

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT CONTAINS PROPOSALS RELATING TO DOWNING STRATEGIC MICRO-CAP INVESTMENT TRUST PLC (THE “COMPANY”) ON WHICH YOU ARE BEING ASKED TO VOTE. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to immediately seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other appropriately qualified independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”) if you are in the United Kingdom or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

If you sell or transfer, or have sold, transferred or otherwise disposed of all your Ordinary Shares in the Company, please send this document, but not the accompanying personalised Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale, transfer or disposal was effected, for onward transmission to the purchaser or transferee, except that such documents should not be forwarded, distributed or transmitted in or into any jurisdiction under any circumstances where to do so might constitute a violation of the relevant securities laws and regulations in such jurisdiction. If you have sold, transferred or otherwise disposed of only part of your holding of Ordinary Shares in the Company, you should retain this document and the accompanying Form of Proxy and contact immediately the stockbroker, bank or other agent through whom you made the sale, transfer or disposal.

DOWNING STRATEGIC MICRO-CAP INVESTMENT TRUST PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 10626295)

Recommended Proposal for a Managed Wind-Down of the Company and associated adoption of the New Investment Policy

and

Notice of General Meeting

Shareholders should read the whole of this document. Your attention is drawn, in particular, to the risk factors set out in Part 3 (*Risks Associated with the Proposal*) of this document and to the letter from the Chairman of the Company that is set out in Part 1 (*Letter from the Chairman*) of this document which contains the unanimous recommendation from the Directors that you vote in favour of the Resolution to be proposed at the General Meeting.

Capitalised terms used throughout this document shall have the meanings ascribed to them in Part 4 (*Definitions*) of this document, unless the context otherwise requires.

The contents of this document should not be construed as legal, financial or tax advice. Each Shareholder should consult their own legal, financial or tax adviser for legal, financial or tax advice (as appropriate).

Notice of a general meeting of the Company to be held at 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD at 11.30 a.m. on 28 February 2024 (the “**General Meeting**”) is set out at the end of this document. Details of the action you are recommended to take are set out on page 9 of this document.

Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return the Form of Proxy for use in connection with the General Meeting which accompanies this document. To be valid the Form of Proxy must be completed and signed in accordance with the instructions printed thereon and delivered to the Company’s registrar, Computershare Investor Services PLC (the “**Registrar**”), at The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and, in any event, so as to arrive not later than 11.30 a.m. on 26 February 2024 (or, in the case of any adjournment of the General Meeting, not later than 48 hours (excluding non-Business Days) before the time fixed for the holding of the adjourned meeting). Alternatively, you may submit your proxy electronically by using the following link and the details provided on the Form of Proxy: www.investorcentre.co.uk/eproxy. Proxies submitted electronically must be transmitted so as to be received by the Registrar by no later than 11.30 a.m. on 26 February 2024 (or, in the case of any adjournment of the General Meeting, not later than 48 hours (excluding non-Business Days) before the time fixed for the holding of the adjourned meeting).

If you hold Ordinary Shares in CREST you may also appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Registrar (CREST participant ID 3RA50) in accordance with the procedures set out in the CREST Manual. Alternatively, you may give proxy instructions by logging onto www.euroclear.com and following the instructions. Proxies sent electronically through CREST must be sent as soon as possible and, in any event, so as to be received not later than 11.30 a.m. on 26 February 2024 (or, in the case of any adjournment of the General Meeting, not later than 48 hours (excluding non-Business Days) before the time fixed for the holding of the adjourned meeting).

The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not prevent Shareholders from attending and voting at the General Meeting, or any adjournment thereof, in person, should they wish to do so.

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as at any subsequent time.

2 February 2024

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	2 February 2024
Latest time and date for receipt of proxy appointments and instructions for the General Meeting	11.30 a.m. on 26 February 2024
General Meeting	11.30 a.m. on 28 February 2024

Notes

1. All references to time in this document are to London time, unless otherwise stated.
2. The times and dates set out in the expected timetable above and mentioned throughout this document may be adjusted by the Company, in which event details of the new times and/or dates will be notified, as required, to the FCA and the London Stock Exchange and, where appropriate, to Shareholders and an announcement will be made through a Regulatory Information Service.

