

KEY INFORMATION DOCUMENT

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

DOWNING STRATEGIC MICRO-CAP INVESTMENT TRUST PLC

Product: Ordinary Shares of 0.001p each nominal value issued by Downing Strategic Micro-Cap Investment Trust plc (“Shares”)

ISIN: GB00BF0SCX52

LSE Symbol: DSM

Names of PRIIP manufacturers: Downing Strategic Micro-Cap Investment Trust plc (reg. number 10626295) (the “Company”)

Website for the PRIIP manufacturer: www.downingstrategic.co.uk

Call this telephone number for more information: +44(0)207 416 7780

Competent Authority of the PRIIP Manufacturer in relation to the KID: UK Financial Conduct Authority

Date of production of this Key Information Document: 24 October 2023

Comprehension alert: You are about to purchase a product that is not simple and may be difficult to understand.

What is this product?

Type: Investment Trust

Summary: The information contained in this document and the methodologies for calculating risks and costs are prescribed by EU rules. The performance information is prescribed by the UK rules.

Downing Strategic Micro-Cap Investment Trust plc (“DSM”) is a public limited liability company governed by a board of directors, with 46,926,475 share in issue (excluding Treasury Shares) as at 30 September 2023. DSM had its initial public offering on 9 May 2017 and its shares were issued and subscribed for at 100 pence each.

The Company’s shares are listed for trading on the Premium Segment of the Main Market of the London Stock Exchange. Investing in the Company is done through buying its shares on that market and disinvestment by selling shares on that market, as shareholders would do in any public company listed on the London Stock Exchange.

As a company with allotted and fully paid up share capital, DSM is commonly known as a closed-ended investment company. It is categorised by EU rules as an alternative investment fund under the Alternative Investment Fund Managers Directive.

The Company’s product is a portfolio of strategic investments in micro-cap companies (companies with market capitalisations of less than £150m) that in turn are listed on the London Stock Market, usually on AIM (the Alternative Investment Market) of that exchange. That portfolio has been constructed and is managed by Downing LLP, adopting an exceptional approach to identify undervalued stocks as outlined in the Company’s prospectus.

The investment objective of the Company is to generate capital growth for shareholders, from a focused portfolio of UK micro-cap companies, targeting a compound return of 15% p.a. over the long-term.

The target investors are institutions, private investors who are financially sophisticated and familiar with stock markets, and professionally advised investors.

The value of the Company’s net assets, principally its investments, and the demand for, and supply of, its shares will influence the price of those shares – normally quoted at an ‘offer’ price at which they are offered for sale to investors and a slightly lower ‘bid’ price at which the market will buy them. Although shares may remain for as long as the Company continues to trade, the directors are empowered to buy back shares available in the market and there is a discretionary share redemption procedure set out in the Company’s issuing prospectus (available on the Company’s website). If there is demand and good investment opportunities the Directors may issue more shares through London Stock Market procedures. The Company may borrow (known as gearing) within the constraints set out within its prospectus.

There is no fixed maturity date. There is no ability for the Company to terminate holdings unilaterally or for the shares to be terminated automatically.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.



The summary risk indicator is a guide to the level of risk of this product compared to other products. It is intended to show how likely it is that the product will lose money because of movements in the markets. This assessment is based on past share price performance which should not be taken as an indication of future performance.

We have classified this product as 5 out of 7 which is a medium-high risk class. This has been calculated using the prescribed methodology based on historic share price data. This rates the potential losses from future performance at a medium-high level, and poor market conditions may impact the amount you could get back.

Performance Information

The main factors that will affect the performance of the Company are the performance of the focused portfolio of investments, the ability of the Investment Manager to identify and invest in the smallest UK quoted or traded companies for long term capital growth, and the overall performance of the UK equity market.

Since the Shares began trading in May 2017, they have had an average one-year rolling return of -4.4% per annum over all possible one-year periods from the Shares' daily data to 24 October 2023.

The volatility of the Shares will vary, the average rolling one-year volatility of the Shares was 25.4%, however, during periods of stress in the markets, between 11 February 2020 and 11 February 2021, the one-year volatility rose to a maximum value of 44.6%. For comparison, the FTSE Small Cap index had an average rolling one-year volatility of 13.1% that temporarily rose to a maximum one-year volatility of 26.5% over the same period.

To examine objective data for the long-term performance characteristics of the Shares, we backfilled the Shares' total return index with a proxy, containing microcap stocks with a market cap of less than £150m¹. These constituents were dynamically reweighted based on available data to provide a full performance history from 1 January 2000 to 24 October 2023 (the "Proxy"). The Company's volatility has been higher than the Proxy, due to its more concentrated nature.

What could affect my return positively?

