The MGTS Downing Fox Funds

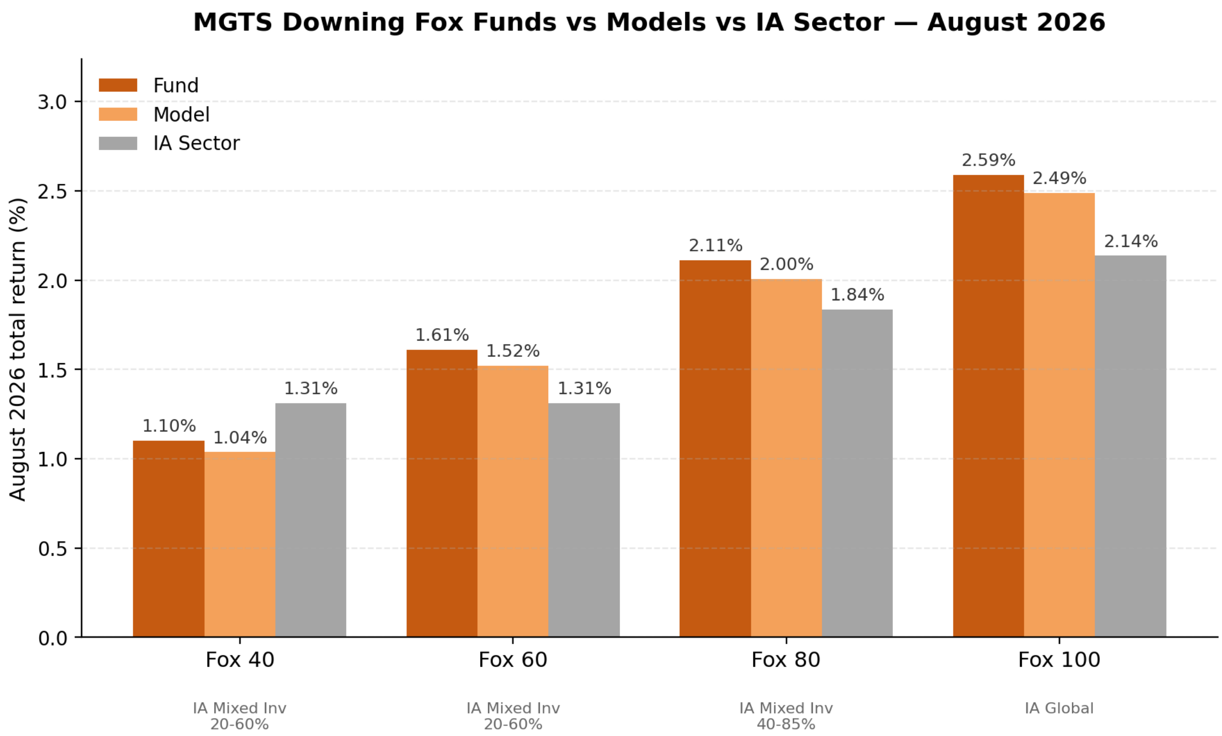
August 2026

August commentary

It was another good month for the MGTS Downing Fox Funds, with three of the four in the range outperforming their respective IA sectors. That's despite a relatively quiet month for markets generally (as August tends to be, once everyone's packed off to the beach). This was encouraging, given most of our outperformance in recent years has come when there's been a crack in the US/mega-cap/AI theme.

So, what happened in August? From a macro perspective, there was growing focus on the sustainability of the AI trade, with hyperscalers — who have largely funded the buildout from their own balance sheets — increasingly turning to credit markets for capital. The conflict around the Strait of Hormuz continued, and bond markets wobbled as investors grew more concerned about sticky inflation and mounting government debt.

That said, equity markets clearly weren't too worried, rising over the month regardless.



Source: Morningstar, 01.08.2026 to 31.08.2026

Past performance is not an indication of future performance.

Turning to the funds themselves, Fox60, Fox80 and Fox100 all outperformed their IA sectors, continuing a strong run for our approach. The only laggard was Fox40 — which, given the make-up of our Defence Component and its structural underweight to equities relative to peers, still posted a positive return but naturally struggled on a relative basis in a month where risk assets did well (note that Foxes 40 and 60 are in the same sector and hold the same stuff, just in different amounts – so we always say to holders that if Fox40 isn't running hard enough in rising markets for you, just buy more of Fox 60).