PART 1

LETTER FROM THE CHAIRMAN

DOWNING STRATEGIC MICRO-CAP INVESTMENT TRUST PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 10626295)

Directors

Hugh Aldous (*Chairman*)

Linda Bell

William Dawkins

Robert Legget

Registered Office

6th Floor, St. Magnus House

3 Lower Thames Street

London

EC3R 6HD

2 February 2024

Dear Shareholder,

Recommended Proposal for a Managed Wind-Down of the Company and associated adoption of the New Investment Policy and Notice of General Meeting

Introduction

On 9 May 2022 the board of directors of the Company (the “**Board**”) announced its intention to provide a significant redemption opportunity to Shareholders on 31 May 2024 (the “**Redemption Opportunity**”) in accordance with the provisions of the Company’s Articles. It was envisaged that the Redemption Opportunity would enable Shareholders to redeem or have a matched sale for up to 50 per cent. of their holding in the Company.

Since the announcement of the Redemption Opportunity, the market has continued to undervalue both micro-cap stocks and small investment companies and this is reflected, in part, in the material discount at which the Company’s Ordinary Shares have been continuing to trade relative to their underlying net asset value and also in the continuing interest from Shareholders in a full capital redemption.

The Board therefore considered the best and fairest ways to meet its commitment of returning capital to Shareholders, seeking to realise the best value, at the time of realisation, for them equitably and, as announced by the Company on 28 December 2023, the Board concluded that it would be advantageous to all Shareholders equally and fairly to commence a managed wind down of the Company’s portfolio (the “**Managed Wind-Down**”). In order to implement the Managed Wind-Down a material change to the Company’s published Investment Policy will require to be approved by Shareholders.

The purpose of this document is therefore to set out details of the Board’s recommended proposal for a Managed Wind-Down of the Company, to explain the associated amendments to the Company’s Investment Policy (the “Proposal”), and to convene a General Meeting to seek Shareholder approval of that Proposal.

Under the proposed Managed Wind-Down process, the Company will be managed with the intention of realising all the assets in its portfolio in a manner consistent with the principles of good investment management and with a view to returning cash promptly to Shareholders in an orderly manner whilst seeking to obtain the best achievable value for the Company’s investments at the time of their realisations.

Further details of the Proposal and the Resolution which will be put to Shareholders at the General Meeting are set out below. The Notice of General Meeting is set out on pages 16 to 19 of this document.

Background to and reasons for the Proposal

A negative sentiment towards UK small companies has persisted over the past two to three years. Value and micro-cap investment strategies have equally been out of favour and the Company has not attracted a great deal of new investors, with the Company itself being a significant acquiror of its own Ordinary Shares. In addition, investment trusts are currently, generally trading at wide discounts and as the wealth management sector, a significant buyer of investment trust stock, itself consolidates there is little interest from such sector in small, specialist vehicles such as the Company.

This continued negative sentiment has coincided with an intense period of merger and acquisition activity within the Company's portfolio. Over the past 5 months, three investee companies have been under offer or have fully exited. The total current market and exit value of these companies represents approximately 20 per cent. of the Company's net asset value as at 31 August 2023. Such corporate catalytic events have continually demonstrated the undervalue of the assets within the Company's investment portfolio, with the agreed sale of OnTheMarket plc at a premium of approximately 93.7 per cent. to 56.79 pence, being the three month volume weighted average price per share to the last practicable date prior to the announcement of the sale and the recently agreed bid for FireAngel Safety Technology Group plc representing a 46.5 per cent. uplift on its last funding round.

The Investment Manager has estimated that in the course of 2024 cash realisations would be at a significant uplift to the relevant current share price. Further details of indicative returns and estimated timescales in relation to the Managed Wind-Down are set out below.

As noted above, the Board has considered alternative options for the future of the Company, but none have matched the objective of returning capital, at a premium, to Shareholders. The Board therefore believes that the Proposal is a significant opportunity for Shareholders, both those who seek cash and those who may wish to invest the capital they receive from the Company back into the market or to put it to work in other markets.

Therefore, following discussions with the Company's Investment Manager and given the impending Redemption Opportunity, in the context of the current market outlook and the level of activity in the Company's investment portfolio, the Board and Investment Manager believe that it is in the best interests of Shareholders to implement the Managed Wind-Down process with a view to maximising timely returns for Shareholders.

Indicative returns for Shareholders and estimated timescales

In the absence of unforeseen circumstances and subject to the market conditions, the Board, in consultation with the Investment Manager, is currently estimating that the Managed Wind-Down could be completed within 2 years. Further, the Board believes, in consultation with the Investment Manager, that within the first six months of 2024 up to, or exceeding, 50 per cent. of the Company's NAV could be returned to Shareholders in cash (assuming current bids for certain of the Company's investments complete by then) with more value remaining in the NAV of the residual portfolio to be realised through the process of complete wind-down.

