

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 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 of 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 personalised 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 and registered in England and Wales under the Companies Act 2006 with registered number 10626295)

Recommended Proposal for the adoption of a B Share Scheme to allow for the return of capital to Shareholders

and

Notice of General Meeting

Shareholders should read the whole of this document. Shareholders’ attention is drawn, in particular, to the risk factors set out in Part 4 (*Risks Associated with the Proposal*) of this document and to the letter from the Chair of the Company that is set out in Part 1 (*Letter from the Chair*) of this document which contains the unanimous recommendation from the Directors that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

Capitalised terms used throughout this document shall have the meanings ascribed to them in the section titled *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 (as appropriate).

Notice of a general meeting of the Company to be held at the offices of Dickson Minto, Dashwood House, 69 Old Broad Street, London EC2M 1QS at 2.00 p.m. on 3 April 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 8 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 2.00 p.m. on 28 March 2024 (or, in the case of any adjournment of the General Meeting, not later 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 2.00 p.m. on 28 March 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 2.00 p.m. on 28 March 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 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 application will be made to the Financial Conduct Authority or to the London Stock Exchange for any of the B Shares to be admitted to the Official List or to trading on the London Stock Exchange's main market for listed securities, nor will any of the B Shares be listed or admitted to trading on any other securities or investment exchange.

The availability of the B Share Scheme and a Return of Capital to Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdiction in which they are located. Persons who are not resident in the United Kingdom should read the paragraph headed "Overseas Shareholders" set out in Part 2 of this document and should inform themselves about, and observe, any applicable legal or regulatory requirements.

The B Shares will not be registered under the US Securities Act or with any state or other jurisdiction of the United States, and none of the B Shares may be reoffered, resold, pledged or otherwise transferred in or into the United States or to any US persons except pursuant to a transaction that has been registered under the US Securities Act and with the relevant state and other jurisdictions or a transaction that is exempt from, or otherwise not subject to, the securities laws of such jurisdictions.

Neither the B Shares nor this document have been approved, disapproved or otherwise recommended by any US federal or state securities commission or other regulatory authority or any non-US securities commission or regulatory authority, nor have such authorities passed upon or endorsed the merits of the B Share Scheme or a Return of Capital or confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

This document does not constitute an offer or invitation to participate in the B Share Scheme or a Return of Capital in or from any jurisdiction in or from which, or to or from whom, it is unlawful to make such an offer or invitation to participate under applicable securities laws or otherwise.

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 at any subsequent time.

CONTENTS

	Page
EXPECTED TIMETABLE OF EVENTS	4
PART 1 LETTER FROM THE CHAIR	5
PART 2 DETAILS OF THE B SHARE SCHEME.....	10
PART 3 RIGHTS AND RESTRICTIONS ATTACHED TO B SHARES	13
PART 4 RISKS ASSOCIATED WITH THE PROPOSAL.....	16
PART 5 UNITED KINGDOM TAXATION	18
DEFINITIONS.....	21
NOTICE OF GENERAL MEETING OF DOWNING STRATEGIC MICRO-CAP INVESTMENT TRUST PLC	24

EXPECTED TIMETABLE OF EVENTS

2024

Latest time for receipt of Forms of Proxy and electronic appointments of proxies in respect of the General Meeting	2.00 p.m. on 28 March
General Meeting	2.00 p.m. on 3 April
Record Date in respect of the first Return of Capital	6.00 p.m. on 3 April
Issue and allotment of B Shares in respect of the first Return of Capital	4 April
Redemption Date in respect of the first Return of Capital	4 April
Payment date in respect of the first Return of Capital: (i) cheques or electronic payment posted to certificated Shareholders; and (ii) uncertificated holders credited with funds through CREST	by 9 April

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 CHAIR

DOWNING STRATEGIC MICRO-CAP INVESTMENT TRUST PLC

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

Directors:

Hugh Aldous (*Chair*)
Linda Bell
William Dawkins
Robert Legget

Registered Office:

The Office Suite, Den House
Den Promenade
Teignmouth TQ14 8SY

8 March 2024

Dear Shareholder

Recommended Proposal for the adoption of a B Share Scheme to allow for the return of capital to Shareholders and Notice of General Meeting

Introduction

At a general meeting of the Company held on 28 February 2024, Shareholders approved a change to the investment objective and policy of the Company. Pursuant to this change, the Company is now managed with the intention of realising its portfolio in a prudent manner consistent with the principles of good investment management and with a view to returning 100 per cent. of Shareholders' capital in cash, to Shareholders in an orderly manner.

After careful consideration, the Board believes that one of the fairest and most efficient ways of returning substantial amounts of cash to Shareholders is by means of a bonus issue of redeemable B Shares which would then be immediately redeemed by the Company in consideration for a cash payment equal to the amount treated as paid up on the issue of the B Shares. Adoption of the B Share Scheme is conditional on the approval of Shareholders at the General Meeting to be held on 3 April 2024, notice of which is set out at the end of this document. If Shareholders pass the required Resolutions at the General Meeting, the B Share Scheme will be able to be implemented, and cash returned to Shareholders, without any further action being required by Shareholders.

If the Resolutions are passed at the General Meeting, the Board currently intends that as a minimum approximately £10 million in aggregate (representing approximately 21.5 pence per Ordinary Share) will be available to be returned to Shareholders by way of an initial Return of Capital under the B Share Scheme in early April 2024. This is equal to 33 per cent. of the Company's Net Asset Value as at 6 March 2024. The Board further believes that it will still be able to return approximately a further £5.2 million (representing 17 per cent. of the Company's Net Asset Value as at 6 March 2024) by the end of June 2024 making a total return by then of over 50 per cent. of Shareholders' current capital.

