

# The MGMTS Downing Fox Funds

August 2025



## August Commentary

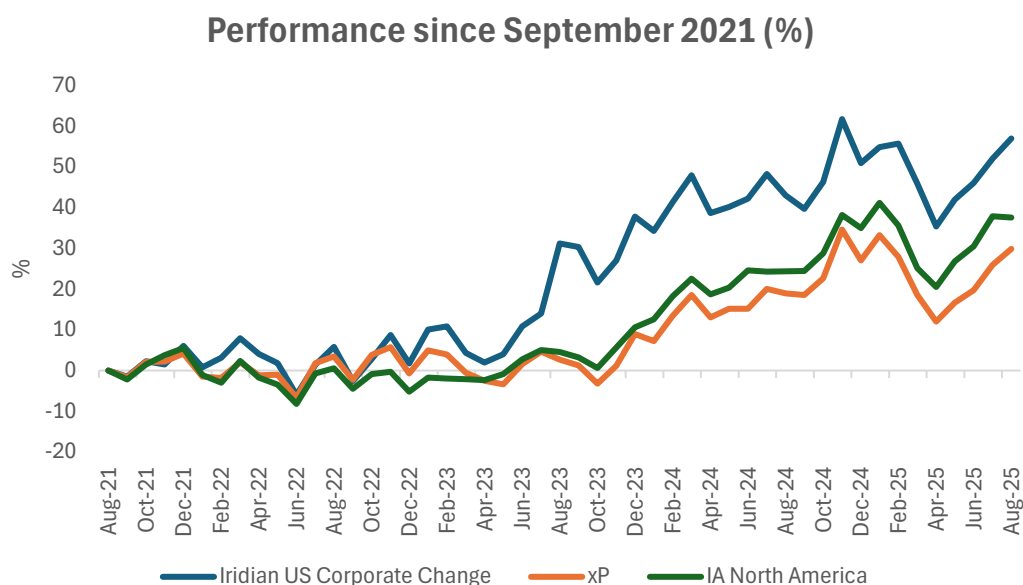
We've made several changes to the Downing Fox portfolios over the summer, so this is an ideal opportunity to take a closer look at some of the new names we have brought in.

As a reminder, we don't run the Growth Component of the MGMTS Downing Fox funds based on a top-down view. We are aiming to assemble a diversified mix of high-quality active equity funds, run by independently minded stock pickers who live and breathe their chosen investment approach. Our job is to then package them in such a way that makes active management easier to hold for retail investors by ensuring there is a genuine balance of different styles, geographic exposures and market cap exposures to keep our unitholders on the [Unheroic Journey](#).

We don't look to overhaul the portfolios, but to constantly improve the quality of the managers we own to try and deliver the best possible returns over the longer term. We have therefore sold funds where we have our lowest conviction and have brought in these funds without changing the overall exposures of our portfolios. All four of these funds have started at relatively low position sizes, but as/when our conviction increases, these will become a larger part of the portfolio. In each case, though, we are excited for the future of these funds and believe the managers have the GOAT-y characteristics we look for.

## Iridian US Corporate Change

Iridian is a US-based boutique that is primarily focused on this strategy. It is managed by Todd Raker (who is now CEO) and Eric Stone. Their approach is to focus on mid and small-cap US companies that are benefiting (or are set to benefit) from corporate change, with opportunities including changes to management, capital allocation, acquisition/consolidation, divestitures and industry disruption. The idea being, they buy these companies when they are cheap relative to their valuation if the change is successful.



Source: Morningstar, 31.08.2025

Past performance is not an indication of future performance.