Specifically, the Board and Investment Manager estimate that, on a mid-case scenario, the Company will return:

- on or around the end of the first quarter in 2024, 25 per cent. of Shareholders' capital at NAV which, given the Company's discount as at 31 January 2024 of 11.9 per cent., would be a 13.5 per cent. premium to the Current Share Price;
- a further 25 per cent. of Shareholders' capital at above NAV by 30 June 2024, which on current discounts and NAV would represent a greater than 13.5 per cent. premium to the Current Share Price; and
- beyond 30 June 2024, a mid case scenario for the current market suggests a return above the current NAV and hence a significantly better than 13.5 per cent. premium to the Current Share Price. In order to keep up a timely rate of returns, the Board has constructed an incentive scheme for the Investment Manager (further details of which are set out below) to ensure that Shareholders receive their returns in a timely manner consistent with recovering value and rewarding appreciation above the current NAV.

The above is derived from the Investment Manager's review of what it considers a reasonable outcome for the various portfolio companies and is not a forecast.

The Board has constructed an incentive scheme for the Investment Manager to ensure that Shareholders receive their returns in a timely manner consistent with recovering value and rewarding appreciation above the current NAV.

In seeking to realise the Company's investments in an orderly manner, the Board, in conjunction with the Investment Manager, will take into account the continued costs of operating the Company and the impact of the reducing NAV on *ad valorem* adviser fees. Although current work for the Board is quite time consuming and will continue to be so for some time, the Directors also intend to reduce their fees following the end of the first half of 2024. The capacity to trade in the Ordinary Shares will be maintained for as long as the Board believes it to be practicable and cost-effective during the Managed Wind-Down period and the Board will seek to minimise costs wherever it is reasonable to do so.

Once the Board is satisfied that the majority of the Company's portfolio has been realised, and subject to Shareholder approval, the Company will be put into members' voluntary liquidation and wound-up.

Benefits of the Proposal

The Board believes that the Proposal is in the best interests of Shareholders as a whole and should yield the following principal benefits:

- implementing a managed and orderly disposal of investments should maximise the value to be realised on the sale of the Company's assets and, therefore, returns to Shareholders;
- the Proposal will allow capital to be returned to Shareholders in a cost-effective and timely manner;
- the Company will continue to benefit from the expertise of Judith MacKenzie and her team in generating premium value in the Company's portfolio and in implementing the Managed Wind-Down strategy; and
- Shareholders can invest the cash that is returned to them as part of the Managed Wind-Down as they wish, including into other funds in this or other markets.

Change to the Investment Manager's fee

If the Resolution is passed, the Board intends to amend the terms of the Investment Manager's fee arrangement so as to ensure the Investment Manager is appropriately incentivised to maximise the value received from the Company's assets in a timely manner.

The new fee structure will combine a reduction in the base fee with the introduction of further fees that incentivise the Investment Manager, and will also align its interests with those of Shareholders, to complete the wind down whilst seeking the best achievable values, at the point of realisation, in a timely fashion in order for the Company to return cash to Shareholders.

To this end, the Board and Investment Manager have agreed that, subject to Shareholder approval of the New Investment Policy, the Investment Manager's current fee arrangement will be replaced with:

- a basic management fee at the rate of 0.25 per cent. per annum of the Company's market capitalisation payable monthly;
- a capital return fee which will be applied to the distributions made to Shareholders during the Managed Wind-Down process, with this fee being calculated on a sliding scale dependent on the date of distribution so as to incentivise the Investment Manager towards early distributions on the following basis:

Period during which distributions take place	Rate of capital return fee on the total value of distributions made to Shareholders within the period
Before 30 June 2024	0.95%
1 July 2024 to 31 December 2024	0.65%
1 January 2025 to 30 June 2025	0.2%
1 July 2025 and after	nil

- an equity appreciation fee payable only on completion of the Investment Manager's realisation process equal to 2.5 per cent. of all amounts (if any) by which total distributions to Shareholders exceed the net asset value of the Company as at the date Shareholders approve of the New Investment Policy to encourage achieving value appreciation,

subject to an overall cap on total fees payable to the Investment Manager in any 12 month period equal to 4.9 per cent. of the market capitalisation (or NAV if lower) of the Company as at the date Shareholders approve of the New Investment Policy.