The quantum and timing of any further Return(s) of Capital to Shareholders under the B Share Scheme (if any) will be at the discretion of the Board and will be dependent on the realisation of the Company's investments and its liabilities, general working capital requirements and the amount and nature (from a tax perspective) of its distributable reserves from time to time. The Company's Investment Manager is currently ahead of expectations across the portfolio with liquidity having been achieved without detriment to the listed valuations.

The purpose of this document is to provide Shareholders with further details of the proposed B Share Scheme and to give notice of the General Meeting at which the Resolutions required to adopt and implement the B Share Scheme will be proposed.

B Share Scheme

Advantages of returning cash via B Shares

The advantages of returning capital via the B Share Scheme rather than via a tender offer are as follows.

- (a) It reduces costs for the Company, as it is currently anticipated that additional circulars will not need to be prepared to give effect to any future Returns of Capital as is the case with tender offers. In the event the Resolutions are passed at the General Meeting details of any Return of Capital would be notified to Shareholders through a Regulatory Information Service and, subject to any change in existing United Kingdom tax law (and in contrast to a tender offer where stamp duty at the rate of 0.5 per cent. of the tender price is payable), no stamp duty would be payable on a Return of Capital.
- (b) Subject to the Resolutions being passed at the General Meeting, Shareholders should not be required to take any further action to give effect to the first Return of Capital or any further Returns of Capital. In the light of the capital returns under the B Share Scheme being mandatory and applicable to all Shareholders on a *pro rata* basis, all Shareholders are treated equally and no further action would be required from any Shareholders in order for them to be able to participate in the B Share Scheme, including the first Return of Capital.
- (c) There is greater certainty for the Company regarding the rate of Returns of Capital to Shareholders (unlike tender offers).

However, for some Shareholders, there may be some disadvantages in returning capital via the B Share Scheme, relating to the timing, mandatory nature of the scheme and the way they structure their shareholding in the Company. One consequence of this straightforward process is that Shareholders will receive their cash payment in accordance with the structure within which they hold their Shares when the B Shares are issued.

How will cash be returned via the B Shares?

Subject to the Resolutions being passed at the General Meeting, the B Share Scheme will provide the Company with a mechanism to return cash to Shareholders at such time or times as the Board may, at its absolute discretion, determine. B Shares would be issued to Shareholders (at no cost to Shareholders) *pro rata* to their holdings of Ordinary Shares at the time of issue of the B Shares and, shortly thereafter, redeemed and cancelled in accordance with their terms for an amount not exceeding the amount treated as paid up on the issue of the B Shares. The Company will not allot any fractions of B Shares and entitlements will be rounded down to the nearest whole B Share.

Following the redemption and cancellation of the B Shares, the redemption proceeds would be sent to Shareholders, either through CREST to uncertificated Shareholders or via cheque or electronic payment (if there is an electronic payment mandate on file) to certificated Shareholders. Each issue and redemption of B Shares would be announced via a Regulatory Information Service.

Further details of the B Share Scheme are set out in Part 2 of this document.

Proposed Initial Return of Capital

Subject to the passing of the Resolutions at the General Meeting, the Board intends to return, in aggregate, approximately £10 million to Shareholders via an initial issue and redemption of B Shares. B Shares of £1.00 each will be paid up from the Company's reserves and issued to all Shareholders by way of a bonus issue *pro rata* to their holdings of Ordinary Shares, currently expected to be on the basis of one B Share for every five Ordinary Shares held at the Record Date of 6.00 p.m. on 3 April 2024. The B Shares will be issued on 4 April 2024 and immediately redeemed at £1.00 per B Share. The Redemption Date in respect of this Return of Capital will be 4 April 2024. It is expected that the proceeds from the redemption of the B Shares, which is equivalent to approximately 21.5 pence per Ordinary Share (based on the issued ordinary share capital of the Company as at the Latest Practicable Date), will be sent to Shareholders through CREST (in respect of uncertificated Shareholders) or via cheque or electronic payment (in respect of certificated Shareholders) by 9 April 2024. The proposed initial Return of Capital represents approximately 33 per cent. of the Company's Net Asset Value as at 6 March 2024, being the latest published unaudited Net Asset Value prior to the publication of this document.

Taxation of the B Share Scheme

The structure of a B Share Scheme should result in UK individual tax payers receiving their cash proceeds on the redemption of the B Shares as capital. Based on current United Kingdom tax law, it is expected that each redemption of B Shares should be treated as a disposal by the Shareholder of their Ordinary Shares for United Kingdom tax purposes. This may, subject to the Shareholder's individual circumstances and any available exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of United Kingdom taxation of capital gains.

Each redemption of B Shares will be treated as the receipt of an income distribution for corporate Shareholders for United Kingdom tax purposes.

For further information regarding UK taxation on redemptions of B Shares please see Part 5 of this document.

Further information on the B Shares

No share certificates will be issued in relation to the B Shares and no CREST accounts will be credited with any such shares.

No application will be made to the Financial Conduct Authority or to the London Stock Exchange for any of the B Shares to be admitted to the Official List or to trading on the London Stock Exchange's main market for listed securities, nor will any of the B Shares be listed or admitted to trading on any other securities or investment exchange.

The B Shares will be non-transferable, non-equity shares and will have limited rights. The rights and restrictions attached to the B Shares are set out more fully in Part 3 of this document.

Change to the Investment Manager's fee

As detailed in a shareholder circular published on 2 February 2024, the Board has agreed a new fee structure with the Company's Investment Manager so as to align the Investment Manager's interests with those of Shareholders in connection with the managed wind-down of the Company's portfolio.

Following Shareholder feedback received at the general meeting of the Company held on 28 February 2024, the Board and the Investment Manager have agreed that the change to the Investment Manager's fee structure shall apply from 1 January 2024.

