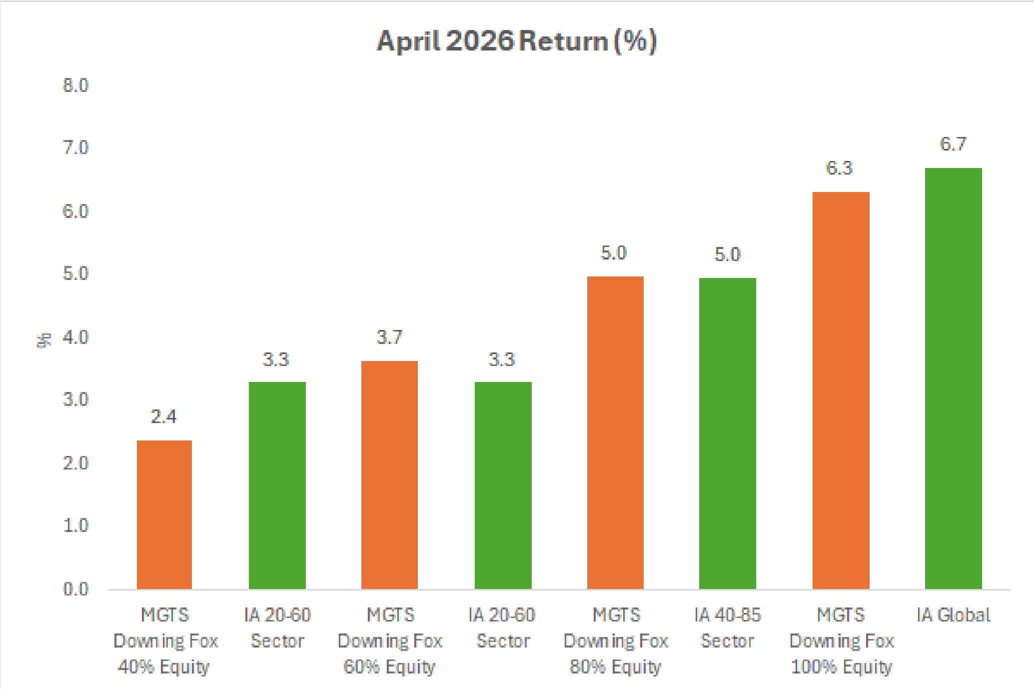
The MGTS Downing Fox Funds

April 2026

April Commentary

April had a distinctly more positive feel, with markets rebounding despite the continuing tensions in the Gulf. Of course, there are still questions over how long this rally will last, with many suggesting investors have become too complacent. We don't know the answer to those, but the recent rebound (which coincided with very gloomy headlines) shows the perils of guessing the market.

The MGTS Downing Fox Funds enjoyed a better start to Q2 (certainly compared to the challenges we faced in Q1), with Fox60 and Fox80 both outperforming their respective sectors, and Fox100 essentially matching the return of its peer group average. Fox40 lagged, but we would expect that during a strong month for equities.



Source: FE fundinfo, Total Return in GBP
Past performance is not an indication of future performance.

Below, we look at some of the drivers of that performance.

The Growth Component

Each fund in the Growth Component made a positive return last month, which was encouraging. However, within our mix of active managers there were certainly "themes" behind the numbers.

The largest individual contributors were **Landseer Global Artificial Intelligence** and **Liontrust GF Global Dividend**. Both are large-cap global growth funds with decent exposure to the US and mega-cap technology names. This reflects the interesting shift we have seen in markets over recent weeks. Prior to the war in Iran, there were signs of investors becoming tired/worried about the "Magnificent 7", AI disruption, and AI spend themes. However, the likes of NVIDIA have recovered strongly. There have been various reasons given for this, be it the wider rally in semiconductor names, signs that AI spend continues to accelerate, or the relative safety of the US in a world where everyone is worried about importing energy.