The notice period that will be required to be given by the Company in the event the Company wishes to terminate the Investment Management Agreement will remain 6 months. Shorter notice may be provided so long as the Investment Manager receives payment in lieu of such notice on the basis of the basic management fee. All the other key commercial terms of the Investment Management Agreement will remain unchanged.

The Investment Manager is a related party to the Company and this change to the fee arrangements constitutes a smaller related party transaction under Listing Rule 11.1.10R. No other changes are being made to the management arrangements at this time.

Means of returning capital

Pursuant to the Managed Wind-Down, the Company will seek to return cash to Shareholders in an efficient and fair manner that accounts for, among other things, the UK tax consequences for Shareholders and the composition of the Company's Shareholder register.

Returns of capital pursuant to the Managed Wind-Down are likely, in the main, to take the form of bonus issues of redeemable shares to Shareholders and potentially also tender offers and, in such cases, will be conditional on, *inter alia*, the relevant Shareholder approvals being obtained.

In the light of the advice received from the Company's tax advisers, the Company intends to implement returns of capital principally by means of a bonus issue of redeemable B shares to Shareholders with a nominal value of £1.00 each (the "**B Shares**"). Such B Shares would then be immediately redeemed by the Company with the return of cash to Shareholders being treated as capital rather than income from a UK tax perspective.

Dividends

If Shareholders vote to approve the Resolution and put the Company into Managed Wind-Down, the Company will continue to pay a sufficient level of dividend so as to maintain the Company's investment trust status during the Managed Wind-Down process. The payment, quantum and timing of any dividends during the Managed Wind-Down process will be at the sole discretion of the Board, and the Board will take account of the UK tax consequences for Shareholders in determining the most efficient means of returning realised cash.

The amount of the net proceeds from the Managed Wind-Down that can be paid as dividends and the timing of any distributions will also be determined by the distributable reserves of the Company. There can be no guarantee as to the payment, quantum or timing of dividends during the Managed Wind-Down process.

No further investments

The Company will not make any new investments during the Managed Wind-Down process. Realised cash may be invested in liquid cash-equivalent securities, including short-dated corporate bonds, government bonds, cash funds or bank cash deposits (and/or funds holding such investments) pending its return to Shareholders. Therefore although the New Investment Policy will provide the Company with the flexibility to make new investments, in certain limited circumstances, it is not expected that the Company will use this flexibility.

Amendments to the Investment Policy

The Proposal involves amending the Company's Investment Policy and adopting the New Investment Policy to reflect the realisation strategy and the Company ceasing to make any new investments. The proposed amendments to the Company's Investment Policy are considered a material change and therefore, in accordance with the Listing Rules, the consent of Shareholders to the adoption of the New Investment Policy is being sought.

The Listing Rules also require any proposed material changes to the Company's published investment objective and policy to be submitted to the FCA for prior approval. The FCA approved the New Investment Policy on 8 January 2024.

Part 2 of this document sets out the proposed New Investment Policy in full.

Resolution

The Proposal is subject to the approval of Shareholders. Notice of a General Meeting at which the Resolution to approve the Proposal will be considered is set out on pages 16 to 19 of this document.

The Resolution, which will be proposed as an ordinary resolution, seeks authority to adopt the New Investment Policy. As an ordinary resolution, for the Resolution to pass, more than 50 per cent. of the votes cast must be voted in favour.

General Meeting

The General Meeting has been convened for 11.30 a.m. on 28 February 2024 to be held at 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD. The Resolution will be voted on by way of a poll. In accordance with the Articles, all Shareholders entitled to vote and who are present in person or by proxy at the General Meeting shall upon that poll have one vote in respect of every Ordinary Share held.

Shareholders are strongly encouraged to appoint the Chairman of the General Meeting as their proxy to vote on their behalf at the General Meeting. This should ensure that your votes are registered.

Action to be taken

A Form of Proxy for use in connection with the General Meeting is enclosed with this document. Whether or not you intend to attend the General Meeting in person, you are requested to appoint a proxy electronically via the Registrar's online proxy voting service at www.investorcentre.co.uk/eproxy (see Note 4 to the Notice of General Meeting for instructions) or by completing, signing and returning the enclosed Form of Proxy, in each case as soon as possible but, in any event, so as to be received by the Registrar by not later than 11.30 a.m. on 26 February 2024 (or, if the General Meeting is adjourned, 48 hours (excluding non-Business Days) prior to the adjourned General Meeting). Completed Forms of Proxy should be returned by post to the Registrar, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY. If the electronic proxy appointment or the Form of Proxy, as the case may be, is not received by the aforementioned date and time it will be invalid.