General Meeting

The Proposal is subject to Shareholder approval. A notice convening the General Meeting that is to be held at the offices of Dickson Minto, Dashwood House, 69 Old Broad Street, London EC2M 1QS on 3 April 2024 at 2.00 p.m. is set out at the end of this document.

Resolution 1 is proposed as a special resolution and Resolutions 2 and 3 as ordinary resolutions. Together they seek approval for the adoption and implementation of the proposed B Share Scheme.

Resolution 1 relates to the adoption of New Articles of Association that set out the rights and restrictions attached to the B Shares as described in Part 3 of this document.

Resolution 2 (which is conditional on Resolution 1 being passed) authorises the Directors to capitalise from time to time any sums standing to the credit of any reserve of the Company (including, in particular, the Company's special reserve) and to apply such sums for the purposes of paying up in full up to 100,000,000 B Shares to be allotted and issued to Shareholders *pro rata* to their holdings of Ordinary Shares at the Record Date in respect of the relevant issue of B Shares.

Resolution 3 (which is conditional on Resolutions 1 and 2 being passed) authorises the Directors to allot and issue B Shares from time to time up to an aggregate nominal amount of £100,000,000 on a *pro rata* basis to the holders of Ordinary Shares by way of one or more bonus issues. If approved, this authority to allot and issue B Shares will expire at 11.59 p.m. on 3 April 2029 (being the fifth anniversary of the date when Resolution 3 is expected to be passed).

All Shareholders are entitled to vote at the General Meeting. Each 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 a 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.

A copy of the New Articles and the Articles marked to show the changes will be available during normal business hours (Saturdays, Sundays and public holidays excepted) at the Company's registered office from the date of this document up to and including close of business on 3 April 2024 and at the venue of the General Meeting for at least 15 minutes prior to the start of the meeting and up until the close of the meeting. A copy of the New Articles will also be available for review on the Company's website at <https://www.downingstrategic.co.uk/> and submitted to the National Storage Mechanism which is available for inspection at <https://data.fca.org.uk/a/nsm/nationalstoragemechanism>.

Action to be taken

All Shareholders are encouraged to vote in favour of the Resolutions to be proposed at the General Meeting and, if the Ordinary Shares are not held directly, to arrange for their nominee to vote on their behalf.

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 2.00 p.m. on 28 March 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 an electronic proxy appointment or 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 2.00 p.m. on 28 March 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 a 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 each 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 as set out in this document and the Resolutions to be proposed at the General Meeting are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

The Directors intend to vote in favour, or procure votes in favour, of the Resolutions at the General Meeting in respect of their own beneficial holdings of Ordinary Shares, which in aggregate amount to 242,495 Ordinary Shares (representing approximately 0.5 per cent. of the issued Ordinary Share capital (excluding Ordinary Shares held in treasury) of the Company as at the Latest Practicable Date).

Yours faithfully

Hugh Aldous
Chair

PART 2

DETAILS OF THE B SHARE SCHEME

1. CONDITIONS TO THE IMPLEMENTATION OF THE B SHARE SCHEME

The adoption and implementation of the B Share Scheme requires, and is conditional upon, Shareholder approval of the Resolutions at the General Meeting. The Notice of General Meeting is set out at the end of this document and a summary explanation of the Resolutions to be proposed at the General Meeting is set out in paragraph 8 below. The action to be taken by Shareholders is set out on page 8 of this document.

If the Resolutions are not passed by the requisite majorities of Shareholders then the Company will be unable to return surplus cash from time to time to Shareholders by way of the B Share Scheme, although cash may still be returned in other ways.

2. RETURNS OF CAPITAL TO SHAREHOLDERS

A Return of Capital will involve the allotment and issue of B Shares to Shareholders and the redemption of the B Shares by the Company.

It is the intention of the Board that, subject to the passing of the Resolutions at the General Meeting, an initial Return of Capital pursuant to the B Share Scheme will be completed in early April 2024. The Record Date in respect of this Return of Capital will be 6.00 p.m. on 3 April 2024, the Redemption Date will be 4 April 2024 and the Redemption Price will be £1 per B Share.

The quantum and the timing of any further Return(s) of Capital will be at the discretion of the Board. However, 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 Net Asset Value could be returned to Shareholders in cash (assuming current bids for certain of the Company's investments complete by then). Details of any further Return of Capital, including the relevant Record Date, Redemption Price and Redemption Date, will be announced through a Regulatory Information Service.

The adoption of a B Share Scheme will not limit the ability of the Company to return cash to Shareholders by using other mechanisms and, if the B Share Scheme is adopted, the Board will continue to review its tax effectiveness and cost efficiency over time. Further details of the Board's intention to implement the B Share Scheme and make an initial Return of Capital to Shareholders are set out below.

The Board's Proposal to adopt a B Share Scheme at this point in time should not be taken as any indication as to the frequency or quantum of any future returns of cash to Shareholders.

3. ALLOTMENT AND ISSUE OF AND RIGHTS ATTACHING TO THE B SHARES

For the purposes of making an issue of B Shares, it is proposed that the Directors be authorised to capitalise from time to time amounts standing to the credit of the Company's reserves available for the purpose of making a bonus issue of shares in accordance with the Act and article 139 of the New Articles of Association. These aggregate capitalised amounts will be used from time to time to pay up in full, B Shares with a nominal value of £1.00 each on the basis that the aggregate nominal value of the B Shares so issued on each such occasion will not exceed the aggregate sum or sums capitalised on each such occasion for the purposes of such B Share issue. The aggregate maximum number of B Shares that may be issued by the Company over time under the B Share Scheme will not exceed £100,000,000 and the aggregate nominal value of all B Shares issued will not exceed £100,000,000.

