

MGTS Downing Active Defined Return Assets Fund

Monthly commentary

During the month, we continued to deploy fund inflows across a range of Gilt-Backed Autocallable swaps, adding three new positions with an average annual coupon of 9.32%, as the Fund benefitted from higher equity volatility following the market fall out caused by the so-called “Liberation Day”. These positions were selected to continue to diversify our portfolio across equity indices/regions as assets build towards our targeted spread of indices/barriers/maturities. The Fund was therefore fully invested for most of the month, with continued strong inflows.

The Fund is 100% fully collateralised with UK Gilts, with an average maturity of just over 6 years, upon which we continue to secure strong funding rates in excess of SONIA.

The elevated volatility experienced across global equity markets during Q1 turned out to be the pre-cursor to the more significant impact of President Trump’s “Liberation Day” tariff announcement on the 2nd April. All forms of volatility jumped, and unusually this was reflected in US Government bonds, currency markets and across global equities, with the US initially bearing the brunt of this weakness. However, the subsequent rowing back by the Trump administration allowed fundamentals to reassert themselves causing volatility to reduce to Q1 levels and equity markets finished the month strongly. Consequently, over the month, the US large cap and mid-cap markets were down -0.76% and -2.4% respectively and remain -7% and -13% down since the Fund launch. UK and EU large cap equity markets returned -1% and -1.7%, (-1% and -1.1% down since launch). Against this backdrop, the Fund returned -1.6%, (-3.35% since launch).

We continue to see the increased volatility associated with President Trump’s intervention as an opportunity for the strategy to deploy fund inflows at lower index levels and attractive coupons. As evidenced through our most recent additions to the portfolio where we secured 9.8% and 9.5% for defensive autocall positions on the UK/US and UK/Swiss equity markets respectively. The Fund continues to perform as expected, offering resilience to broader equity falls due to the cover-to-capital-loss feature, and utilising the higher volatility to bank higher coupons to drive future returns.

Fund overview

The Fund aims to deliver consistent returns across the economic cycle and combines systematic strategies with active management. We focus on maximising the probability of securing the returns that occur most frequently within equity markets.

The Fund holds a high-quality portfolio of assets as secure collateral (typically UK Government bonds), and exposure is diversified across large, liquid equity indices such as the FTSE 100 or S&P 500. Our experienced team actively manage the investments to optimise risk and reward.

Key facts

As at 30 April 2025

Managers:

Huw Price (lead), Tony Stenning

Launch date: 3 February 2025

Fund type: UK UCITS

Fund size: £44.8 million¹

Share classes:

F-class (Acc):

Minimum Investment: £50m

OCF: 0.35%

NAV: 96.65p

ISIN: GB0000BM8J6150

SEDOL: BM8J615

I-class (Acc):

Minimum Investment: £100k

OCF: 0.60%

NAV: 96.56p

ISIN: GB0000BM8J6044

SEDOL: BM8J604

Currency: GBP

Dealing: Daily

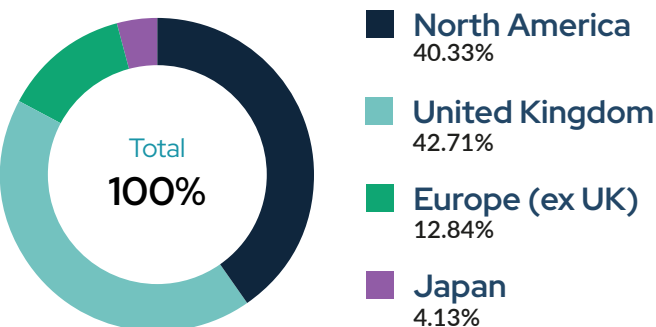
Comparator index:

50% Solactive United Kingdom Large Cap ex Investment Trust Index NTR; and 50% Solactive Global Equity Ex-UK Return Index

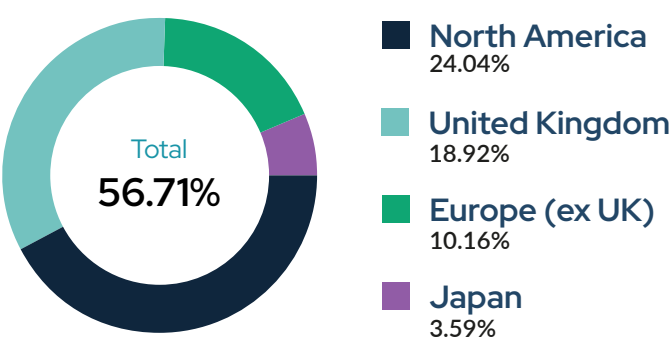
IA sector: Specialist

¹ As at 6 May 2025

Equity indices – regional exposure



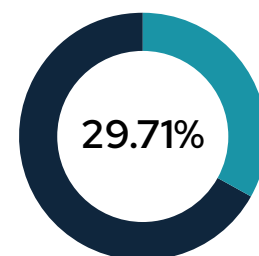
Equity market exposures by delta



Credit risk



Average cover to capital loss



Top 10 holdings

Holdings	Market Exposure	Coupon ¹	Weighting
Gilt-Backed Autocall	UK/US	8.65%	9.41%
Gilt-Backed Autocall	UK/US	7.83%	9.15%
Gilt-Backed Autocall	UK/US Mid	8.12%	9.10%
Gilt-Backed Autocall	UK/US Mid/EU	9.78%	8.01%
Gilt-Backed Autocall	UK/US	8.95%	7.80%
Gilt-Backed Autocall	UK/US Mid	8.13%	7.58%
Gilt-Backed Autocall	UK/EU	8.72%	7.07%
Gilt-Backed Autocall	UK/US	8.20%	6.86%
Gilt-Backed Autocall	UK/Japan/US	11.13%	6.86%
Gilt-Backed Autocall	UK/US	8.80%	5.75%

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	-27.78%	-15.23%	-5.90%	0.54%	4.73%	7.31%	8.86%
1 Year	-25.35%	-11.45%	-1.14%	6.13%	9.11%	10.42%	11.21%
2 Years	-21.01%	-5.25%	6.83%	16.45%	19.95%	21.50%	21.99%
3 Years	-16.46%	1.97%	15.41%	31.91%	35.14%	35.53%	36.11%
Intrinsic NAV Change	-13.73%	26.58%	49.83%	33.15%	15.19%	12.03%	12.03%
Duration	5.83	5.70	4.65	2.86	1.39	0.83	0.83
Intrinsic Value (Annualised)	-2.50%	4.22%	9.08%	10.54%	10.93%	14.49%	14.49%

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 30/04/2025. 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.