If you hold Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Registrar (CREST Participant ID 3RA50) so that it is received by not later than 11.30 a.m. on 26 February 2024 (or, if the General Meeting is adjourned, 48 hours (excluding non-Business Days) prior to the adjourned General Meeting). The time of receipt will be taken to be the time from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. If the CREST Proxy Instruction is not received by the aforementioned date and time it will be invalid.

Appointing a proxy online, completing, signing and returning a hard copy Form of Proxy or completing and transmitting a CREST Proxy Instruction will not preclude Shareholders from attending and voting at the General Meeting in person, should they so wish.

In accordance with current best practice and to ensure voting accurately reflects the views of Shareholders, it will be proposed at the General Meeting that voting on the Resolution will be conducted by way of a poll vote rather than by a show of hands and the relevant procedures will be explained at the General Meeting.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial and/or legal advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

Recommendation

The Board considers that the Proposal is in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting.

The Directors, who in aggregate have an interest in 242,495 Ordinary Shares (representing approximately 0.5 per cent. of the issued Ordinary Share capital of the Company as at 31 January 2024 (being the latest practicable date prior to the publication of this document)), intend to vote their entire beneficial holdings in favour of the Resolution to be proposed at the General Meeting.

Yours faithfully

Hugh Aldous
Chairman

PART 2

THE COMPANY'S PROPOSED NEW INVESTMENT POLICY

It is proposed that, if the Resolution is approved, the existing Investment Policy of the Company will be replaced with the New Investment Policy set out below.

Set out below is the full text of the current and proposed, new investment policy.

Current investment policy

The company invests in UK publicly quoted companies that are defined by the investment manager as micro-cap, reflecting a market capitalisation of under £150 million of the investee company at the time of investment. The investment manager intends to hold a concentrated portfolio of between 12 and 18 investments (when fully invested).

The investment manager:

- deploys a private-equity style diligence approach to investing, focusing on the future value of free cash flows, sustainability of margins and strength of the management team;
- takes advantage of the inefficiencies within the micro-cap market which include lack of analyst coverage;
- has the ability to invest up to 10% of the gross assets at the time of investment in one or more unquoted companies;
- procures that the company invests where analysis indicates an ability to create shareholder value of 15% compound growth per annum over a 3–7 year investment horizon;
- favours a proactive style of engagement with management, aiming to maximise shareholder value over the long term, particularly where diligence highlights a strength of management, an entry value that is a discount to the investment manager's calculation of intrinsic value, and where active engagement is likely to mitigate some of the inefficiencies presented by the micro-cap market.

The investment manager believes that this is best achieved by the company taking strategic shareholdings of between 3% and 25% of the equity of the investee company, although the company may hold larger or smaller stakes where it deems appropriate (including up to a maximum of 29% of the equity of any one company at the time of investment, but only where the company holds an additional right of conversion (e.g. option rights or convertible loan notes) that would, on exercise, result in the company holding above 25% of the equity).

New Investment Policy

The Company will be managed with the intention of realising all remaining assets in the Company's portfolio in a prudent manner consistent with the principles of good investment management and with a view to returning cash to shareholders in an orderly manner.

The Company will pursue its investment objective by effecting an orderly realisation of its assets in a manner that seeks to maximise the value received from those assets within a reasonable timescale, having regard to both catalytic corporate events and markets generally. This process might include sales of individual assets or running-off the portfolio in accordance with the existing terms of the assets, or a combination of both.

The Company will cease to make any new investments or to undertake capital expenditure except where, in the opinion of both the Board and the Investment Manager (or, where relevant, the Investment Manager's successors):

- the investment is a follow-on investment made in connection with an existing asset in order to comply with the Company's pre-existing obligations; or
- failure to make the follow-on investment may result in a breach of contract or applicable law or regulation by the Company; or
- the investment is considered necessary to protect or enhance the value of any existing investments or to facilitate orderly disposals.

Any cash received by the Company as part of the realisation process prior to its distribution to shareholders will be held by the Company as cash on deposit and/or as cash equivalents.

It is likely that the majority of the investments held in the company's portfolio will be quoted on AIM and will typically be drawn from the constituents of the FTSE AIM All Share Index.