Under the New Articles of Association, the Directors may, provided they obtain the relevant authority of Shareholders which is being sought at the General Meeting, capitalise any sum standing to the credit of any reserve of the Company (including, in particular, the Company's special reserve) for the purposes of paying up, allotting and issuing B Shares to Shareholders.

The B Shares will be allotted and issued to Shareholders *pro rata* to their holdings of Ordinary Shares at the relevant Record Date for the issue of the B Shares. The Company will not allot or issue any fractions of B Shares and entitlements will be rounded down to the nearest whole B Share.

The B Shares will have only very limited rights. The rights and restrictions to be attached to the B Shares are more fully set out in Part 3 of this document.

No share certificates will be issued for any B Shares allotted and no CREST accounts will be credited with any such shares.

No application will be made for the B Shares to be admitted to listing on the Official List or to trading on the London Stock Exchange's main market for listed securities and the B Shares will not be listed or admitted to trading on any other recognised investment exchange.

4. REDEMPTION OF B SHARES

Each redemption of B Shares will be undertaken at the option of the Company. It is expected that redemption will occur shortly after each date of issue and allotment of B Shares, when all of the B Shares then in issue will be compulsorily redeemed and cancelled in accordance with their terms for an amount not exceeding the amount treated as paid up on the B Shares.

Following the redemption and cancellation of the B Shares, the redemption proceeds will be sent to Shareholders either through CREST to uncertificated Shareholders or via cheque or electronic payment to certificated Shareholders. As the B Share Dividend payment (if any) will be an income payment, it will be paid separately either to mandated bank accounts or by cheque. The cash received by Shareholders in connection with the B Share Scheme, other than the very small B Share Dividend (if any), should, under current legislation, be taxed as capital for UK individual Shareholders. Please see Part 5 of this document for a summary guide to certain potential tax consequences in the UK.

5. OVERSEAS SHAREHOLDERS

Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of other countries should consult their professional advisers to ascertain whether the B Share Scheme (including, as may be relevant in each case, the issue, holding or redemption of the B Shares (which will be non-transferable)) will be subject to any restrictions or require compliance with any formalities imposed by the laws or regulations of, or any body or authority located in, the jurisdiction in which they are resident or to which they are subject. In particular, it is the responsibility of any Overseas Shareholder to satisfy themselves as to full observance of the laws of each relevant jurisdiction in connection with the B Share Scheme, including the obtaining of any government, exchange control or other consents that may be required or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties in such jurisdiction.

The distribution of this document in certain jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Neither this document nor any other document issued or to be issued by or on behalf of the Company in connection with the B Share Scheme constitutes an invitation, offer or other action on the part of the Company in any jurisdiction in which such invitation, offer or other action is unlawful.

The provisions of this paragraph 5 relating to Overseas Shareholders may be waived, varied or modified as regards specific Overseas Shareholders or on a general basis by the Company in its absolute discretion.

6. SECURITIES LAWS CONSIDERATIONS IN THE UNITED STATES

None of the B Shares will be registered under the US Securities Act or with any state or other jurisdiction of the United States, and none of the B Shares may be reoffered, resold, pledged, or otherwise transferred in or into the United States or to any US persons except pursuant to a transaction that has been registered under the US Securities Act and with the relevant state and other jurisdictions or a transaction that is exempt from, or otherwise not subject to, the securities laws of such jurisdictions.

7. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Amendments to the Articles are required in order to implement the B Share Scheme and require approval at the General Meeting. Therefore it is proposed that the Articles be amended by the adoption of the New Articles of Association (pursuant to Resolution 1) which include an insertion that contains the rights and restrictions attaching to the B Shares, as set out in Part 3 of this document together with a mechanism to allow the Directors to capitalise any sum or sums standing to the credit of the Company's reserves from time to time for the purposes of the B Share Scheme with the authority of an ordinary resolution of Shareholders to be obtained on a one-off basis (being Resolution 2).

8. SUMMARY EXPLANATION OF THE RESOLUTIONS

Resolution 1 will be proposed at the General Meeting as a special resolution, the passing of which requires at least 75 per cent. of the votes cast (whether in person or by proxy) to be in favour. Resolution 2 and Resolution 3 will each be proposed as ordinary resolutions, the passing of which requires more than 50 per cent. of the votes cast (whether in person or by proxy) to be in favour.

A summary of the Resolutions follows below:

Resolution 1 approves the adoption of New Articles of Association with immediate effect following the passing of that Resolution, which incorporate the rights and restrictions to be attached to the B Shares (as set out in Part 3 of this document) together with a mechanism to allow the Directors to capitalise a sum or sums standing to the credit of the Company's reserves from time to time for the purposes of the B Share Scheme with the authority of an ordinary resolution of Shareholders to be obtained on a one-off basis (being Resolution 2).

Resolution 2 (which is conditional upon the passing of Resolution 1) authorises the Directors to capitalise from time to time a sum or sums standing to the credit of the Company's reserves available for the purpose of making a new bonus issue of shares in accordance with the Act and the New Articles of Association, and to apply such sum or sums from time to time in paying up in full up to 100,000,000 unlisted redeemable fixed rate preference shares of £1.00 each in the capital of the Company carrying the rights and restrictions set out in article 139 of the New Articles of Association which may be allotted from time to time pursuant to the authority given by Resolution 3.

Resolution 3 (which is conditional upon the passing of Resolutions 1 and 2) authorises the Directors to allot and issue B Shares from time to time on a *pro rata* basis as determined by the Directors from time to time up to an aggregate nominal amount of £100,000,000. This authority to allot will expire at 11.59 p.m. on 3 April 2029 (being the fifth anniversary of the expected date of passing of Resolution 3).

