



# Downing Strategic Micro-Cap Investment Trust Factsheet

January 2020

## Portfolio commentary

The Trust's NAV increased by 5.57% over the period. Positive contributions came from Ramdens and Volex, while the main detractors were FireAngel Safety Technology 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 its interim results for the six months ended 30 September 2019 and highlighted material increases to the group's

revenue, profitability and cashflow. Importantly, the dividend increased for the third time since inception.

FireAngel issued a trading update and warned that results for the year ending 31 December 2019 are expected to be below market expectations. Significant sales growth in 2019 stressed the company's processes and it anticipates lower revenue from European and trade sales being only partially mitigated by lower margin business in the group's retail and fire & rescue services business units. The board is focussed on gross margin, EBITDA and operational cash generation, and remains optimistic for future profitable growth.

Gama announced a litigation update regarding various legal proceedings. The board welcomed the settlement of the SPC Aviation case, continuing progress on the Taleveras case and the imminent conclusion of the ASEENA case. The board continues to anticipate a net cash inflow as an overall result of all litigation matters subject to the successful collection of the Taleveras trade receivables.

Hargreaves Services provided a market update ahead of reporting its interim results. Management reported that trading has been satisfactory, and it anticipates reporting interim results in line with its expectations.

Ramsdens announced its interim results for the six months ended 30 September 2019 and highlighted a 30% increase in revenue and a 23% increase in profit. A 13% increase in the interim dividend reflected Ramsdens' continued growth and the board's confident outlook.

Volex made no material news announcements during December. The group previously issued strong results and we believe the market is really waking up to the story now. We think that the group remains undervalued and is now enjoying a rerating.

Fund discrete performance (%)	Rolling 12-month period -0.02% (31/12/2018-31/12/2019)												
	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	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 December 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  
£41,122,501.50

Total net assets  
£43,202,788.73

No of Ordinary Shares in issue  
54,830,002

NAV incl. income (starting NAV 98.04p)  
78.79p

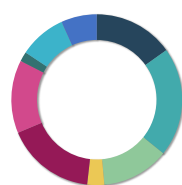
Market price of Ordinary Shares  
75.00p

Premium (Discount)  
-4.82%

### Top five holdings

Holding	Sector	% of Trust
Volex plc	Electrical equipment	18.21
Real Good Food plc <sup>2</sup>	Food producers	16.66
Ramsdens Holdings plc	Financial services	8.72
Adept Technology Group plc	Telecommunications	8.56
Hargreaves Services plc	Support services	6.79

### Sector



16.76%	Cash	13.24%	Support services
20.05%	Electrical equipment	1.68%	Software and computer services
14.13%	Financial services	8.56%	Telecommunications
2.81%	Food producers	6.78%	Transportation
15.99%	Loans		

### Market cap



46.54%	£0m - £50m
29.84%	£50m - £100m
5.41%	£100m - £150m
0.00%	£150m - £200m
18.21%	£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 December 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
- ▶ 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.

13 January 2020

**Downing** 

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

020 7416 7780 / www.downing.co.uk

## Important notice

This document has been approved and issued by Downing LLP ("Downing"), St Magnus House, 3 Lower Thames Street, London EC3R 6HD. This document is for information only and does not form part of a direct offer or invitation to purchase, subscribe for or dispose of securities and no reliance should be placed on it. Opinions expressed in this document represent the views of the Investment Manager at the time of publication, are subject to change, and should not be interpreted as investment advice. You should only invest based on the information contained in the relevant product literature available from Downing. Downing does not offer investment or tax advice or make recommendations regarding investments. Please see the relevant product literature for details of charges; your attention is drawn to the risk factors contained therein. Downing is authorised and regulated by the Financial Conduct Authority (Firm Reference No. 545025). Registered in England No. OC341575.