The Growth Component

The primary driver of that outperformance was our Growth Component. This was despite the fact tech and AI stocks generally performed well, with our active managers making the most of conditions in a market that was far more dispersed than in the first half of the year.

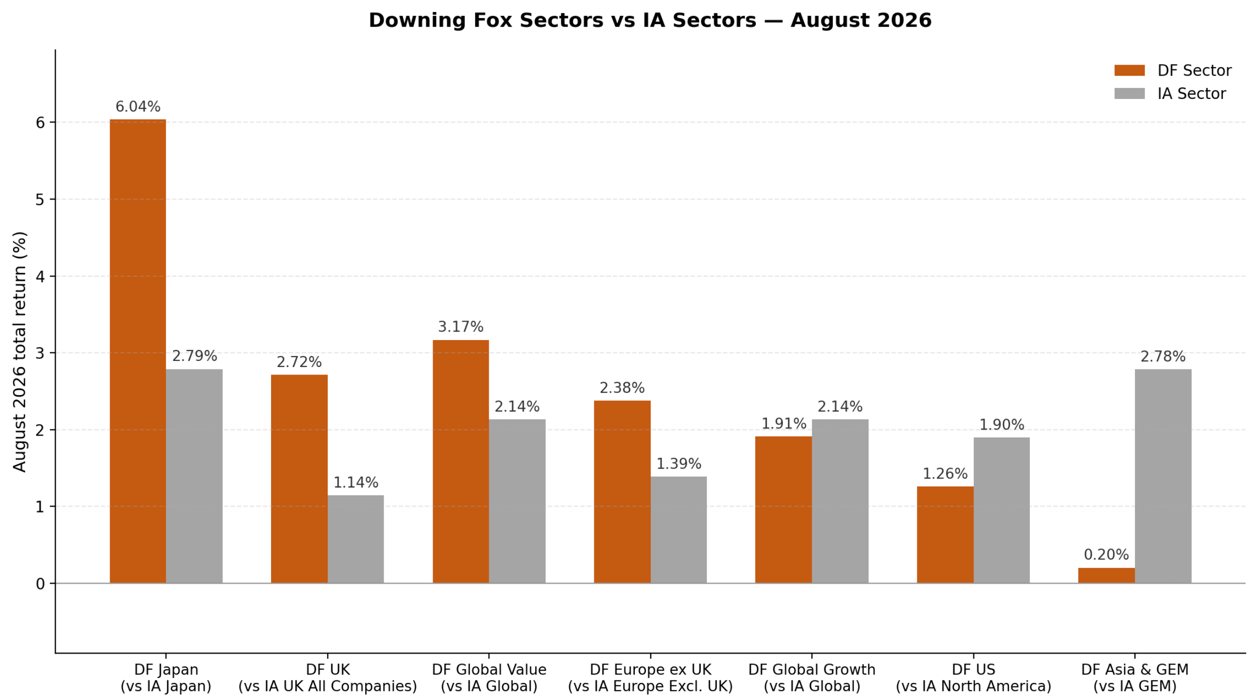
Our Growth Component returned 2.5% in August, ahead of the iShares MSCI ACWI ETF's 1.9%.

At a headline level, this was almost entirely down to stock selection on behalf of our managers — being underweight in both the tech sector and the US market on a look-through basis was actually a headwind. But, as we've seen for most of the past few months, the outperformance was broad-based.

Within the Growth Component, our Japanese, UK, Global Value and European sleeves all outperformed their benchmarks, while Global Growth and US only marginally lagged. The one significant underperformer was Emerging Markets — understandably so, given the EM Index was once again powered almost entirely by Taiwan and South Korea's AI-related names, which rebounded after their earlier-summer falls.

Japan was a real bright spot, largely thanks to a stellar month from **Zennor Japan**, which capitalised fully on the country's small and mid-cap rally through holdings such as Appier Group and NS United Kaiun Kaisha.

It was also a better backdrop for our global value managers. **Third Avenue Global Value** was the standout, thanks to commodity-related names such as Warrior Met Coal and Tidewater, while **Havelock Global Select**, **AVI Global Special Situations** and **Kempen Global Value** all performed strongly too.



Source: Morningstar, 01.08.2026 to 31.08.2026

Past performance is not an indication of future performance.