PART 3

RIGHTS AND RESTRICTIONS ATTACHED TO B SHARES

Set out below is the proposed insertion to the Articles, which contains the rights and restrictions attached to the B Shares. The following Article 139 is to be inserted into the Articles of Association of the Company together with any new defined terms required, thereby forming the New Articles of Association. The Company is seeking Shareholder approval to adopt the New Articles of Association pursuant to Resolution 1.

"B Shares

139. Rights and restrictions attaching to B Shares

General

139.1 Subject to the Act and notwithstanding anything in these Articles to the contrary:

139.1.1 the Directors may issue B Shares provided that such B Shares are fully paid up out of the reserves of the Company; and

139.1.2 the Directors may, with the authority of an ordinary resolution of the Company (which need only be obtained once and need not be obtained on every occasion B Shares are to be issued), from time to time resolve to capitalise any sum or sums standing to the credit of any reserve of the Company, whether or not the same is available for distribution, (including the special reserve of the Company) and apply such sum or sums for the purposes of paying up in full B Shares to be allotted and issued to Ordinary Shareholders *pro rata* to their holdings of Ordinary Shares (excluding any Ordinary Shares held in treasury at the relevant time or date) at such record time(s) and date(s) as shall be determined by the Directors in respect of such allotments and issues of B Shares, such *pro rata* basis to be determined by the Directors. No fractions of B Shares will be issued and entitlements will be rounded down to the nearest whole B Share. Where any difficulty arises with regard to the capitalisation of any such sum or sums the Directors may settle the matter as they think expedient and in particular may resolve that the issue of B Shares should be as nearly as may be practicable *pro rata* not exactly so, may determine that cash payments shall be made to any members in order to adjust the rights of all parties as may seem expedient to the Directors, and may authorise any person to sell and transfer any fractions of B Shares.

139.2 Notwithstanding any other provisions in these Articles, the B Shares shall have the rights, and be subject to the restrictions, attaching to shares set out in these Articles save that in the event of a conflict between any provision in this Article 139 and any other provision in these Articles, the provisions in this Article 139 shall prevail.

Income

139.3 The Company's profits available for distribution shall be applied first in paying to the holders of the B Shares (in priority to any payment of dividend to the holders of any other class of shares in the capital of the Company) a fixed rate cumulative preferential cash dividend (the "**Preferential Dividend**") at the rate of 0.01 per cent. per annum on the nominal value of £1.00 on every B Share held by them, such dividend to be paid annually on the date falling six months after the date on which any B Shares are issued and thereafter on each anniversary of such date (the "**Fixed Dividend Dates**") to the registered holders of B Shares shown in the Register on the relevant Fixed Dividend Date. Every Preferential Dividend shall be distributed to the holders of the B Shares *pro rata* according to the amounts paid up or credited as paid up on the B Shares held by them respectively and shall be rounded down to the nearest whole penny.

Capital

- 139.4 Except as provided in Article 139.12 below, on a return of capital on a winding-up (excluding any intra-group reorganisation on a solvent basis), the holders of the B Shares shall be entitled, in priority to any payment to the holders of every other class of share in the capital of the Company, to £1.00 per B Share held by them.
- 139.5 On a winding up, the holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of the Company in excess of that specified in Article 139.4 above. In the event that there is a winding-up to which Article 139.4 applies and the amounts available for payment are insufficient to pay the amounts due on all the B Shares in full, the holders of the B Shares shall be entitled to their *pro rata* proportion of the amounts to which they would otherwise be entitled.
- 139.6 The aggregate entitlement of each holder of B Shares on a winding-up in respect of all the B Shares held by him shall be rounded down to the nearest whole penny.
- 139.7 The holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of the Company in their capacity as holders of B Shares.

Attendance and voting at general meetings

- 139.8 The holders of the B Shares shall not be entitled, in their capacity as holders of such B Shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting nor to vote on a written resolution of the Company.

Class rights

- 139.9 The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority or subsequent to the B Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the B Shares) shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the B Shares.
- 139.10 A reduction by the Company of the capital paid up or credited as paid up on the B Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the B Shares.
- 139.11 Without prejudice to the generality of the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such redemption (or purchase) shall not involve a variation of any rights attaching to the B Shares for any purpose or require the consent of the holders of the B Shares.

Redemption of B Shares

- 139.12 Subject to the provisions of the Act and these Articles, the Company shall redeem the B Shares as follows:
- (i) The B Shares shall be redeemed at such time or times as the Directors may in their absolute discretion determine (each a “**Redemption Time**”). There shall be paid on each B Share redeemed under this Article 139.12 the amount paid up thereon together with a sum equal to all arrears of any Preferential Dividend due and payable at any time prior to the Redemption Time.
 - (ii) As from the Redemption Time, no Preferential Dividends shall be payable on the B Shares.
 - (iii) In the absence of bad faith or wilful default, neither the Company nor any of its Directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the determination of the Redemption Time in accordance with Article 139.12(i) above.

- (iv) The receipt of the registered holder for the time being of any B Shares (or in the case of joint registered holders the receipt of any of them) of the monies payable on the redemption thereof shall constitute an absolute discharge to the Company in respect thereof.

Transfer

139.13 The B Shares shall not be transferable.

Share certificates

139.14 The B Shares shall not be listed or admitted to trading on any stock exchange nor shall any share certificates be issued in respect of the B Shares.

Definitions

139.15 For the purposes of this Article 139, the following terms have the meanings given below:

B Shares	unlisted, redeemable, fixed rate preference shares of £1.00 each in the capital of the Company
Fixed Dividend Dates	has the meaning given to it in Article 139.3
Preferential Dividend	has the meaning given to it in Article 139.3
Redemption Time	has the meaning given to it in Article 139.12(i)

PART 4

RISKS ASSOCIATED WITH THE PROPOSAL

In considering how to vote on the Resolutions 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.

