

The MGMTS Downing Fox Funds

September 2025



September commentary

What's popular, and what isn't, will change over time.

Baby names are a cracking example. I find it strange Evelyn, Hazel and Nora are now in the top 40 girl's names in 2025, when they were all names of grandparents/great aunts of my wife and I (and I have never met, or heard of one, since).

On the other side of things, it's why, unless something changes, Garys are going to become extinct. It doesn't look much better for Rogers, Keiths and Geoffs either. But things can change. Liams were looking critically endangered, but are now flourishing (thanks, I guess, in part to the Gallagher boys getting the band back together).

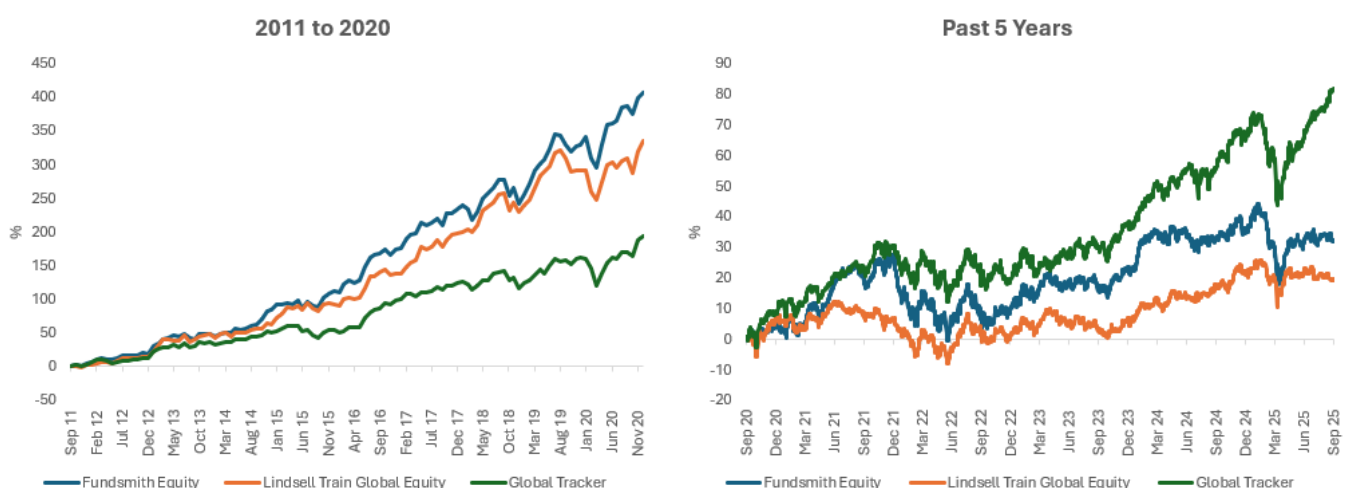
The point is things can be seen as outdated or archaic but can quickly come back into favour.

The death of quality?

From our vantage point running multi-asset funds of funds, it is quite clear traditional quality investing is being treated like the name Gary among millennials. Having been **the** most successful way of investing during the post GFC era (right up until Covid), it is increasingly being viewed as very backward.

This phenomenon isn't being helped by the fact that many investors have bought those types of funds (e.g. Lindsell Train and Fundsmith) after they had generated very strong returns, only for those to now be struggling in the face of a market that is being powered by high growth stocks. We don't own Lindsell Train or Fundsmith, so we wouldn't want to comment on those, but we are seeing many of our traditional quality growth funds look slow on a 12-to-18-month view.

Performance between 2011-2020 & the past five years

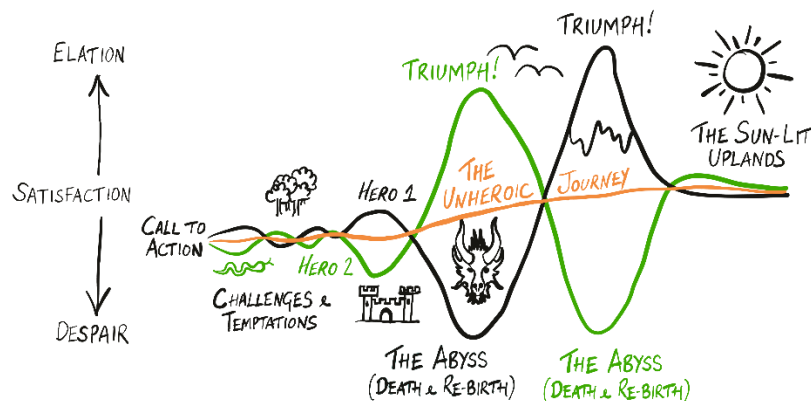


Past performance is not an indication of future performance.

