

The MGMTS Downing Fox Funds

May 2026

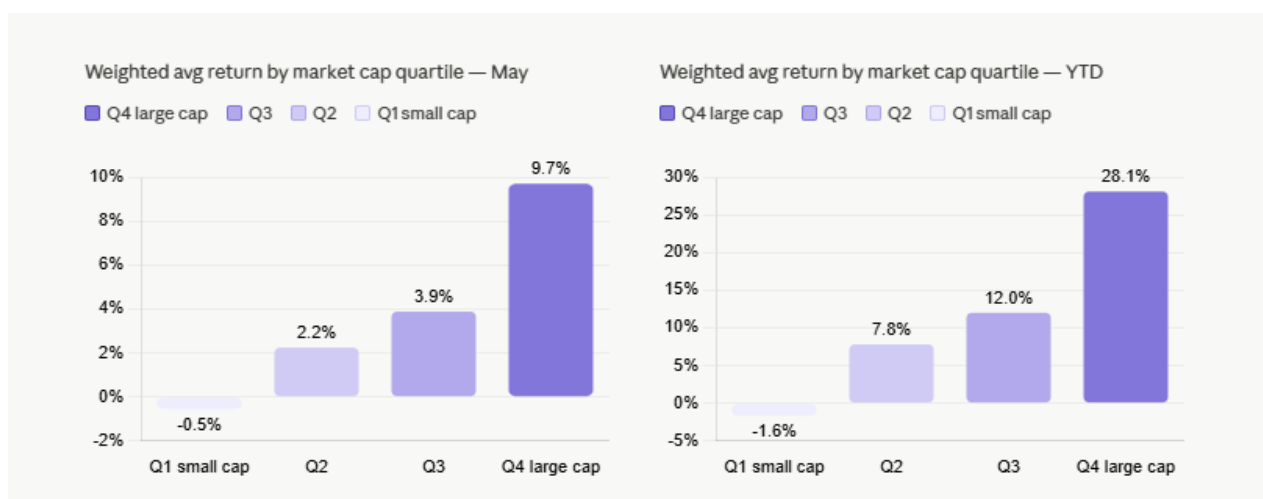


May Commentary

Animal spirits were high in May, with stock markets rising strongly. Of course, there are questions over potential investor complacency given ongoing events like the Iran war. However, for the time being, the market is in no mood to be glum.

It was a good month (in absolute terms) for the MGMTS Downing Fox Funds, too. But, as has often been the case recently, we looked slower on a relative basis compared to the wider market, with our Growth Component rising 4.4% versus 6.0% for the iShares MSCI ACWI ETF. The reasons for this are two-fold (or even one-fold, given the two are closely linked). These are market cap and AI.

Performance of stocks in iShares MSCI ACWI ETF by Market Cap Quartile



Source: Morningstar, 31.05.2026

Past performance is not an indication of future performance.

On market cap, analysis of the returns within the iShares MSCI ACWI ETF shows a clear correlation between the size of the company and its return in May, with the largest stocks (on average) producing a 9.7% return and the smallest (again, on average) losing -0.5%. Given our focus on active managers and our aim of being diversified, we have a genuine split between large, mid and small-caps, so whenever we see a dynamic like we did in May (which has been the case all year so far), we know we'll be up against it.

The AI factor was also important last month. Stocks tied to AI infrastructure went gangbusters, with the likes of Micron Technologies, Advanced Micro Devices and SK Hynix all up more than 50% (in GBP).

Contributors

We hold funds that benefitted from this trend. **Landseer Global Artificial Intelligence**, **Liontrust Global Dividend** and **WS Amati Global Innovation** all comfortably outperformed the market last month, building on impressive year-to-date returns.