Risks related to the B Share Scheme and any Returns of Capital

Shareholders should be aware of the following risks associated with the B Share Scheme and any Returns of Capital.

- There is no guarantee that the B Share Scheme or any Return of Capital pursuant to the B Share Scheme will take place. The B Share Scheme is conditional on, among other things, the approval of Shareholders and will not proceed if the Resolutions are not passed. The approval of Resolution 1 requires not less than 75 per cent. of those voting at the General Meeting in person or by proxy to vote in favour of the Resolution. Resolutions 2 and 3 require more than 50 per cent. of those voting at the General Meeting in person or by proxy to vote in favour. It is possible that Shareholders may not approve the Resolutions. If the Resolutions are not passed there will be no Returns of Capital under the B Share Scheme.
- The amount of cash that the Company will be able to return to Shareholders in the future and the timing of any such returns will depend, amongst other things, on the performance of the Company's remaining investments and the proceeds realised from them and the timing of such realisations, and the Company having sufficient distributable reserves available to make returns to Shareholders.
- Even if the Resolutions are passed, the Board may determine, at its absolute discretion, not to make any Return of Capital pursuant to the B Share Scheme.
- The Board have been advised that based on the facts, the B Share Scheme should result in UK individual tax payers receiving their cash proceeds on redemption of B Shares as capital in the way described in this document. However, there is no guarantee that this position will be accepted and not challenged by HMRC and should Shareholders who are UK individual tax payers fail to receive the capital treatment described in this document they will be subject to income tax on the cash proceeds on the redemption of the B Shares at the rates set out in the "*Taxation of Dividends*" section in Part 5.

Risks related to continued investment in the Company

The Company's business, financial condition or results could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Ordinary Shares may decline because of any of these risks and Shareholders may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company. The Directors consider the following to be the material known risks specific to the Company, but the risks listed do not necessarily comprise all those associated with 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 the wind down of its portfolio.

- 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 of its assets.
- As cash is progressively returned to Shareholders, the net assets of the Company will progressively reduce. The Company's annual running costs and liabilities will not necessarily reduce by the same proportion and consequently the costs as a percentage of net assets may increase. This may restrict, in terms of both quantum and timing, the Company's ability to return capital to Shareholders following receipt of the net proceeds of realisations of investments.
- Although the Ordinary Shares are traded on the London Stock Exchange's main market for listed securities, the market in the Ordinary Shares is unlikely to be liquid. It may, therefore, prove difficult for Shareholders to sell their Ordinary Shares in the market. In addition, there is no guarantee that the market price of the Ordinary Shares will reflect their underlying Net Asset Value or the ability to buy and sell at that price.
- The past performance of investments made by the Company or other funds managed by the Investment Manager should not be regarded as an indication of the future performance of the Company's investments.

PART 5

UNITED KINGDOM TAXATION

United Kingdom taxation

The following summary does not constitute tax advice and is intended only as a guide to current United Kingdom law and HMRC published practice (which are both subject to change at any time, possibly with retrospective effect). It relates only to certain limited aspects of the United Kingdom taxation treatment of Shareholders and is intended to apply only to Shareholders who are resident in the United Kingdom for United Kingdom tax purposes and who are, and will be, the absolute beneficial owners of their Ordinary Shares and B Shares and who hold, and will hold, them as investments (and not as securities to be realised in the course of a trade) other than under an ISA. The summary may not apply to certain Shareholders, such as, but not limited to, dealers in securities, insurance companies, collective investment schemes and Shareholders who are exempt from taxation. The position may be different for future transactions and may alter between the date of this document and the implementation of the B Share Scheme.

Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser.

Issue of B Shares

For the purposes of CGT, the issue of B Shares should constitute a reorganisation of the share capital of the Company. Accordingly, the B Shares should be treated as the same asset as a Shareholder's holding of existing Ordinary Shares, and as having been acquired at the same time as a Shareholder's holding of existing Ordinary Shares was acquired. A Shareholder's combined holding of Ordinary Shares and B Shares should have the same aggregate base cost as the Shareholder's holding of Ordinary Shares immediately before the issue of B Shares. The aggregate base cost should be apportioned between B Shares and the Ordinary Shares held by a Shareholder by reference to the market values of the Ordinary Shares and the B Shares on the first day of trading after the issue of B Shares. Due to the terms on which the B Shares will be issued, and as they are non-transferable, their market value is likely to be equal to their nominal value of £1.00. The apportionment ratio between B Shares and Ordinary Shares will be published on the Company's website (<https://www.downingstrategic.co.uk/>) at the earliest practicable time following a quotation or publication of a price or market valuation in respect of the Ordinary Shares following an issue of B Shares.

The issue of B Shares should not give rise to any liability to United Kingdom income tax or corporation tax in a Shareholder's hands.

Redemption of the B Shares

On the redemption of all or any of the B Shares, an individual Shareholder may, depending on their individual circumstances, be subject to CGT on the amount of any chargeable gain realised. Any gain will be measured by reference to the excess of the redemption price above a Shareholder's tax base cost for the B Shares redeemed. A Shareholder's allowable expenditure in relation to their existing Ordinary Shares should be apportioned between the Ordinary Shares and the B Shares in the manner described above.