Source: Morningstar, 01.10.2011 to 30.09.2025. iShares MSCI ACWI ETF used for Global Tracker.

When we talk about traditional quality growth funds, we mean managers who focus on companies they believe have high barriers to entry, strong and sustainable returns on invested capital and low debt – and try not to overpay for them. These companies are often quite boring, but the idea is they compound like beauties over the longer term. As such, most traditional quality growth funds don't trade a huge amount, focusing more on ensuring they are owning the highest quality businesses rather than trying to time the market.

However, we don't think these managers have "lost it" or that traditional quality growth doesn't work anymore, despite the fact our exposure to these types of funds has certainly hurt the relative performance of the [MGTS Downing Fox Funds](#) over recent months. Yes, we know there have been the odd stock specific disappointments or mistakes along the way, but it is clear to us they are going through the "abyss" phase of their heroic journey as their investment style has been so horribly out of favour.



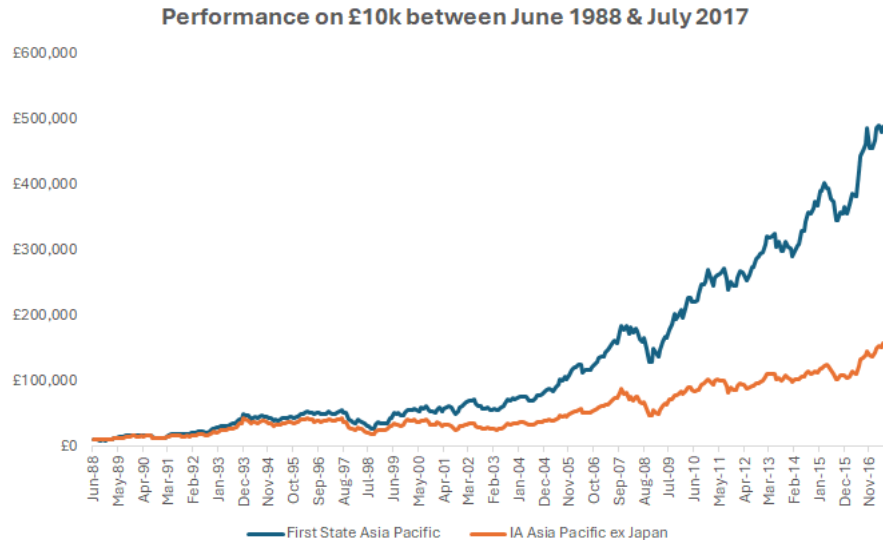
Of course, some companies in those “quality” sectors might well go the way of the dinosaurs and there are question marks about changing consumer trends, but it is also clear that traditional quality strategies always struggle in the late stages of a bull market.

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The tale of a GOAT



Past performance is not an indication of future performance.

Source: Morningstar, 30.06.1988 to 01.07.2017

To give some historic perspective here, we will use the performance of Angus Tulloch's First State Asia Pacific Fund. He ran the strategy between 1988 and 2017 and if you invested £10k in his fund at the start, it would have grown to a whopping £488k by the time he retired (compared to the average fund's growth of £158k on £10k).

In other words, he was a very GOAT-y manager and the type we aim to own in our funds. As a reminder, [here](#) is the GOATometer explained.

He was a quality-focused investor like the teams at Evenlode, Castlebay and Skerryvore (the latter are actually direct disciples of Tulloch). And while his performance was incredible, he too went through periods where he was seen as a dinosaur because he wasn't invested in the "it" areas of the time (notably before the tech bubble burst or in the run up to the Global Financial Crisis).

