

MGTS Downing Active Defined Return Assets Fund

Monthly commentary

The Fund had net inflows of £7m over the month, bringing assets under management to £196.2m in the first full year. The portfolio remained active, with six EQD swaps (£31m) maturing in the month, delivering a return of 8.84% for the fund, and all swaps successfully maturing at the first call date.

February saw turbulent equity markets driven by a broadly positive corporate earnings season in the UK and US, but the market punished earnings misses and mega-cap tech and software on AI disruption fears, and Japanese markets rose sharply on PM Takaichi's snap election majority and pro-growth policies. Investors continued to rotate away from mega-cap tech and trim US exposure, rotating into international and emerging market equities. Cyclical, materials, energy and consumer staples outperformed and the Mag-7 and Software lagged. Markets remain nervous of the risks of future AI-driven unemployment, and volatility was elevated on growing geopolitical risks and the US/Iran conflict.

We utilised these bouts of volatility (VIX peaking regularly above 21pts) to reinvest proceeds across eight new swaps at strong coupon levels and used the index dips to add selectively to existing positions, at yields materially above the contracted coupons. The portfolio remains well diversified geographically and balanced across timeframes and index levels, with average weighted, defined return coupons of 9.21%.

Gilts rallied in early February as UK inflation projections continued to fall amid expectations of 2 further rate cuts from the BOE in 2026, to c.3.25%. The fund remains 100% collateralised with UK Gilts, with an average maturity of just over six years. We continued to add to our existing positions across the 2033 and 2034 Gilts in line with our strategy.

The portfolio hedges are working well. The Gilt portfolio remains 100% duration (interest rate) hedged protecting the fund from gilt pricing swings, whilst generating a strong funding profile of an average of SONIA+ 43bps. The equity swap portfolio remains resilient and defensively positioned with an average "cover-to-capital loss" across the portfolio of 40.5%, and a "cover to final call barrier" of 30.3%.

S&P 500 (SPX): -0.87%; Russell 2000 (RTY): +0.71%; FTSE 100 (UKX): +6.72%; Euro Stoxx 50 (SX5E): +3.20%; Swiss Market Index (SMI): +6.26%; Nikkei 225 (NKY): +10.37%; Hang Seng Index (HIS): -2.76%.

The VIX trended up over the month led by the ongoing geopolitics and the subpoena of Fed Chair Jerome Powell, presenting good opportunities to trade. Opening at 14.5pts and closing +20% at 17.4, with a peak intra month at 20pts.

Fund overview

Over the month The Fund returned +1.06p

The Fund continues to perform as expected, with excellent diversification and downside protection combined with well-seasoned portfolio with some intrinsic value still to realise in the NAV. Performance is strong against its peer group of Defined Return Funds over 1, 3, 6 and 12 months.

Fund performance

| 1 month | 3 months | 6 months | 1 year |
|---------|----------|----------|--------|
| +1.06% | +3.30% | +5.43% | +8.16% |

Source: Bloomberg to 27 February 2026 | The Fund's return target is 8-10%+ per annum in the current market.

Past performance is not a reliable indicator of future performance. Capital is at risk

Key facts

As at 27 February 2026

Managers:

Paul Adams, Huw Price

Launch date: 3 February 2025

Fund type: UK UCITS

Fund size: £196.2m

Share classes:

F-class (Acc):

Minimum Investment: £50m

OCF: 0.35%

NAV: 107.87p

ISIN: GB00BM8J6150

SEDOL: BM8J615

I-class (Acc):

Minimum Investment: £100k

OCF: 0.60%

NAV: 107.57 p

ISIN: GB00BM8J6044

SEDOL: BM8J604

Currency: GBP

Dealing: Daily

Comparator index:

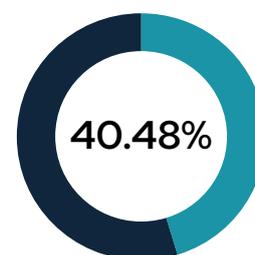
50% Solactive UK Large Cap (ex IT) NTR Index; 50% Solactive GBS Developed Markets (ex UK) NTR Index