The MGTS Downing Fox Funds

August 2026

The UK has been a real pain point for most of the Fox funds' existence. The FTSE 100's outsized outperformance, combined with a near-total capitulation in mid and small-caps, meant our active managers — leaning into ever-cheaper areas of the market — endured a genuinely painful stretch versus the high-flying FTSE All Share. That's been a very different story in recent months, though, with those same decisions now adding some well-earned alpha.

The standout was Simon Murphy and James Bowmaker's **Tyndall Unconstrained UK Income** — a mid-cap-focused, value-leaning fund that comfortably outperformed the FTSE All Share thanks to its UK cyclical, industrial and commodity holdings. Honourable mention too for Matthew Tillett's **Premier Miton UK Value Opportunities**, which continues to outperform the wider UK market.

On the detractor side, there was nothing to be overly concerned about, with most of the underperformance coming down to style rather than manager error. **Merlin Fidelis Emerging Markets** was punished for being diversified into Chinese and Latin American markets rather than concentrated in Taiwan and Korea. In the US, our two detractors were the mid and small-cap value names **Iridian US Corporate Change** and **Barrow Hanley US Mid Cap Value** (a new purchase this month) — both of which struggled in a month where you wanted to be either large-cap or growth-focused.

One of our largest holdings, **Latitude Global**, had a tougher month simply because its quality-value approach leaves it light on AI and commodity-related names — not because the team made any glaring mistakes.

Growth Component — Top 5 Contributors & Detractors, August 2026

Fund	Weight	Aug Return	Contribution
TOP CONTRIBUTORS			
Zennor Japan	2.75%	+8.53%	+0.23
Third Avenue Global Value	3.50%	+6.54%	+0.23
Tyndall Unconstrained UK Income	3.25%	+6.24%	+0.20
Havelock Global Select	3.75%	+4.69%	+0.18
AVI Global Special Situations	3.50%	+4.40%	+0.15
TOP DETRACTORS			
Merlin Fidelis Emerging Markets	2.75%	-2.09%	-0.06
Latitude Global	4.25%	-1.22%	-0.05
Iridian US Corporate Change Equity	1.50%	-2.85%	-0.04
Barrow Hanley US Mid Cap Value	1.00%	-1.02%	-0.01
Dowgate Cape Wrath Focus	3.25%	-0.19%	-0.01

Source: Morningstar, 01.08.2026 to 31.08.2026

Past performance is not an indication of future performance.

The Defence Component

It was a quiet month for the Defence Component, as you'd expect when equity markets are generally rising. Many of our peers use corporate bonds — particularly high yield — which had a good month alongside equities. That will have cost us on a relative basis, since we avoid them precisely because of their correlation to equity markets (especially when those markets really fall out of bed).

Our Defence Component still posted a positive return, thanks to its money market holdings and shorter-dated UK government bonds. The detractors came from our longer-dated UK and US government bonds — hit by the inflation and government debt worries mentioned above — as well as our exposure to the Japanese yen.

At the time of writing, markets seem less concerned about bonds than they were. But if we do see another inflation-driven sell-off, we believe the Defence Component is well insulated thanks to its lower duration. And should that turn into something more serious about the state of the global economy, our zero exposure to credit and positioning in the Japanese yen give us confidence we'll do a far better job of defending capital than most of our peers.

Looking forward

We're very pleased with how the Fox Funds have performed of late. They held up well — posting a positive return — through the AI unwind of late June and July and have gone on to outperform as markets have risen through August.

The encouraging part is that we're finally being rewarded for being diversified — which, as anyone who's followed our content over the past few years will know, simply hasn't been the case for most of that period. With the market broadening out, rather than being driven solely by mega-cap or AI names, our active managers are generally being rewarded for what they do.

Of course, we aren't naïve enough to say the forces that have driven stock markets in recent years are finished. A renewed run of US/mega-cap/AI outperformance is entirely possible — and if it comes, we'd likely look fairly pedestrian next to passive equivalents.

But the last few months illustrate the benefits of our approach. We continue to believe there's real long-term opportunity — and potential for strong performance — in high-quality active management, and equally real risk in passive, large-cap-only strategies, which still make up the overwhelming majority of our multi-asset peer group.

Thanks for your continued support.

Alex Paget – Fund Manager, MGTS Downing Fox Funds