

Downing Strategic Micro-Cap Investment Trust PLC

Terms are not final and may be subject to change.

The Downing Strategic Micro-Cap Investment Trust ('Trust') seeks to provide shareholders with long-term capital growth through a concentrated portfolio of listed UK micro-cap companies. The Trust is targeting a return of 15% p.a. compound over the long term¹.

Key facts

Maximum issue size

£100 million

Issue price

100p per share

Initial NAV

98p per share

Investment management fee*

1% of market capitalisation

Performance fee*

None

Discount control

Redemption option after three years; every two years thereafter⁷

Ability to buy back

Up to 14.99% of issued share capital⁸

Gearing

Up to 15% of NAV permitted at the time of borrowing

Sponsor

Stockdale Securities Limited

Indicative timetable

Intention to float

20 March 2017

Prospectus published

24 March 2017

First placing, offer for subscription and intermediaries offer opens

24 March 2017

Offer for subscription closes

27 April 2017

Intermediaries offer closes

27 April 2017

First placing closes

28 April 2017

Announcement of the result of the first issue

3 May 2017

Admission and commencement of dealing

9 May 2017

Note: dates are subject to change

*Other charges apply. Please see the Prospectus for full details of the Offer and charges.

About Downing

Established in 1986, we invest in small companies via venture capital, private equity and public equity. We currently manage in excess of £800 million of funds.

Our Public Equity team currently manages a number of funds, including the MI Downing UK Micro-Cap Growth Fund, which has a similar strategy to the Trust. Since Judith MacKenzie began managing the Fund (4 February 2011), our micro-cap OEIC has produced returns of 14.5% per annum with lower volatility than its benchmark, the NSCI plus AIM ex. Investment Companies Index².

Why invest in this Trust?

- ▶ **Private equity style approach:** our Public Equity team applies a rigorous private equity style approach to investing in listed micro-cap securities.
- ▶ **The value in smaller companies:** smaller companies have outperformed their larger peers over the long term: between 1955 and 2016, the Numis Smaller Companies 1000 Index³ has returned over 14,000%, in comparison to 2,870% for the Numis Mid Cap Index⁴.
- ▶ **Opportunity for attractive returns:** the Trust is targeting a return of 15% p.a. compound over the long term (with a 3 - 7 year investment horizon)¹.
- ▶ **Differentiated portfolio:** the Trust aims to take high-conviction equity stakes of 3% - 25% across a concentrated portfolio of 12-18 UK micro-cap companies.
- ▶ **Experienced manager:** the Trust will be managed by our Public Equity team, a division of Downing LLP. The team is headed by Judith MacKenzie, who has a proven track record in micro-cap investing. Judith is Citywire-AAA and FE Five-Crown rated⁵ and was named Fund Manager of the Year 2013 and 2015⁶.
- ▶ **Fees:** 1% based on market capitalisation with no performance fee*.
- ▶ **Robust discount control:** redemption opportunity after three years⁷ and a buy-back mechanism for up to 14.99% of the equity of the Trust⁸.

Investment style

The Trust aims to take influential positions in a focused portfolio of 12 - 18 UK micro-cap companies (those with market capitalisations of less than £150 million at the time of investment). Drawing on Downing's 30 years of experience, our investment style is more akin to private equity than to typical public market investing. This is apparent in our extensive due-diligence process, which includes making on-site visits to potential investee companies, engaging with both operational and board management and seeking a value realisation mechanism with management teams aligned with our views.

Having a focused portfolio allows us to devote more time to understanding the underlying investments and their markets, enabling us to foster strong relationships with management teams. We have a value style bias and favour a proactive approach to investment management. Over the longer term, our investment style can help unlock shareholder value through close engagement with management teams to implement catalysts for value creation.

¹Please note, this is a target only and is not guaranteed. ²Source of all fund data is Maitland Institutional Services, source of all index data is Thomson Reuters for the period 4 Feb 2011 to 31 Jan 2017. **Past performance is not a reliable indicator of future results.**

³Targets the bottom 2% of the UK equity market excluding investment companies. ⁴Total returns including reinvested dividends, source: NSCI Annual Review 2017, 16 January 2017. ⁵For the three-year performance of the MI Downing UK Micro-Cap Growth Fund (B Shares) to 31/01/2017. ⁶Small Cap Awards. ⁷At the Directors' ultimate discretion. ⁸Subject to shareholder approval.

The Public Equity team

Our six-strong Public Equity team is headed by Judith MacKenzie, the Lead Fund Manager for the Trust. She is supported on the management of the Trust by Alyx Wood (Fund Manager), James Lynch (Fund Manager) and Nick Hawthorn (Investment Manager).

Judith MacKenzie, Lead Fund Manager



Judith joined Downing in 2009 and is head of Downing Public Equity and a partner at Downing LLP. Prior to joining Downing, Judith held senior investment management positions at Aberdeen Asset Management and Acuity Capital and has over 20 years of industry experience.

Judith has held a number of public and private directorships and advisory roles to companies and Government, and is Citywire-AAA rated and has a FE Five-Crown rating⁵.

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Risks: You should note that your capital is at risk with this investment. Past performance should not be seen as an indication of future performance. The value of shares and the income from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested. The price of shares in the Company is determined by market supply and demand and may be different to the net asset value of the Company. Forecasts are not a reliable indicator of future performance. Investments in the Company are also subject to risks associated with investments in the UK property market.

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