

Downing Strategic Micro-Cap Investment Trust Factsheet



May
2019

Portfolio commentary

The Trust's NAV increased by 4.01% over the period. Positive contributions came from FireAngel Safety Technology and Gama Aviation, while the main detractors were Redhall Group and Synectics.

During April, a number of our holdings made announcements that we believe indicate the strategic initiatives we've helped put in place are beginning to deliver on their objective of value realisation.

AdEPT Technology Group provided a trading update for the year ended 31 March 2019 and reported substantial growth across the business. The group also announced the acquisition of ACS Group, a UK-based specialist provider of IT services focused on the education sector.

Braemar appointed Ronald Series as Non-Executive Chairman.

Gama Aviation announced final results for FY2018 in accordance with its improved reporting methodology. It also reported the appointment of Simon To as Chairman and Christopher Clarke and Michael Howell as Non-Executive Directors. We believe the rise in share price was supported by Hutchison purchasing stock.

FireAngel Safety Technology has restructured its banking facilities alongside a placing and open offer which raised £6.0 million. This will provide working capital, improve the balance sheet and create stability for the business.

Ramsdens issued a trading update, reporting that the group has continued to trade in line with the board's expectations despite a challenging UK retail market and continued uncertainty surrounding Brexit.

Redhall reported no material news in April. However, a trading statement issued on 1 May warned that anticipated full year trading performance will be materially below previous expectations. Final results are dependent upon securing a number of key prospects and therefore remain uncertain. Market conditions remain robust in the group's core markets and its pipeline of opportunities remains strong. The board anticipates that this will deliver steady growth into 2020.

Synectics has experienced order deferrals and delays and profits will be substantially more weighted to the second half of this financial year than originally budgeted. Although management anticipates that results for the full year will be in line with expectations, the second half weighting has inevitably increased delivery timing risks.

Fund discrete performance (%)		Rolling 12-month period -12.51% (30/04/2018-30/04/2019)											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	-1.81	-3.59	1.65	4.01									0.08
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 30 April 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
£40,128,751.45

Total net assets
£43,654,767.44

No of Ordinary Shares in issue
55,350,002

NAV incl. income (starting NAV 98.04p)
78.87p

Market price of Ordinary Shares
72.50p

Premium (Discount)
-8.08%

Top five holdings

Holding	Sector	% of Trust
Real Good Food plc ²	Food producers	17.18
Volex plc	Electrical equipment	13.44
AdEPT Technology Group plc	Telecommunications	8.84
Synectics plc	Support services	7.92
Hargreaves Services plc	Support services	7.01

Sector



12.08%	Cash	16.27%	Support services
17.94%	Electrical equipment	2.48%	Software and computer services
11.13%	Financial services	8.84%	Telecommunications
3.17%	Food producers	9.97%	Transportation
18.12%	Loans		

Market cap



47.11%	£0m - £50m	0.00%	£150m - £200m
39.45%	£50m - £100m	0.00%	£200m +
13.44%	£100m - £150m		

Source of performance, holding and sector data is Maitland Institutional Services.

Source of market cap data is Factset.

¹From inception 09/05/2017 to 31/12/2017.

²Includes loan notes.

Information correct as at 30 April 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. 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
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

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 Registration No. 545025). Registered in England No. OC341575.

10 May 2019

Downing

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

020 7416 7780 / www.downing.co.uk