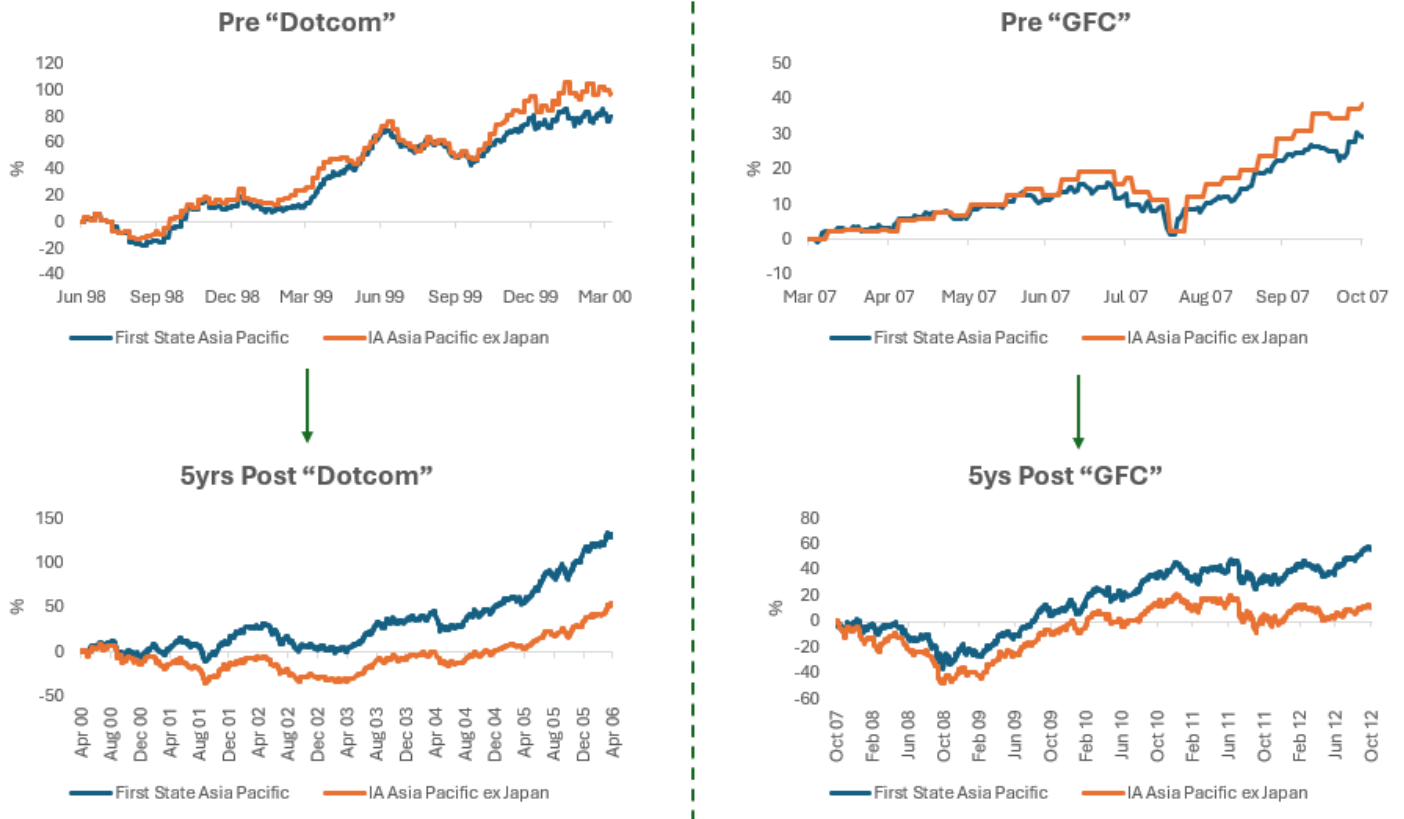
However, as the charts showed, while his fund looked pedestrian in those periods, they more than made up for it when the proverbial hit the fan.

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Performance before and after the Dotcom Crash & The Global Financial Crisis



Past performance is not an indication of future performance.

Source: Morningstar, 30.06.1998 to 09.04.2000, 29.04.2000 to 29.04.2005, 30.03.2007 to 31.10.2007 and 31.10.2007 to 31.10.2012

Recency bias is real

We don't know if the recent AI/crypto rally is going to go the same way as dotcom or the banks, but all three of the funds I've mentioned showed their worth during the volatility we saw earlier in the year. As we have previously written about, those issues that caused that volatility to surge have not gone away, so investors who are considering dumping their quality growth exposures following an almighty high-growth rally should check for recency bias.

We certainly won't be selling them and while it may mean our strategies will lag passives that are loaded up on high growth stocks and the Magnificent 7 if current market conditions continue (note we own funds that give us that type of exposure within our diversified portfolio), we do expect those quality funds we own to do an Evelyn, Nora or Hazel at some stage and deliver market-beating returns over the long term.

Thank you for your continued support.

Alex Paget – Fund Manager, MGTS Downing Fox Funds.

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