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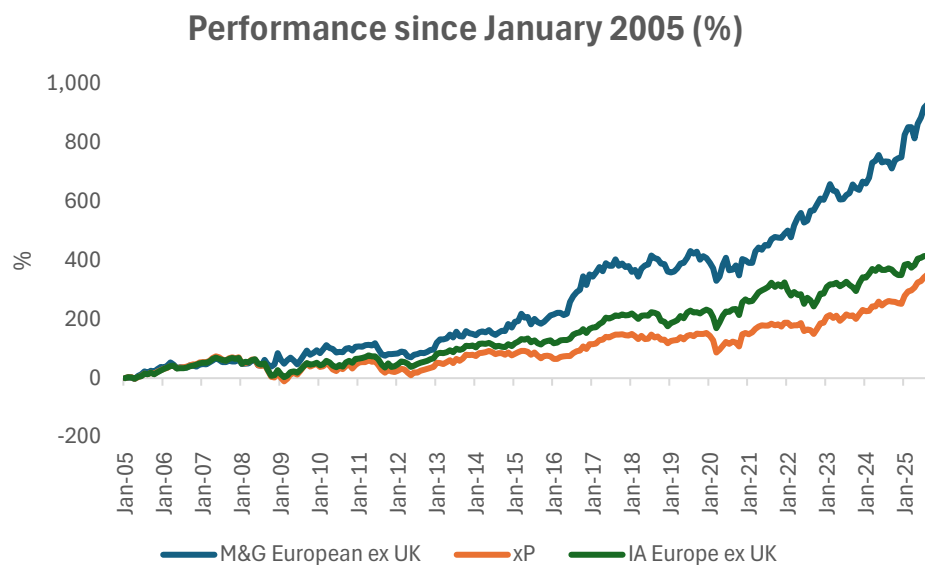


Though not an out-and-out value fund, it gives us value-like characteristics in our US portfolio, and we are fans of the rigorously bottom-up, engagement-heavy process and differentiated philosophy. Iridian (and the fund, for that matter) has been through a challenging journey over the last decade, but since Todd and Eric took sole charge of the portfolio in September 2021 (which coincided with a change to the corporate situation at Iridian), performance improved markedly relative to their Expected Performance (xP). xP is our own metric where we build a customised benchmark for every fund we own, matching its style and market-cap exposure to help us gauge how well a fund has performed in relation to its investment approach (you can find out more details about xP [here](#)).

The last thing you've wanted to be is a small and mid-cap manager in US equities over recent years given the domination of the Magnificent 7, but we are excited to bring this fund into the portfolios and believe that when conditions improve for active managers in the States, this fund can take full advantage.

## M&G European ex UK

While our process means we tend to favour boutiques, we don't rule out larger firms – provided their corporate cultures help foster the active managers we want to own. We think M&G fits the bill in that sense. The fund itself is a new launch, but manager Richard Halle has been running this strategy since the early 2000s and has delivered a very strong long-term track record.



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**Source: Morningstar, 31.08.2025. Performance shown is based on the historical manager track record on the strategy.**

Richard is a value investor through and through, describing himself as contrarian by design who doesn't try to forecast or market time, instead focusing on mean reversion and long-term valuation anomalies. The focus is on finding companies with financial strength, a durable business model and run by management teams who have a sensible capital allocation strategy and governance credentials, then buying the companies with the most attractive risk/reward skew on a three-to-five year view.

Europe has been a bit of challenge for us over recent years, so we are very happy to bring in a manager of Richard's quality to the portfolio. Plus, given the OEIC is still in its infancy, we were able to access the strategy at a very attractive "founder fees".

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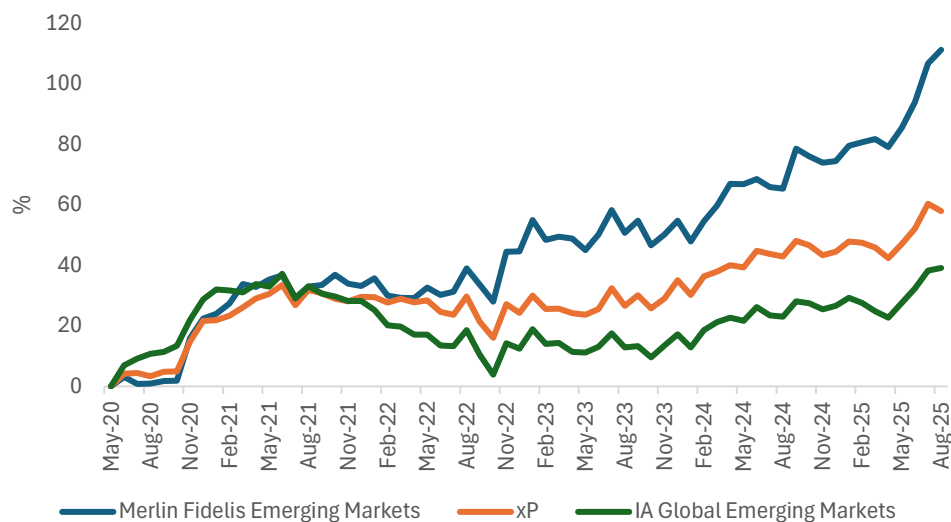


