Downing

MGTS Downing Active Defined Return Assets Fund

Monthly commentary

January saw strong inflows of £20.4m during the month, bringing assets under management to £187m. The portfolio remained active with new positions initiated across FTSE100, S&P500 and the Russell2000 as US small caps started 2026 strongly driven by the ongoing rotation and the broadening equity rally. The fund took advantage of the 'Greenland' sell-off and short-term spike in volatility, to secure higher coupons on new trades and opportunistically increase existing positions at attractive pricing levels. The portfolio maintained a high average potential redemption yield, reflecting disciplined risk management.

The Fund remains 100% collateralised with UK Gilts, with average maturity just above six years and securing a strong funding spread over SONIA. UK gilts saw a large DMO issuance calendar in January and were supported by strong buying of taps issues and well-covered new issuance, as fiscal concerns receded. Gilt volatility fell through the month and the market is now pricing the next BOE move to be a cut in April/June, led by further softening of inflation. We increased our existing positions across 2033, 2034 and the recently issued 2031 Gilts. Maintaining our target average maturity and strong funding profile.

Global equity markets initially started January positively, with broad based gains across regions. Asia and Europe/UK led performance, with small caps outperforming large caps as the equity rally broadened. In the later half of the month, geopolitical and tariff concerns came sharply back into focus as Trump escalated rhetoric around Greenland, causing equity markets to fall and volatility to jump sharply. Trump's speech at the Davos World Economic Forum calmed markets amid a negotiated resolution, and markets recovered to close out a choppy January in positive territory.

S&P 500 (SPX): +1.17%, Russell 2000 (RTY): +4.12%, FTSE 100 (UKX): +2.74%, Euro Stoxx 50 (SX5E): +1.67%, Swiss Market Index (SMI): -0.45%, Nikkei 225 (NKY): +2.87%, Hang Seng Index (HSI): +3.98%

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.

Key facts

As at 30 January 2026

Managers:
Paul Adams, Huw Price

Launch date: 3 February 2025

Fund type: UK UCITS

Fund size: £187m

Share classes:

F-class (Acc):
Minimum Investment: £50m
OCF: 0.35%
NAV: 106.63p
ISIN: GB00BM8J6150
SEDOL: BM8J615

I-class (Acc):
Minimum Investment: £100k
OCF: 0.60%
NAV: 106.36 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

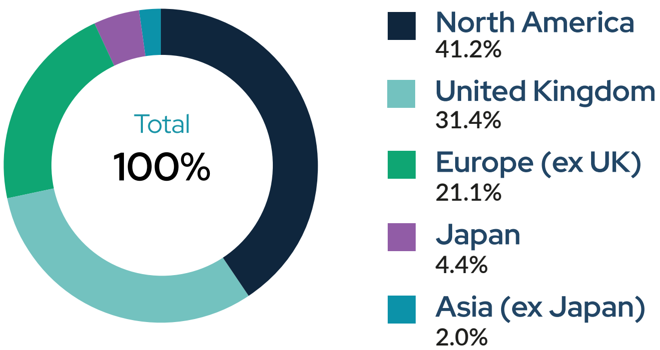
Fund overview

Over the month the fund returned +0.99p

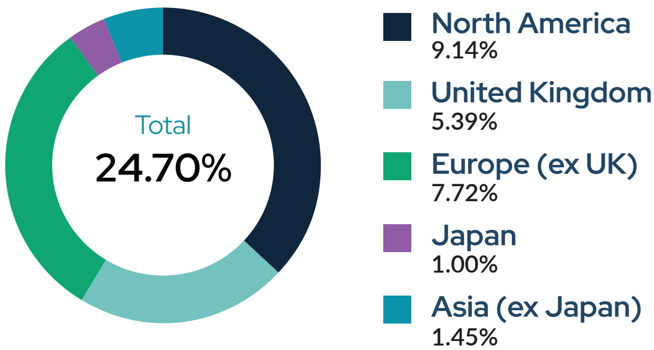
The Fund continues to perform as expected, offering resilience to the geopolitically driven swings in equity markets. We increased the cover-to-capital-loss to 45.04%, whilst leaning into bouts of volatility to actively manage positions and improve performance. The portfolio has a money-weighted coupon of 9.08%, with 98% of the EQD swaps in-the-money. The fund is fully at scale and well-positioned going into 2026, with strong intrinsic value embedded in the portfolio and we remain focused on harvesting strong risk-managed returns.

Past performance is not a reliable indicator of future performance.

Equity market exposures

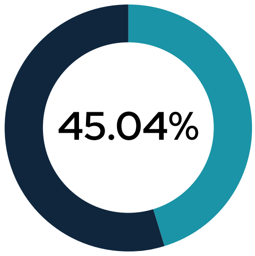


Equity market exposures (Delta)



Credit risk

Average cover to capital loss



Top 10 holdings

Holdings	Market Exposure	Defined Return[1]	Weighting
Gilt-Backed Autocall	UK/EU	8.72%	4.19%
Gilt-Backed Autocall	US/EU	8.58%	4.18%
Gilt-Backed Autocall	UK/US	8.50%	3.96%
Gilt-Backed Autocall	UK/EU/US	9.78%	3.77%
Gilt-Backed Autocall	UK/US	8.13%	3.73%
Gilt-Backed Autocall	UK/US	8.56%	3.23%
Gilt-Backed Autocall	EU/JPN	10.40%	3.22%
Gilt-Backed Autocall	US/EU	9.50%	3.19%
Gilt-Backed Autocall	UK/US	8.95%	3.19%
Gilt-Backed Autocall	UK/US	8.71%	2.99%

[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	-19.71%	-9.01%	-1.90%	1.81%	3.45%	4.25%	4.67%
1 Year	-17.11%	-5.45%	2.24%	7.24%	9.14%	9.72%	9.93%
2 Years	-11.77%	1.02%	9.92%	17.63%	18.30%	18.33%	18.13%
3 Years	-7.27%	8.21%	20.58%	28.53%	28.70%	28.23%	27.67%

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 30/01/2026. 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.

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