No single investment will represent materially more than 15% of the Gross Assets at the time of investment, save that the company may make a follow-on investment into an existing investee company where such investment may result, due to fluctuation in market conditions, in a single investment representing up to 15.5% of Gross Assets at the time of investment, where this is likely to maximise the value of the company's existing investment for shareholders.

The company's portfolio is expected to be diversified by industry and market, but stock selection will be determined by the results of extensive due diligence rather than a weighting in any particular index. However, the investment manager will not invest on behalf of the company in early-stage technology, mining and extraction companies and early-stage biotech (unless the company can see a defined route to profitability) and does not intend to invest in initial public offerings, unless in exceptional circumstances where it has a historic relationship with and an in-depth knowledge of the investee company. The company does not invest in other closed-ended investment funds.

The company may use derivative instruments including index-linked notes, contracts for difference, covered options and other equity-related derivative instruments for efficient portfolio management, gearing and investment purposes. Any use of derivative instruments for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the company's direct investments, as described above, although the company would not hold more than 5% of net assets in a derivative of any single investee company. The company will not enter into uncovered short positions.

If companies in the portfolio achieve organic growth or grow through corporate activity such as acquisitions, and consequently have a market capitalisation that would place them outside the investable universe (described above), the investment manager will not be obliged to sell those holdings, but the proportion of the portfolio in such companies will be carefully monitored by the investment manager and the board so that the overall investment policy to invest in the smallest quoted or traded companies is not materially altered.

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.

PART 3

RISKS ASSOCIATED WITH THE PROPOSAL

In considering your decision in relation to the Proposal, you are referred to the risks set out below.

Shareholders should read this document carefully and in its entirety and, if you are in any doubt about the contents of this document or the action you should take, you are recommended to immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 or, if you are in a territory outside the United Kingdom, from an appropriately authorised independent financial adviser.

Only those risks which are material and currently known to the Company have been disclosed. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems to be immaterial, may also have an adverse effect on the Company.

- In a Managed Wind-Down, the value of the Company's portfolio will be reduced as investments are realised and concentrated in fewer holdings, and the mix of asset exposure will be affected accordingly.
- The Company might experience increased volatility in its Net Asset Value and/or its share price as a result of possible changes to its portfolio structure following the approval of the Proposal.
- The Company's assets may not be realised at their carrying value, and it is possible that the Company may not be able to realise some assets at any value. The value realisable on a sale of the Company's assets is linked to estimates and assumptions about a variety of matters, including macroeconomic considerations, which may prove to be incorrect and which are subject to change. A material change of governmental, economic, fiscal, monetary or political policy, may result in a reduction in the value of the Company's assets on sale.
- A sale of the Company's assets may prove materially more complex than anticipated, and the return of capital to Shareholders may be delayed by a number of factors, including, without limitation, the ability of the Company to redeem Ordinary Shares or to otherwise make distributions to Shareholders.
- It should also be noted that there may be other matters or factors which affect the availability, amount or timing of receipt of the proceeds of realisation of some or all of the Company's investments. In particular, ongoing returns of value to Shareholders will decrease the size of the Company's assets, thereby increasing the impact of fixed costs incurred by the Company on the remaining assets. In determining the size of any redemptions and/or distributions, the Directors will take into account the Company's ongoing running costs, and the eventual liquidation costs of the Company. However, should these costs be greater than expected or should cash receipts for the realisations of investments be less than expected, this will reduce the amount available for Shareholders in future redemptions and/or distributions.

PART 4

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

Articles	the articles of association of the Company, as amended from time to time
Board	the board of Directors of the Company
Business Day	any day of the year, excluding a Saturday, Sunday or English bank holiday
Company	Downing Strategic Micro-Cap Investment Trust plc, a public limited company incorporated in England and Wales with registered number 10626295 and having its registered office at 6th Floor St. Magnus House, 3 Lower Thames Street, London EC3R 6HD
CREST	the facilities and procedures for the time being of the relevant system of which Euroclear has been approved as operator pursuant to the CREST Regulations
CREST Manual	the compendium of documents titled 'CREST Manual' issued by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual and the CREST Glossary of Terms
CREST Proxy Instructions	an authenticated CREST message to appoint or instruct a proxy in accordance with Euroclear's specifications and the CREST Manual
CREST Regulations	Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time
Current Share Price	the Company's Share price of 58 pence as at 31 January 2024
Directors	the directors of the Company from time to time
Disclosure Guidance and Transparency Rules	the UK disclosure guidance and transparency rules made by the FCA under Part VI of FSMA
Euroclear	Euroclear UK and International Limited, a private limited company incorporated in England and Wales with registered number 02878738 and having its registered office at 33 Cannon Street, London EC4M 5SB, being the operator of CREST
FCA	the Financial Conduct Authority of the United Kingdom whose place of business is at 12 Endeavour Square, London E20 1JN, including any replacement or substitute thereof and any regulatory body or person succeeding, in whole or in part, to the functions thereof
Form of Proxy	the form of proxy for use by Shareholders in connection with the General Meeting which accompanies this document
FSMA	the Financial Services and Markets Act 2000, as amended from time to time