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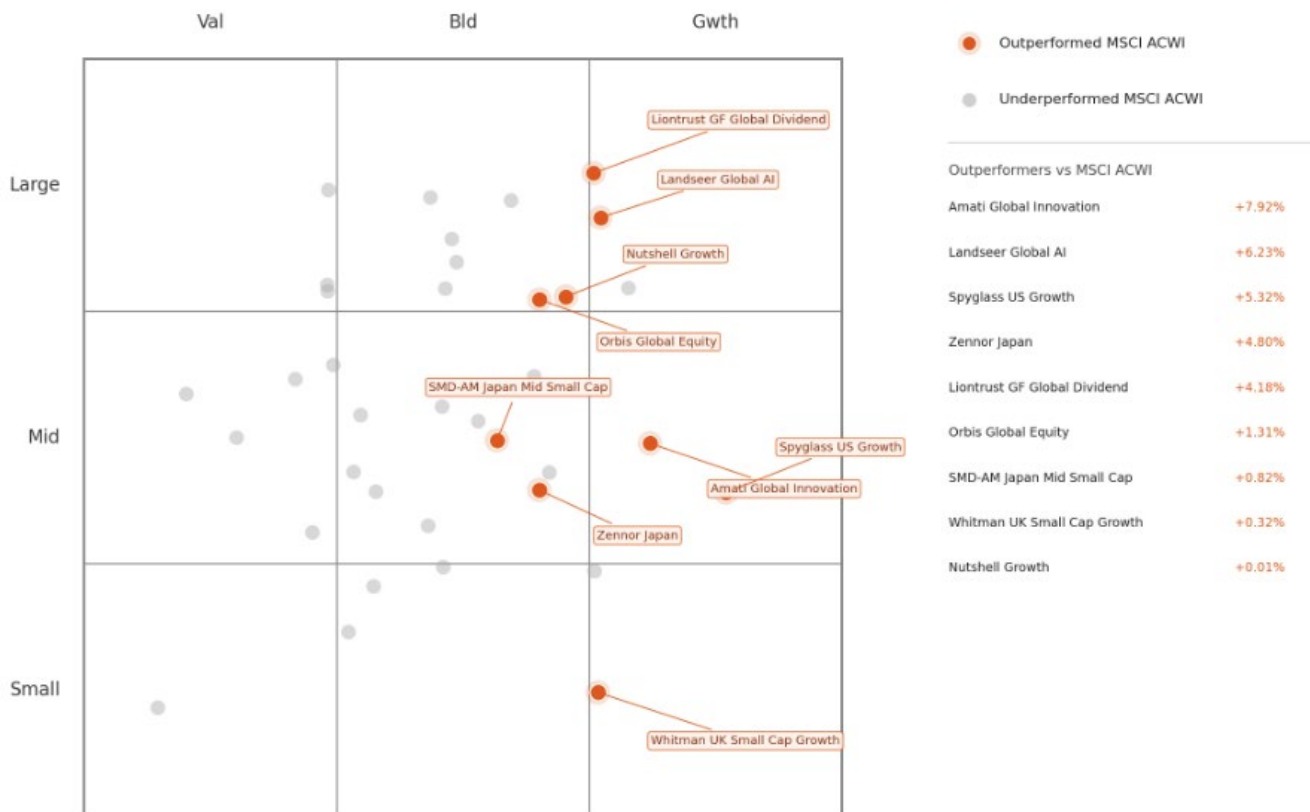
Landseer Global Artificial Intelligence and **Liontrust Global Dividend** performed strongly thanks to exposure to the AI infrastructure theme (especially semiconductor and memory names).

WS Amati Global Innovation's return drivers were broader, which is pleasing to see. While it holds stocks such as Samsung, it also saw strong performance from stocks like Bruker and Tecan Group, which are healthcare stocks.

Outside of these names, we also saw strong performance from **Orbis Global Equity**, **Nutshell Growth**, **YFS Whitman UK Small Cap Growth** and **Spyglass US Growth**, as well as two of our Japanese holdings, **Zennor Japan** and **SMD-AM Japan Mid Small Cap Value**.

However, as the style box shows, it was clearly a 'growth' market in May, with none of our 'value' funds (and very few 'core' funds) able to keep pace with the high-flying index.

Holdings-Based Style Map - Downing Fox Holdings



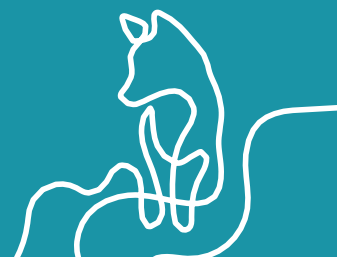
Source: Morningstar, 31.05.2026

Past performance is not an indication of future performance.
The comparator shown is the iShares MSCI ACWI ETF.

In essence, you needed to be concentrated in large-cap growth. But we will never go "all in" on a particular style of investing as we want to deliver easily digestible returns for your clients ("The Unhero's Journey"). Clearly, this isn't a market you have wanted to be diversified in (like we are).