Investor returns will be dependent upon the performance of the Company's portfolio and so specific factors that will affect returns positively will be the strong growth of portfolio companies and the ability of the Investment Manager to apply its investment processes in a way which can identify promising suitable investments for the Company to invest in, and to realise profits effectively. A broad factor that would likely contribute to positive returns would be good performance of the UK equity market. In addition, an increase in valuations across the largest sector exposures within the portfolio - UK Consumer Discretionary (22.9%), Support Services (14.1%), Industrials (20.6%) and Food Producers (13.0%) - will likely benefit returns. The Company's most favourable shareholder performance over a one-year period was 108.9%, between 19 March 2020 and 19 March 2021. Over a five-year recommended holding period, the Proxy's most favourable rolling total return was 36.5% per annum.

What could affect my return negatively?

Specific factors that affect returns negatively would be poor portfolio performance; either the Investment Manager's inability to make promising new investments in line with the investment policy or a lack of suitable investments; poor liquidity management; and a counterparty default within the portfolio. UK economic recession and falling valuations across UK small-cap companies and UK Consumer Discretionary, Support Services, Industrials and Food Producers sectors would also likely be linked to lower returns. The Company's least favourable performance over a rolling one-year period was -50.3% between 19 March 2019 and 19 March 2020; and over longer periods, the Proxy had a least favourable five-year rolling total return of -11.1% per annum.

What could happen in severely adverse market conditions?

During Covid-19, between 24 January 2020 and 19 March 2020, the Shares lost 54.1% of their value. The Proxy experienced a more extended loss of 65.8% during the Dot-Com market crash, between 20 March 2000 and 12 March 2003. Under severely adverse market conditions, there is a risk that the value of the shares could reduce significantly, potentially down to zero.

What happens if Downing Strategic Micro-Cap Investment Trust plc is unable to pay out?

As a shareholder of a listed company, you would not be able to make a claim to the Financial Services Compensation Scheme about the Company in the event the Company becomes insolvent. A default by the Company or any of the underlying holdings could affect the value of your investment.

¹ Based on FTSE Small Cap index constituents as at 24 October 2023.

What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs. The amounts shown here are the cumulative costs of the Company itself, for three different holding periods. The figures assume you invest £10,000. The figures are estimates and may change in the future. The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs and show you the impact that all costs will have on your investment over time.

Costs over time

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs and show you the impact that all costs will have on your investment over time. We have used an ex-ante moderate performance scenario is an annualised return of -10.1% to calculate the Reduction in Yield below.

Investment Scenarios	If you cash in after 1 year	If you cash in after 3 years	If you cash in after 5 years
Total costs	£241	£574	£785
Impact on return (RIY) per year	2.41%	2.41%	2.41%

Composition of costs

The table below shows the compounding impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period and the meaning of the different cost categories.

This table shows the impact on return per year

One-off costs	Entry costs	0.00%	The impact of the costs you pay when entering your investment. (This is the most you could pay and could pay less). The impact of costs already included in the price.
	Exit costs	0.00%	The impact of costs of exiting your investment when it matures.
On-going costs	Portfolio transaction costs	0.00%	The impact of the costs of us buying and selling underlying investments for the product.
	Other ongoing costs	2.41%	The impact of the costs that we take each year for managing your investment.
Incidental costs	Performance fees	0.00%	The impact of the performance fee.
	Carried interests	0.00%	The impact of carried interests.

How long should I hold it and can I take money out early?

The recommended minimum holding period of 5 years has been selected for illustrative purposes only and reflects the long-term nature of the Company's investment objectives, but investors may elect to sell their shares on the market at any time without penalty by the Company. The value of shares and the income derived from them (if any) may go down as well as up, and investors may not get back the full value of their investments. Whilst the shares are traded on the main market, it is possible that there may not be a liquid market in the shares and investors may have difficulty selling them.

How can I complain?

As a shareholder of Downing Strategic Micro-cap Investment Trust plc you do not have the right to complain to the Financial Ombudsman Service (FOS) about the management of Downing Strategic Micro-Cap Investment Trust plc. Complaints about the Company or the Key Information Document should be sent to the Company Secretary: Mr. Grant Whitehouse, Downing LLP, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD, email dsmadmin@downing.co.uk phone 0207 416 7780 Website: www.downing.co.uk/complaints

Other relevant information:

The cost, performance and risk calculations included in this KID follow the methodology prescribed by the UK PRIIPs rules.

Investors should note that the performance scenarios presented in this document are derived exclusively from the past performance of the Company's share price and that past performance is not a guide to future returns.

Depending on how you buy these shares you may incur other costs, including broker commission, platform fees and Stamp Duty.

Other relevant information on the Company's style and objectives and the management team's track record can be obtained from the Company's web page: www.downingstrategic.co.uk.