

Downing Strategic Micro-Cap Investment Trust



December 2023 Commentary

In December, the Company's NAV increased by 4.5% and the market increased by 6.9%. The share price increased by 4.9%, narrowing the discount slightly. The Company's cash balance stood at 18.3% at the year-end, following the completion of the OnTheMarket takeover. FireAngel remains in an offer period and Equals remains under strategic review.

Synectics (+40%) increased following a beat to earnings guidance due to a strong recovery in the oil and gas market which has, through our investment period, remained subdued.

FireAngel (-17%) remains in an offer period, however, the timetable has been suspended due to an assessment that the Secretary of State must undertake under the National Security and Investment Act since the proposed acquirer is a non-domestic entity. Ultimately we have no reason to expect that the investigation will find unfavourably for the takeover proposal, however, it could further delay completion. **Equals (+7%)** announced an extension to the takeover deadline regarding a potential offer from Madison Dearborn Partners LLC.

Hargreaves Services (-9%) announced that the wholly-owned Services and Land businesses were trading well. The German JV will contribute significantly less profit, but as expected, will generate more distributable cash which will be returned to Hargreaves shareholders. As a result, the business has increased the ordinary dividend to 36p per share equating to over a 10% yield on our cost. We think that there remains further scope for additional special distributions.

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.

Fund discrete performance	Rolling 12-month period -5.14% (31/12/2022 to 31/12/2023)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023	9.47	0.97	-1.35	-0.88	-1.37	-2.75	-0.54	-1.63	-1.43	5.12	-13.57	4.45	-5.14
2022	4.83	-3.90	2.61	2.15	-5.57	-6.43	6.59	-5.53	-11.51	-0.78	1.72	-0.84	-16.79
2021	1.63	3.80	2.46	7.64	-0.62	0.69	-1.02	5.73	-1.63	-1.51	-7.27	0.70	10.22
2020	1.26	-10.64	-17.04	8.45	0.64	0.12	-2.09	6.44	-2.09	2.04	8.69	5.17	-2.36
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

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

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



Lead Investment Manager
Judith MacKenzie

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

Previously she was a partner at Acuity Capital managing AIM-quoted VCT and IHT investments and a small-cap activist fund. Prior to Acuity, Judith spent nine years as a senior investment manager with Aberdeen Asset Management Growth Capital as co Fund Manager of the five Aberdeen VCTs, focusing on technology and media investments in both the public and private arenas.



Investment Manager
Nick Hawthorn

Nick began working on the buy side in 2013 and joined Downing in September 2015 from BP Investment Management. Prior to this, he worked for Aberdeen Asset Management. Nick holds an MSc in Finance and Investment from Durham University and a MA in Accounting and Economics from the University of Aberdeen.

Investment rationale

- ▶ The Company 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 Company seeks to hold a concentrated portfolio between 12-18 holdings.
- ▶ The Company 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.
- ▶ 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
- ▶ Buyback mechanism for up to 14.99% of the equity of the Company seeking to closely control discount (at the Board's ultimate discretion and subject to shareholders' annual approval).

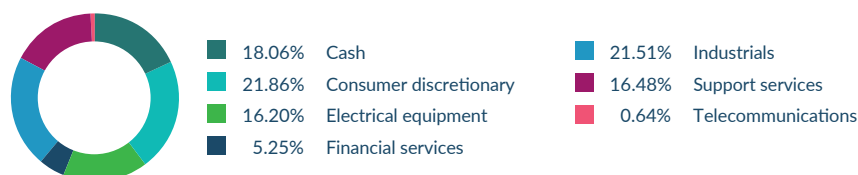
Portfolio summary

As at 31 December 2023

Top five holdings

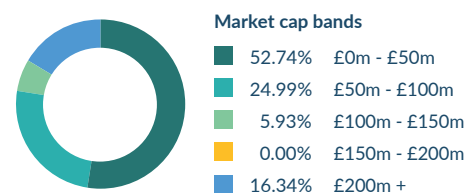
Holding	Sector	% of Company
Centaur Media Plc	Consumer Discretionary	9.88
Volex Plc	Electrical Equipment	9.84
Synectics Plc	Support Services	8.62
Journeo Plc	Industrials	8.04
Flowtech Fluidpower Plc	Industrials	6.97

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 December 2023

Launch date

9 May 2017

Morningstar sector

UK Small Cap Equity

Total market value

£27,615,527.96

Total net assets

£31,199,550.44

No of Ordinary Shares in issue

46,608,486

NAV incl. income (starting NAV 98.04p)

66.94

Market Price of Ordinary Shares

59.25p

Premium (Discount)

-11.49%

Dividends

The company has no stated dividend target.

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 2023 were 1.94%.

Managers

Judith MacKenzie & 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

Registered Office

St Magnus House
3 Lower Thames Street
London
EC3R 6HD
Telephone: +44 (0) 207 416 7780
Email: customer@downing.co.uk

Source of data: Downing LLP.

www.downingstrategic.co.uk

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