

Downing Strategic Micro-Cap Investment Trust Factsheet



June
2019

Portfolio commentary

The Trust's NAV decreased by 3.93% over the period. Positive contributions came from FireAngel Safety Technology and Volex, while the main detractors were Gama Aviation and Hargreaves Services. Below is a snapshot of announcements that we believe indicate the strategic initiatives we've helped put in place are beginning to deliver on their objective of value realisation.

Braemar announced the disposal of three business lines within the Braemar Technical Services division to Aqualis in exchange for a significant equity stake in the combined group.

Duke Royalty announced an investment of £1.4 million into its royalty partner Welltel. This is the first follow-on investment into the portfolio recently acquired via Capital Step.

Gama reported that CFO, David Stickland, is stepping down from the board and that it is recruiting a replacement. PricewaterhouseCoopers is to be appointed auditor for the financial year ending 31 December 2019.

Hargreaves was impacted by uncertainty over the financial position of British Steel. The potential impact cannot be fully determined; however, the group has an estimated current net exposure of approximately £4.5 million, which may prove to be irrecoverable if British Steel cannot continue trading. This overshadowed the positive news that Hargreaves had conditionally sold 10.75 acres of serviced residential development land at its key Blindwells site to Bellway.

Real Good Food announced that the London Stock Exchange had determined a public censure for historic breaches of the AIM Rules. The board has undertaken significant remedial action and appointed a number of new board members.

Ramsdens acquired four stores currently trading as The Money Shop and 12 loan books from Instant Cash Loans Limited for £0.5 million, which will be satisfied in cash.

Redhall announced that, following discussions with its advisors and lending bank, the board has resolved to file notice of intention to appoint administrators. The directors intend to allow the business to continue to trade and is working alongside advisers in order to preserve as much value as possible for all stakeholders as it explores opportunities for the sale of all or parts of the business.

Fund discrete performance (%)	Rolling 12-month period -16.90% (31/05/2018-31/05/2019)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	-1.81	-3.59	1.65	4.01	-3.93								-3.86
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 May 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
£38,271,013.89

Total net assets
£41,871,949.88

No of Ordinary Shares in issue
55,265,002

NAV incl. income (starting NAV 98.04p)
75.77p

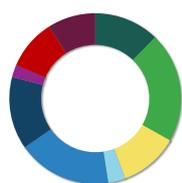
Market price of Ordinary Shares
69.25p

Premium (Discount)
-8.60%

Top five holdings

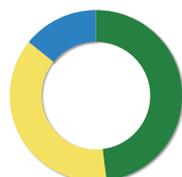
Holding	Sector	% of Trust
Real Good Food plc ²	Food producers	17.56
Volex plc	Electrical equipment	14.20
AdEPT Technology Group plc	Telecommunications	9.58
Synectics plc	Support services	8.34
FireAngel Safety Technology plc	Electrical equipment	6.69

Sector



12.27%	Cash	13.74%	Support services
20.90%	Electrical equipment	2.34%	Software and computer services
11.14%	Financial services	9.58%	Telecommunications
3.27%	Food producers	9.03%	Transportation
17.73%	Loans		

Market cap



48.03%	£0m - £50m	0.00%	£150m - £200m
37.77%	£50m - £100m	0.00%	£200m +
14.20%	£100m - £150m		

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.

Information correct as at 31 May 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. Subject to approval by shareholders at the annual general meeting, a dividend of 1.25p has been proposed for the year ending 28 February 2019 and will be 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
- ▶ 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
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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18 June 2019

Downing 

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