

# Downing Strategic Micro-Cap Investment Trust Factsheet

February  
2019

## Market commentary

In January, the Trust's NAV decreased by 1.81%, while our closest investable universe (NSCI AIM ex Inv companies) rose by 5.41% over the same period. Positive contributions came from Volex plc and AdePT Technology Group, while the main detractors were Redhall Group and Gama Aviation.

The month was typified by a handful of our more strategic investments announcing operational challenges. These have begun to be mitigated by a proposed or actual change of chairman/management. Much work needs still to be done but the building blocks to value creation are underway and we should be judged on the success of these initiatives over the medium term.

AdePT saw its share price appreciate however it issued no news in the month. In December the company announced the appointment of Phil Race as CEO, with founder and former CEO Ian Fishwick becoming Chairman. Ian will continue to head the group's acquisition initiatives, with Phil taking over daily management while supporting Ian with M&A activities.

Volex made no material announcements in the period, but the share price climbed following announcements that Daren Morris, Chief Financial Officer and Company Secretary, and Executive Chair Nat Rothschild had bought shares in the company. After the deal, they will hold 0.35% and 24% respectively.

Gama announced it expects full year underlying operating profits to be below its previous guidance. The board is conducting a thorough review of its reporting methodology to improve the consistency of financial information and is also expected to appoint a new chairman in due course.

Redhall reported a widened loss and lower revenue as certain businesses ceased operations. Despite this, the order book rose by 20% to £21 million compared to the prior year end, implying encouraging market conditions and a strong pipeline of opportunities. Downing underwrote a short-term financing facility in the period.

Fund discrete performance (%)	Rolling 12-month period -17.88% (31/01/2018-31/01/2019)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	-1.81												-1.81
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

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

## Key facts as at 31 January 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**  
£41,700,001.50

**Total net assets**  
£43,023,889.21

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

**NAV incl. income (starting NAV 98.04p)**  
77.38

**Market price of Ordinary Shares**  
75.00

**Premium (Discount)**  
-3.08%

## Top five holdings

Holding	Sector	% of Trust
Real Good Food plc <sup>2</sup>	Food producers	17.43
Volex plc	Electrical equipment	13.55
Adept Technology Group plc	Telecommunications	9.23
Synectics plc	Support services	8.26
Hargreaves Services plc	Support services	6.96

## Sector



14.19%	Cash	18.16%	Support services
14.60%	Electrical equipment	2.41%	Software and computer services
10.26%	Financial services	9.23%	Telecommunications
3.32%	Food producers	9.45%	Transportation
18.38%	Loans		

## Market cap



47.91%	£0m - £50m	0.00%	£150m - £200m
38.54%	£50m - £100m	0.00%	£200m +
13.55%	£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 31 January 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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