IA sector: Specialist

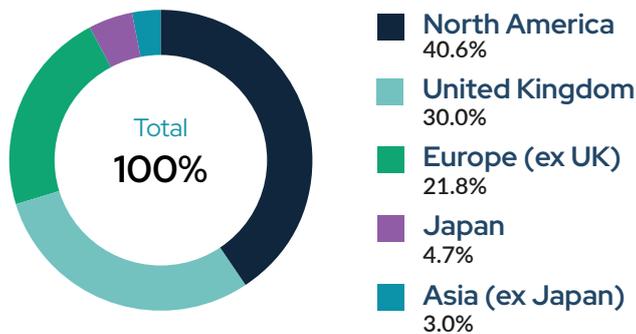
Credit risk



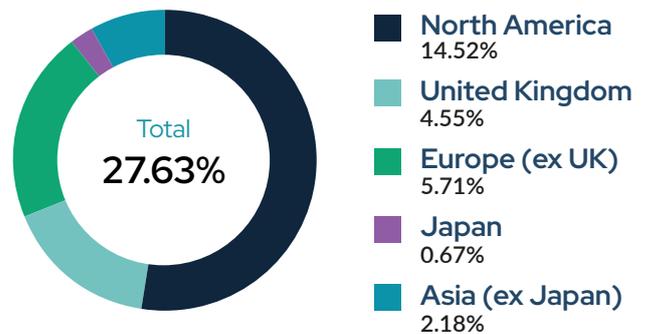
Average cover to capital loss



Equity market exposures



Equity market exposures (Delta)



Top 10 holdings

| Holdings | Market Exposure | Weighting | Defined Return ¹ |
|----------------------|-----------------|-----------|-----------------------------|
| Gilt-Backed Autocall | UK/US | 4.23% | 8.50% |
| Gilt-Backed Autocall | UK/EU | 3.97% | 8.72% |
| Gilt-Backed Autocall | US/EU | 3.53% | 9.20% |
| Gilt-Backed Autocall | UK/EU/US | 3.10% | 9.60% |
| Gilt-Backed Autocall | UK/US | 3.08% | 8.56% |
| Gilt-Backed Autocall | UK/US | 3.07% | 8.71% |
| Gilt-Backed Autocall | EU/JPN | 3.05% | 10.40% |
| Gilt-Backed Autocall | US/EU | 2.97% | 9.50% |
| Gilt-Backed Autocall | UK/US | 2.95% | 8.95% |
| Gilt-Backed Autocall | US/EU | 2.93% | 8.95% |

¹ Simple annual return.

Forward looking scenario analysis and intrinsic value

These scenarios are an estimate of future performance based on current equity and derivative market conditions in the portfolio composition and are subject to change. Actual performance depends on factors such as: how long you are invested and prevailing market conditions. The Fund aims to deliver long term consistent and predictable returns over a holding period of 5-6 years.

| Market Move | -30% | -20% | -10% | 0% | 10% | 20% | 30% |
|-------------|---------|--------|--------|--------|--------|--------|--------|
| 3 months | -17.82% | -8.00% | -1.45% | 1.75% | 3.28% | 4.05% | 4.46% |
| 1 Year | -15.46% | -4.37% | 2.55% | 7.12% | 9.00% | 9.58% | 9.82% |
| 2 Years | -11.02% | 1.75% | 10.25% | 17.46% | 17.86% | 17.82% | 17.59% |
| 3 Years | -6.24% | 8.96% | 21.62% | 28.13% | 27.97% | 27.38% | 26.79% |

Future performance may also be subject to changes in taxation. The value of investments can go down as well as up, and you may not get back the full amount invested.

Source: Downing at 27/02/2026. The Fund's actual return may differ from the scenarios shown above and are subject to daily price and portfolio composition movements.

Important Information For professional/informed investors only.

This document has been produced for information only and represents the views of the fund managers at the time of writing. It should not be construed as Investment Advice and does not constitute or form part of any offer or invitation to buy or sell shares. It should be read in conjunction with the Prospectus and Key investor information document (KIID). An investment decision should not be contemplated until the risks are fully considered and we recommend that you take investment advice. Capital at risk. The value of investments can fall as well as rise. You may get back less than you invested. Downing LLP is authorised and regulated by the Financial Conduct Authority (Reference No. 545025). Registered in England and Wales (No. OC341575). Registered Office: 10 Lower Thames Street London EC3R 6AF.

Risk Considerations

The following risk factors are relevant to the overall risk profile of the Sub-fund. A full description of risk warnings is provided in the prospectus, which is available on our website, or by requesting a copy. Risks associated with the use of derivatives (FDI) for investment purposes are different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. The use of FDI requires an understanding of both the underlying reference instrument and the FDI itself. There is no assurance that any derivative strategy used by a Fund will succeed and derivatives can lead to significant losses. Defined Return Strategies (DRS) can be complicated and not readily available. There may be times and market conditions where opportunities to invest in DRS are not present at a fair price. In addition, the value of DRS is more complicated than other FDIs and therefore there can be a higher level of price uncertainty or available liquidity. DRS are usually designed to provide some protection against falls in the underlying reference asset. This means that the price of the DRS will typically fall by less than the underlying asset in most circumstances. However, there may be times when barriers that provide protection are at a higher risk of being breached. When this occurs then there is a risk that DRS may fall faster, causing greater losses, than the underlying reference asset.