General Meeting	the general meeting of the Company convened for 11.30 a.m. on 28 February 2024 to be held at 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD (or any adjournment of that meeting) the notice for which is set out at the end of this document (the “ Notice of General Meeting ”)
Investment Manager	Downing LLP, a limited liability partnership incorporated in England and Wales with registered number OC341575 and having its registered office at 6th Floor St. Magnus House, 3 Lower Thames Street, London EC3R 6HD
Investment Management Agreement	the investment management agreement between the Company and the Investment Manager
Investment Policy	the existing investment objective and policy of the Company
London Stock Exchange	London Stock Exchange plc, a public limited company incorporated in England and Wales with registered number 02075721 and having its registered office at 10 Paternoster Square, London EC4M 7LS
Managed Wind-Down	the proposed wind-down of the Portfolio to effect the disposal of the Company’s investments, as described in this document
NAV or Net Asset Value	the value of the assets of the Company less its liabilities, determined in accordance with the accounting principles adopted by the Company from time to time
New Investment Policy	the proposed new investment policy of the Company, as set out in Part 2 of this document
Ordinary Shares	ordinary shares of 0.1 pence each in the capital of the Company
Proposal	the proposal set out in Part 1 of this document relating to the Managed Wind-Down and the adoption of the New Investment Policy, in respect of which the Resolution will be proposed at the General Meeting
Registrar	Computershare Investor Services PLC, a public limited company incorporated in England and Wales with registered number 03498808 and having its registered office at The Pavilions, Bridgwater Road, Bristol BS13 8AE
Regulatory Information Service	the regulatory information service provided by the London Stock Exchange
Resolution	the ordinary resolution to be proposed at the General Meeting, the full text of which is set out in the notice of General Meeting at the end of this document
Shareholders	the holders of Ordinary Shares from time to time
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland

DOWNING STRATEGIC MICRO-CAP INVESTMENT TRUST PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 10626295)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of Downing Strategic Micro-Cap Investment Trust plc (the “**Company**”) will be held at 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD at 11.30 a.m. on 28 February 2024 to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution. Voting on the resolution will be by way of a poll.

ORDINARY RESOLUTION

THAT the Company adopt the New Investment Policy, as set out in Part 2 of the circular to shareholders of the Company dated 2 February 2024 which contains this Notice of General Meeting (the “**Circular**”), in substitution for the existing Investment Policy (as defined in the Circular) of the Company.

By Order of the Board

Grant Whitehouse
Company Secretary

Registered office:

6th Floor St. Magnus House
3 Lower Thames Street
London
EC3R 6HD

2 February 2024

Notes:

1. Entitlement to attend and vote

This Notice of Meeting is sent to holders of Ordinary Shares entitled to attend, speak, and vote at the General Meeting.

To be entitled to attend and vote at the General Meeting (and for the purposes of determining the votes that may be cast on a poll), members must be registered in the Company's register of members by close of business on 26 February 2024 (or, if the General Meeting is adjourned, 48 hours (excluding non-Business Days) prior to the adjourned General Meeting). Changes to entries in the register of members after that time shall be disregarded in determining the rights of any member to attend and vote at such General Meeting.

2. Appointment of proxies

Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the General Meeting. A proxy need not be a member of the Company but must attend the General Meeting to represent a member. To be validly appointed a proxy must be appointed using the procedures set out in these Notes and the notes to the accompanying Form of Proxy.

If members wish their proxy to speak on their behalf at the General Meeting, members will need to appoint their own choice of proxy (not the Chairman of the General Meeting) and give their instructions directly to them.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different Ordinary Shares. Members cannot appoint more than one proxy to exercise the rights attached to the same Ordinary Share(s). Members must state clearly on each Form of Proxy the number of Ordinary Shares in relation to which the proxy is appointed. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy.

A member may instruct their proxy to abstain from voting on the Resolution to be considered at the General Meeting by marking the 'vote withheld' option when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes 'for' or 'against' the resolution.