## Merlin Fidelis Emerging Markets

Back to boutiques now, and this is a fund we bought earlier in the summer. The firm was founded by managers Aaron Macksey and Sam Dyson, who had run Asian equity strategies together during their time at Maple-Brown Abbott. The two Aussies moved to Hong Kong to set up Merlin Fidelis and they have a "Pragmatic Value" philosophy, aiming to add alpha through disciplined valuation work, dynamic position sizing, and a strong emphasis on downside protection.

The managers are not dogmatic about value versus growth—they will own "expensive" stocks if the upside justifies it, and "cheap" ones if the downside is limited. At its core, the fund is built around a probability-weighted scenario analysis framework as, for every stock, the managers construct a range of bull and bear cases, assign probabilities to each, and use this to determine expected returns.

Performance since June 2020 (%)



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Source: Morningstar, 31.08.2025. Performance shown is based on the historical manager track record on the strategy.

Again, the UCITS fund was launched in 2025, but the duo has produced very strong returns via a Caymen strategy since launch in 2020. We think they have the ability to generate strong long-term returns, and given the value nature of the philosophy, it helps us balance out our stylistic exposure in our Asia & GEM portfolio.

## Langdon Global Smaller Companies

Langdon is a Toronto-based boutique founded by Greg Dean, who is also the lead portfolio manager. He had worked at larger firms running a similar strategy, but wanted to create a business that avoided the pitfalls he felt plagued large, bureaucratic firms, where resources were often uncoordinated and decision-making was centralised, leading to inefficiencies and missed opportunities.

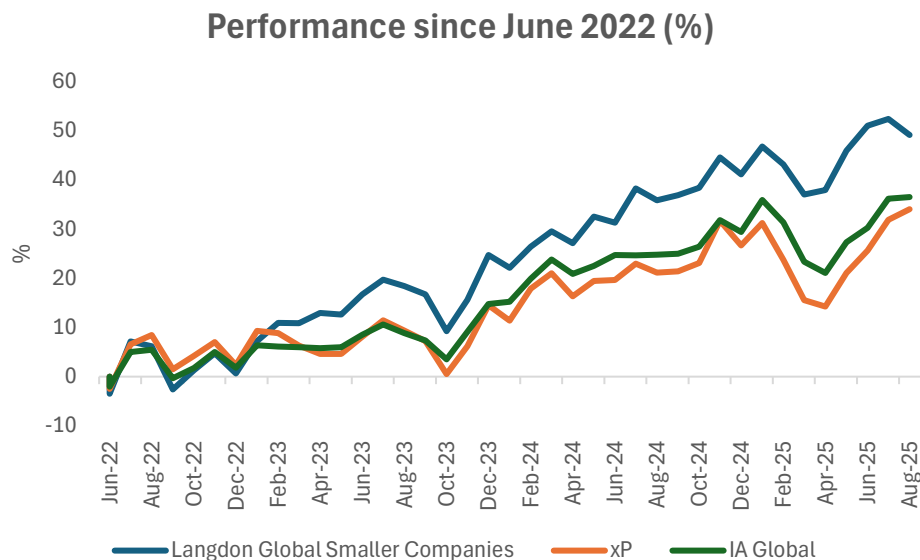
Greg and the team invest in under-researched global small-caps that they believe can 2x over five years without re-rating. They take a "business owner mindset", focusing on exceptional management teams who they can partner with. They also look for companies with sustainable and improving ROICs, strong and growing cashflows and optionality (those that can tread their own path thanks to healthy balance sheets,

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proven M&A strategies and a good history of capital allocation). Despite this focus on quality, they do have a disciplined approach to valuation, reducing positions (or selling them completely) if the share price no longer offers the right risk/reward skew.



Source: Morningstar, 31.08.2025

Past performance is not an indication of future performance.

Again, the UCITS fund which we invest in was launched this year, but the strategy has been going since 2022, over which time the team have delivered very strong returns, even against the broader (US mega-cap dominated) market. When small-caps once again outperform, we think this fund can capitalise.

Thanks for your continued support.

Alex Paget – Fund Manager, MGTS Downing Fox Funds.

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