The amount of CGT, if any, payable by an individual Shareholder in relation to the chargeable gain will depend on his or her personal tax position. No tax should be payable on any gain realised on the redemption if the amount of the net chargeable gain, when aggregated with other net chargeable gains realised by the individual Shareholder in the year of assessment in question and allowable losses, does not exceed the annual exemption for UK CGT purposes (£6,000 for the tax year ending 5 April 2024). Broadly, any gains in excess of this amount will be taxed at the individual's relevant UK capital gains tax rate. The gain will be taxable at 10 per cent. if the individual is a UK resident and a basic rate income taxpayer only. If the gain exceeds the unused part of an individual's basic rate band for income tax the gain will be taxed at 10 per cent. to the extent of the unused element and 20 per cent. for the excess.

If a UK resident individual is subject to income tax at a rate in excess of the basic rate then the net gain will be taxable at 20 per cent.

Redemptions will be recognised for CGT purposes in the tax year in which they occur.

Redemption payments made to corporate Shareholders will be treated as distributions for tax purposes and should generally be exempt from corporation tax.

The Finance Act 2015 enacted legislation which, broadly, treats amounts paid on the redemption of shares as income in the hands of an individual Shareholder, rather than a capital gain, where a company gives the shareholder a choice of whether to receive either a distribution or an “alternative receipt” of broadly the same value but which is not charged to income tax. The Company is of the view that this legislation does not apply to any Return of Capital on the basis that it does not provide Shareholders with a choice as to the form of any amounts they are entitled to receive. Accordingly, the proceeds received by a Shareholder on a redemption of B Shares for an amount equal to their nominal value should not be prevented by virtue of this legislation from being a return of capital in the Shareholder’s hands.

Other Disposals of Ordinary Shares

On any subsequent disposal (otherwise than by way of redemption) of the whole or part of a Shareholder’s holding of Ordinary Shares, a Shareholder may, depending on their circumstances, be subject to CGT on the amount of any chargeable gain realised.

Taxation of Dividends

The Company is not required to withhold tax at source from dividend payments that it makes.

Individual Shareholders

Shareholders who are individuals and who receive a dividend from the Company will, in principle, be liable to UK income tax on the amount of that dividend, depending on the amount of dividend income received in total by (and other taxable income of) that Shareholder (whether from the Company or other sources) in the relevant tax year.

Individual Shareholders will not currently be liable to UK income tax in respect of a dividend from the Company if the Shareholder’s total dividend income from any source in the relevant tax year does not exceed £1,000. In the case of an individual Shareholder who receives dividends in excess of £1,000 in a tax year, the excess amount of any such dividends will be subject to UK tax at 8.75 per cent. for basic rate and non-taxpayers, 33.75 per cent. for higher rate taxpayers and 39.35 per cent. for additional rate taxpayers. In practice, given the very short period of time for which the B Shares will be in issue, B Share Dividends are unlikely to become payable.

Corporate Shareholders

A Shareholder within the charge to UK corporation tax which is a ‘small company’ (for the purposes of the UK taxation of dividends) will not generally be subject to tax on dividends from the Company.

Other Shareholders within the charge to UK corporation tax will not be subject to tax on dividends from the Company so long as the dividends fall within an exempt class and do not fall within certain specified anti-avoidance provisions and the Shareholder has not elected for the dividends not to be exempt. It is expected that any dividends paid by the Company on the B Shares would fall within an exempt class.

Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

No stamp duty or SDRT will be payable by Shareholders on the allotment and issue of any B Shares or the redemption of any B Shares (since redemptions will take place under the New Articles of Association and not under Section 690 Companies Act 2006).

Transactions in Securities

Under the provisions of Part 15 of the Corporation Tax Act 2010, HMRC can in certain circumstances counteract tax advantages arising in relation to a transaction or transactions in securities. If these provisions were to be applied by HMRC to the proposed B Share Scheme, in broad terms, individual Shareholders might be liable to taxation as if they had received an income amount rather than a capital amount. However, these provisions only apply in the case of close company transactions. The Directors do not consider that the Company is a close company, and consequently these provisions should not be relevant.

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions bear the following meanings:

Act	the Companies Act 2006, as amended from time to time
Articles or Articles of Association	the current articles of association of the Company, as adopted by a special resolution of the Company passed on 20 February 2023
Board	the board of Directors of the Company (or any duly authorised committee thereof)
B Share Dividend	the fixed rate dividend payable on B Shares in accordance with the rights described in Part 3 of this document
B Shares	unlisted, redeemable, fixed rate preference shares of £1.00 each in the capital of the Company having the rights and restrictions set out in Part 3 of this document
B Share Scheme	the proposed mechanism to enable returns of capital through the issue and redemption of B Shares
Business Day	any day of the year (excluding Saturdays, Sundays and public holidays) on which banks are open for normal banking business in the City of London
CGT	United Kingdom taxation of capital gains and corporation tax on chargeable gains
Company	Downing Strategic Micro-Cap Investment Trust plc, a public limited company incorporated and registered in England and Wales with registered number 10626295 and having its registered office at The Office Suite, Den House, Den Promenade, Teignmouth TQ14 8SY
CREST	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of shares in uncertificated form which is administered by Euroclear
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 Instruction	an authenticated CREST message to appoint or instruct a proxy in accordance with Euroclear's specifications and the CREST Manual
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 & International Limited, a private limited company incorporated and registered 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 or Financial Conduct Authority	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, including any regulations made pursuant thereto
General Meeting	the general meeting of the Company convened for 2.00 p.m. on 3 April 2024 to be held at the offices of Dickson Minto, Dashwood House, 69 Old Broad Street, London EC2M 1QS, or any adjournment of that meeting, the notice for which is set out at the end of this document (the “ Notice of General Meeting ”)
HMRC	HM Revenue & Customs
Investment Manager	Downing LLP, a limited liability partnership incorporated and registered 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
Latest Practicable Date	6 March 2024
London Stock Exchange	London Stock Exchange plc, a public limited company incorporated and registered in England and Wales with registered number 02075721 and having its registered office at 10 Paternoster Square, London EC4M 7LS
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 Articles of Association or New Articles	the new articles of association of the Company proposed to be adopted by Shareholders at the General Meeting pursuant to Resolution 1
Official List	the Official List of the FCA
Ordinary Shares	ordinary shares of 0.1 pence each in the capital of the Company
Overseas Shareholders	Shareholders resident in, or citizens or nationals of, jurisdictions outside the United Kingdom
Proposal	the proposed adoption and implementation of the B Share Scheme by the Company on the terms set out in this document
Record Date	in respect of any Return of Capital, the date determined by the Board, at its absolute discretion, on which Shareholders’ entitlements to B Shares under that Return of Capital will be calculated