Of course, there is more to the Landseer and Liontrust funds than just NVIDIA (though they both count it as one of their largest holdings), and we have been pleased with how both funds have performed and executed, with both having been active in topping up weaker performers and selling those that had become too expensive.

The flip side of these funds topping our contributors list is that we have less of this stuff than you'll find in a global tracker. This is why our Growth Component is largely keeping up with the global equity market, rather than massively outpacing it.

A differentiated exposure that did help us on a relative basis, however, was UK smaller companies. If you have read/listened to anything that Simon and I have produced over recent months, you'll know our exposure to UK small-caps had been a major headwind to our relative performance.

However, this shifted dramatically last month with the likes of **WS Whitman UK Small Cap Growth** and **VT Tyndall Unconstrained UK Income** among our top contributors (with both funds comfortably outperforming the FTSE All Share too). Both funds were coming off a lower base given a challenging Q1, but it was encouraging to see what both funds could do if the huge headwinds they have faced turn into tailwinds.

Outside of our UK small-cap and global growth names, other top contributors included **Coeli European**, **Spyglass US Growth** and **Iridian US Corporate Change Equity** (all of which have a small-cap bias).

None of the funds we own fell in April, so the list of detractors is populated by those funds that didn't go up as much as everything else. The themes here are quality, as represented by funds like **Latitude Global, IFSL Evenlode Global Equity** and **HC Cadira Sustainable Japan Equity**, as well as previously strong performing global value names likes **WS Havelock Global Select**, **Redwheel Global Intrinsic Value** and **Merlin Fidelis Emerging Markets** (that have taken well-earned breaks after a strong Q1).

The Defence Component

There isn't much to say on the Defence Component this month. Its job is to defend when markets are tough (which it did well the first quarter). When equity markets are roaring, we expect it to be boring (as it was last month). Within our defensive mix, our exposure to asset classes like Japanese Yen and longer duration government bonds weighed on returns, while the best returns came from our exposure to short-dated government bonds and GBP money market funds.

As we said last month, we are very happy with the make-up of our Defence Component. When stock markets inevitably fall again in the future, we believe our current mix is well set to not only dilute those equity losses, but also potentially offset them by rising in value.

Portfolio Changes

We had to sell one holding last month, **GIB AM Emerging Markets Active Engagement**, which was just annoying.

We had held it for a couple of years, and for much of that time its style had been out of favour given its mid-cap bias and growth focus. However, it's run by a team we like, and we had topped up last quarter based on higher conviction, despite the fact its performance versus the high-flying EM index looked slow.

That patience began to pay off as the fund started to perform strongly over recent months. However, at the same time, Gulf International Bank (the managers' employers) decided to shut their UK active funds business following a strategic review.

This was frustrating and symbolic of the world we now live in, where C-suites often lose patience before fund holders. The team behind the fund will hopefully re-surface at a new home soon, and then we'll revisit. For the time being, we used the proceeds to top up our existing emerging market names as well as adding **WS Amati Global Innovation** to maintain stylistic exposure.

Outlook

We don't usually give an outlook, but I'll summarise the mood music. We all know the war with Iran could cause economic headaches. It was positive that the Bank of England didn't react by upping interest rates in response to higher energy prices, but the question is, for how long will central banks hold off if the conflict continues?

That's the negative. The positive is that, from an underlying valuation perspective, the prices of the stocks our active managers have assembled continue to look attractive (and arguably already priced for a tougher period for the global economy), particularly among the mid and small-caps. Given our exposure to these, this makes us very, very different to most of our peers, who have become increasingly passive and large-cap. We are very excited about our potential absolute and relative performance over the coming years.

The frustration in the short-term, though, is that the passive love-in continues unabated, with the overwhelming majority of flows into the market going into trackers and, therefore, disproportionately benefitting the largest stocks. There is a huge amount of risk building in passives because of this, which will eventually bite. While this phenomenon continues though, we will stick to our knitting and stay focused on the longer-term objective, even if this means looking slower in the short term.

Thanks for your continued support.

Alex Paget – Fund Manager, MGTS Downing Fox Funds.