The appointment of a proxy will not prevent a member from attending the General Meeting and voting if they wish.

A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have the right to appoint any proxies under the procedures set out in these notes and should read note 8 below.

3. Appointment of proxy using the Form of Proxy

A Form of Proxy for use in connection with the General Meeting is enclosed. To be valid any completed and signed Form of Proxy or other instrument appointing a proxy, together with any Power of Attorney or other authority under which it is signed or a certified copy thereof, must be received by post (or during normal business hours only) by hand by the Registrar, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 11.30 a.m. on 28 February 2024 (or, in the event the meeting is adjourned, no later than 48 hours (excluding non-Business Days) before the time of the adjourned meeting).

If you require additional Forms of Proxy, please contact the Registrar on 0370 707 1358. Lines are open from 8.30 a.m. to 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales). If you are an overseas shareholder, please call +44 370 707 1358.

4. Appointment of proxy electronically

As an alternative to completing a hard copy Form of Proxy, you may submit your proxy electronically by using the following link: www.investorcentre.co.uk/eproxy. To be valid, your proxy appointment(s) and instructions must reach the Registrar not later than 11.30 a.m. on 26 February 2024 (or, in the event the meeting is adjourned, no later than 48 hours (excluding non-Business Days) before the time of the adjourned meeting).

5. Appointment of proxy through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & International Limited’s specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company’s Registrar (ID 3RA50) no later than 11.30 a.m. on 26 February 2024 (or, in the event the meeting is adjourned, no later than 48 hours (excluding non-Business Days) before the time of the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST application host) from which the Company’s Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST proxy appointment or instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. Appointment of proxy by joint holders

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. The first-named holder is considered the most senior for this purpose.

7. Corporate representatives

Any corporation which is a member can, by a resolution of its Board or other governing body, authorise such person or persons as it thinks fit to act as its representatives at the General Meeting.

8. Nominated persons

The right to appoint a proxy through the procedures set out in these notes does not apply to persons whose Ordinary Shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 (“**Nominated Persons**”). Nominated Persons may have a right under an agreement with the registered member who holds the shares on their behalf to be appointed (or have someone else appointed) as a proxy to vote at the General Meeting. Alternatively, if a Nominated Person does not have such a right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the registered member as to the exercise of voting rights. Any queries with respect to your rights as a Nominated Person should be directed to the registered member by whom you were nominated in respect of these arrangements.

9. Voting rights

As at 31 January 2024 (being the latest practicable date prior to the publication of this notice) the Company’s issued share capital consisted of 51,734,305 Ordinary Shares of 0.1 pence each (of which 5,125,819 are held in treasury), and one non-redeemable preference management share of 1 pence. The non-redeemable preference management share doesn’t carry any voting rights. Each Ordinary Share carries a right to one vote at general meetings of the Company. Therefore, the total number of voting rights in the Company as at 31 January 2024 was 46,608,486 votes.

10. Notification of shareholdings

Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person as their proxy will need to ensure that both they and their proxy complies with their respective disclosure obligations under the FCA’s Disclosure Guidance and Transparency Rules. Should the members grant the Chairman or any Director voting authority representing 3 per cent. or more of the total voting rights of the Company, an appropriate disclosure will be released to the London Stock Exchange in accordance with the FCA’s Disclosure Guidance and Transparency Rules.

11. Questions at the General Meeting

Any member attending the General Meeting has the right to ask questions which relate to the business of the General Meeting, although no answer need be given: (i) if to do so would interfere unduly with the preparation for the General Meeting or involve disclosure of confidential information; (ii) if the answer has already been given on the Company's website; or (iii) if it is undesirable in the best interests of the Company or the good order of the General Meeting that the question be answered.

12. Communication

A copy of the notice of the General Meeting, including these explanatory notes and other information required by section 311A of the Companies Act 2006, is included on the Company's website at www.downingstrategic.co.uk. Shareholders are advised that, unless otherwise stated, any telephone number or email address which may be set out in this notice of General Meeting or in any related documents (including the Form of Proxy) is not to be used for any purposes other than those expressly stated.

13. Documents on display

No Director has a service contract with the Company but copies of the Directors' letters of appointment will be available for inspection at the registered office of the Company during normal business hours on any weekday (English public holidays are excepted) from the date of this Notice of General Meeting and at the location of the General Meeting for at least 15 minutes prior to the General Meeting and during the General Meeting.