Redemption Date	in respect of any Return of Capital, the date determined by the Board, at its absolute discretion, on which the B Shares allotted and issued under that Return of Capital will be redeemed
Redemption Price	in respect of any Return of Capital, the price at which B Shares allotted and issued under that Return of Capital are to be redeemed, being £1.00 for each B Share
Registrar	Computershare Investor Services PLC, a public limited company incorporated and registered 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 1	resolution number 1 to be put to the General Meeting as summarised on page 12 of this document and set out in the Notice of General Meeting
Resolution 2	resolution number 2 to be put to the General Meeting as summarised on page 12 of this document and set out in the Notice of General Meeting
Resolution 3	resolution number 3 to be put to the General Meeting as summarised on page 12 of this document and set out in the Notice of General Meeting
Resolutions	Resolution 1, Resolution 2 and Resolution 3, or each of them as the context may require
Return of Capital	a return of capital pursuant to the allotment, issue and redemption of B Shares to be made at such time or times as determined by the Board at its absolute discretion
Shareholders	holders of Ordinary Shares
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
US or United States	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
US Securities Act	the United States Securities Act of 1933, as amended from time to time

NOTICE OF GENERAL MEETING

DOWNING STRATEGIC MICRO-CAP INVESTMENT TRUST PLC

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

NOTICE IS HEREBY GIVEN that a general meeting of Downing Strategic Micro-Cap Investment Trust plc (the “**Company**”) will be held at the offices of Dickson Minto, Dashwood House, 69 Old Broad Street, London EC2M 1QS at 2.00 p.m. on 3 April 2024 to consider and, if thought fit, pass the following resolutions, of which Resolution 1 will be proposed as a special resolution and Resolutions 2 and 3 will each be proposed as ordinary resolutions.

SPECIAL RESOLUTION

1. **THAT** the draft articles of association produced to the meeting and initialled by the chair of the meeting be approved and adopted as the articles of association of the Company in substitution for, and to the exclusion of, all existing articles of association of the Company to take effect immediately.

ORDINARY RESOLUTIONS

2. **THAT**, conditional upon the passing of resolution 1 above, the directors of the Company be generally and unconditionally authorised pursuant to article 139 of the articles of association of the Company to capitalise from time to time any sum or sums standing to the credit of any reserve of the Company, whether or not the same is available for distribution, (including the Company's special reserve) and to apply such sum or sums in paying up in full up to 100,000,000 unlisted, redeemable, fixed rate preference shares of £1.00 each in the capital of the Company having the rights and restrictions set out in article 139 of the articles of association of the Company that may be allotted and issued from time to time to the holders of ordinary shares in the capital of the Company pursuant to the authority given by resolution 3 below.
3. **THAT**, conditional upon the passing of resolutions 1 and 2 above, pursuant to section 551 of the Companies Act 2006, the directors of the Company (the “**Directors**”) be generally and unconditionally authorised to exercise all powers of the Company to allot and issue from time to time, credited as fully paid up, unlisted, redeemable, fixed rate preference shares of £1.00 each in the capital of the Company having the rights and restrictions set out in article 139 of the articles of association of the Company (“**B Shares**”) up to an aggregate nominal amount of £100,000,000 to the holders of ordinary shares in the capital of the Company (excluding any ordinary shares held in treasury) on a *pro rata* basis, and by reference to such record time(s) and date(s), as determined by the Directors from time to time, in accordance with the terms of the circular sent by the Company to its shareholders dated 8 March 2024. Unless previously varied, revoked or renewed, this authority shall expire at 11.59 p.m. on 3 April 2029, save that the Company may, before such expiry, make an offer or agreement which would or might require B Shares to be allotted and/or issued after such expiry and the Directors may allot and issue B Shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

By order of the Board

ISCA Administration Services Limited

Registered office

The Office Suite, Den House
Den Promenade
Teignmouth TQ14 8SY

Dated: 8 March 2024

Notes:

1. Entitlements to attend and vote

This Notice of General Meeting is sent to holders of Ordinary Shares entitled to attend, speak and vote at the General Meeting (referred to as members in these Notes).

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 28 March 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 members 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 Chair 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 resolutions 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 relevant 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 2.00 p.m. on 28 March 2024 (or, in the event the meeting is adjourned, not 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 so as to be received by not later than 2.00 p.m. on 28 March 2024 (or, in the event the meeting is adjourned, not 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) by not later than 2.00 p.m. on 28 March 2024 (or, in the event the meeting is adjourned, not 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 their 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 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 that 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 representative(s) 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 Ordinary 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 6 March 2024 (being the latest practicable date prior to the publication of this Notice of General Meeting) 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 penny. The non-redeemable preference management share does not carry any voting rights. Each Ordinary Share held outside of treasury carries a right to one vote at a general meeting of the Company. Therefore, the total number of voting rights in the Company as at 6 March 2024 was 46,608,486 votes.

10. Notification of shareholders

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

12. Communication

A copy of the Notice of 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 and the New Articles of Association and the Articles marked to show the changes 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.

