preliminary results for the year ended 31 May 2019. Its property business has gained further momentum and growth can be accelerated by extracting capital from its UK mining activities. Value held in the balance sheet of Hargreaves' German associate business is being unlocked and will be distributed to shareholders in due course.

Synectics announced that it has been awarded a multi-million euro contract from a subsidiary of Deutsche Bahn AG, which is responsible for delivering and modernising Berlin's rail provision. The development and delivery of this project will take place over the next two years.

Science in Sport announced an update for the six months ended 30 June 2019 and reported that group revenue was £24.9 million, up 152% compared with the same period last year. The group continues to trade well and remains in line with market expectations for the full year.

Volex management reported that trading for the first quarter has been strong, with group revenue increasing 12% versus the prior year - 14% on a constant currency basis - yielding an operating profit margin ahead of current expectations. This reflected actions to improve the profitability of the business and the successful integration of MC, Silcotec and GTK.

Fund discrete performance (%)	Rolling 12-month period -14.65% (31/07/2018-31/07/2019)												
	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						-4.47
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 July 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
£35,946,401.31

Total net assets
£41,320,343.72

No of Ordinary Shares in issue
54,880,002

NAV incl. income (starting NAV 98.04p)
75.29p

Market price of Ordinary Shares
65.50p

Premium (Discount)
-13.01%

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.

Top five holdings

Holding	Sector	% of Trust
Real Good Food plc ²	Food producers	18.43
Volex plc	Electrical equipment	14.13
AdEPT Technology Group plc	Telecommunications	9.89
Synectics plc	Support services	9.11
Ramsdens Holdings plc	Financial services	7.39

Sector



12.13%	Cash	15.70%	Support services
18.58%	Electrical equipment	1.98%	Software and computer services
12.42%	Financial services	9.89%	Telecommunications
4.11%	Food producers	7.66%	Transportation
17.53%	Loans		

Market cap



46.10%	£0m - £50m	0.00%	£150m - £200m
39.77%	£50m - £100m	0.00%	£200m +
14.13%	£100m - £150m		

Information correct as at 31 July 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
- ▶ Alyx Wood
- ▶ 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 August 2019

Downing 

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

020 7416 7780 / www.downing.co.uk

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