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Detractors

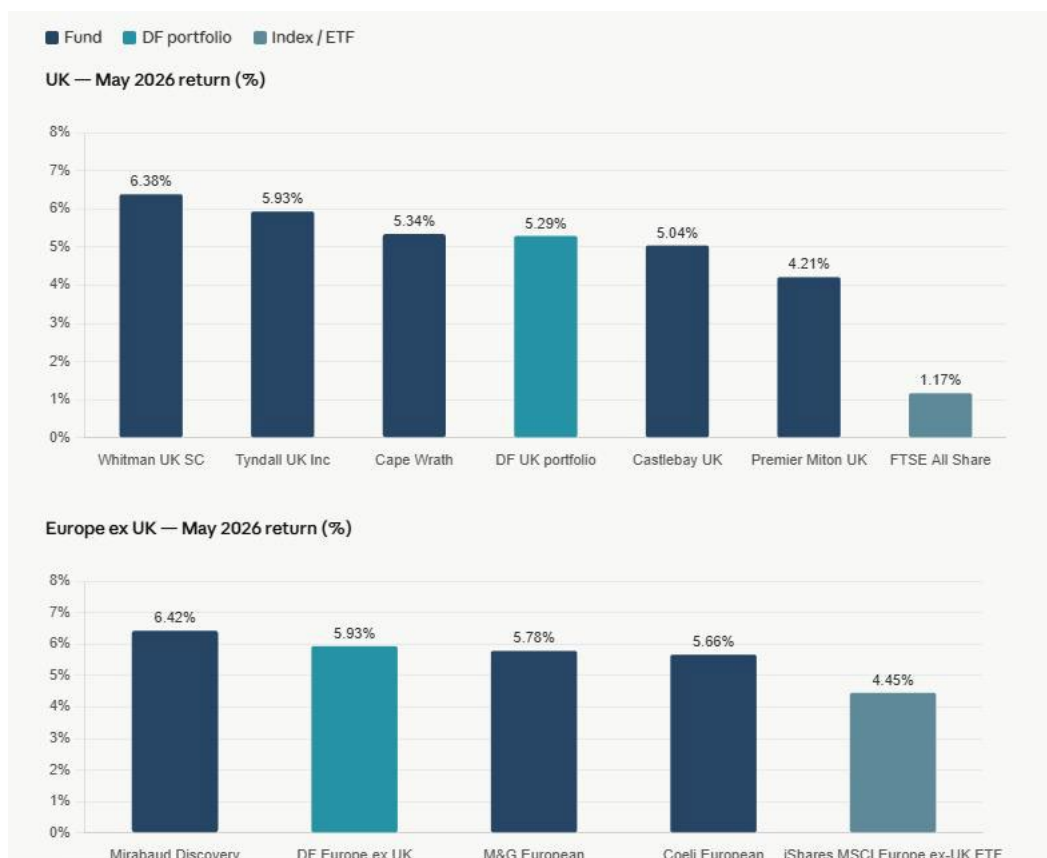
Some of the largest detractors to the Growth Component were **Snyder US All Cap Equity**, **Evenlode Global Equity** and **Latitude Global**. All three have a distinctive quality tilt. Both **Latitude Global** and **Snyder US All Cap Equity** had been performing well this year, but thanks to their exposure to stocks not tied to the roll-out of AI, they have underperformed over the past month or so.

It's a different story with **Evenlode Global Equity** as it has endured a painful period throughout 2026 thanks to exposure to stocks the wider market has deemed AI losers, such as RELX, Wolters Kluwer and London Stock Exchange Group.

Our EM holdings lagged the iShares MSCI Emerging Markets ETF, but for good reason. The story in EM is bonkers to say the least, with AI infrastructure names Taiwan Semiconductor, Samsung Electronics and SK Hynix now accounting for more than 25% of that index. Those three stocks went up, on average, 40% in May, causing a headache for all active managers in the space.

Frustratingly, while our UK and European holdings (apart from **WS Whitman UK Small Cap Growth**) underperformed the global index last month, they also all outperformed their respective markets.

Performance of UK & Europe ex UK Holdings in May 2026



Source: FE fundinfo, 31.05.2026

Past and simulated past performance is not an indication of future performance.
The comparator shown above is the iShares MSCI Europe ex UK TR in GB

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This is encouraging to see, and given the valuations on offer across these funds and their holdings, we are excited for the future (perhaps when the wider market isn't as myopically focused on the AI build out).

Looking ahead

Clearly, the market has moved a lot recently and has been driven by a very narrow subset of AI-related stocks. On the one hand, this feels overdone, and it would seem logical that the index would take a breather in the short-term given the size of recent share price moves.

On the other though, market exuberance can last a lot longer than you would think was logical. As mentioned, animal spirits abound now and with high-profile (and massive) IPOs on the horizon like SpaceX, Anthropic and OpenAI, we can see a world where the index rises higher from here. At some point, it won't, though, and it's going to cause a very painful problem for many investors who have positioned their portfolios for an endless continuation of this theme.

As you can see from the style map, we are diversified, and for good reason. We are increasingly differentiated to our peers given our willingness to have a genuine mix of market cap, geographic and sector exposures. This is by design, as while we are aiming to deliver a smoother return profile, we are also incredibly excited about the opportunity set across our portfolio.

If, like us, you have reservations about the market's current lust for mega-cap AI names, then we believe the MGTS Downing Fox funds can offer a home for those looking for long-term returns that aren't just powered by the world's biggest companies.

Thanks for your continued support.

Alex Paget – Fund Manager, MGTS Downing Fox Funds.

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