

Downing Strategic Micro-Cap Investment Trust Factsheet

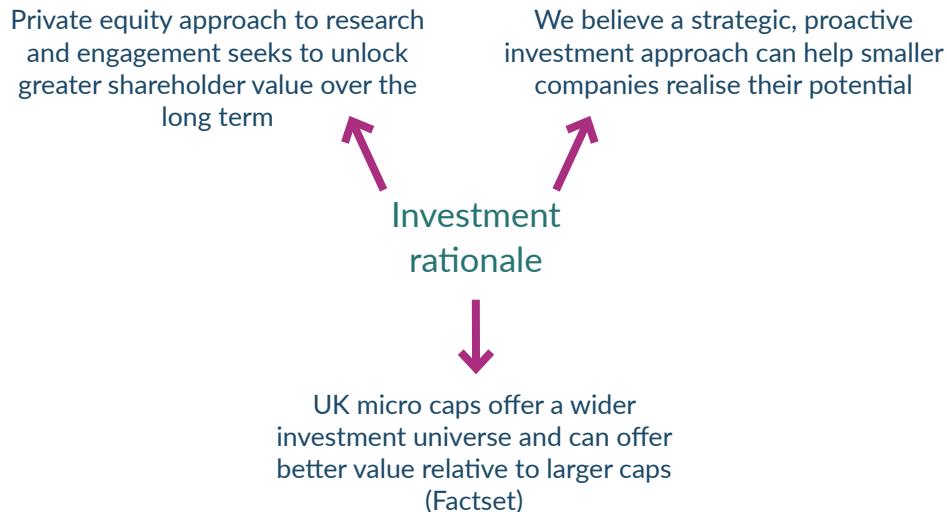


May 2020 Commentary

The Trust generated reasonable performance in May, with NAV up 0.64% and the share price up 4.95%. The discount, which had widened significantly through the worst of the COVID-19 drawdown period, narrowed to end the month at -17.90%.

Our portfolio companies reported little material new news. Most were buoyed by the recovery of the market, some having been sold off significantly, such as Duke Royalty (+43.5%), Braemar Shipping (+22.6%) and Volex (+11.1%). Only Science in Sport, Pennant, and Hargreaves Services generated negative share price performance in the month.

The Trust made two new toehold investments in which we are seeking further liquidity to allow a material stake to be achieved. Both are contributing positively in their first days in the Trust and we have been actively engaged with the respective management teams. One is a “business as usual” story which is benefitting from COVID but which had not attracted a ‘COVID-beneficiary’ price tag. The second is a recovery/ self-help story which we have known for some time but were waiting for certain catalysts to offer a liquidity event. We have a third position which is very well progressed in diligence but where we have identified a catalyst which may drive a lower share price in the near term and therefore we are waiting for this to play out. The Trust retains a significant cash balance of over 17% of NAV to make further investments and to support those which we already have.



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.



Judith is a Partner at Downing, having joined in 2009 and founding Downing Fund Managers. She 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).

| Fund discrete performance (%) | Rolling 12-month period -14.79% (31/05/2019-31/05/2020) | | | | | | | | | | | | |
|-------------------------------|---|--------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year |
| 2020 | 1.26 | -10.64 | -17.04 | 8.45 | 0.64 | | | | | | | | -18.06 |
| 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* | | | | | -0.02 | -0.12 | -0.64 | -1.31 | -0.16 | -1.02 | -0.55 | 0.86 | -2.94 |

* From inception 09/05/2017 to 31/12/2017

Source: Downing LLP. Please note that past performance is not a reliable indicator of future results.

Portfolio summary As at 31 May 2020

Top five holdings

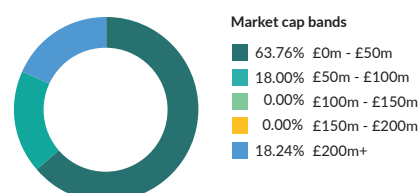
| Holding | Sector | % of Trust |
|---|----------------------|------------|
| Real Good Food (inc loan notes) | Food Producers | 20.34% |
| Volex Plc | Electrical Equipment | 18.24% |
| Adept Technology Group Plc | Telecommunications | 6.89% |
| Ramsdens Holdings Plc | Financial Services | 6.74% |
| Fireangel Safety Technology Group Plc Group | Electrical Equipment | 6.53% |

Portfolio by sector



Source of holding and sector data is Downing LLP.

Market Cap



Source of market cap data is Factset.

Key facts As at 31 May 2020

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.

Launch date

9 May 2017

Morningstar sector

UK Smaller companies

Total market value

£28,938,001.06

Total net assets

£35,248,778.98

No of Ordinary Shares in issue

54,600,002

NAV incl. income (starting NAV 98.04p)

64.56p

Market Price of Ordinary Shares

53.00p

Premium (Discount)

-17.90%

Dividends

The Company has no stated dividend target. A dividend of 1.6p for the year ending 29 February 2020 will be paid to shareholders on 3 July 2020 subject to shareholder approval.

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 29 February 2020 were 1.83%.

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

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.

Further information

Company Secretary/ Company's Registered Office

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London
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Telephone: 0207 416 7780

www.downingstrategic.co.uk

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 Downing LLP. 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.

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