

The MGMTS Downing Fox Funds

December 2025



December commentary

Happy New Year folks!

The results are now in, and the Growth Component of the MGMTS Downing Fox Funds marginally outperformed the IA Global sector (11.2%) over the year (with considerably less volatility) and produced a decent absolute return of 11.4%.

We are not jumping for joy, though, as 2025 was a frustrating year for our Growth Component. Notable headwinds such as our healthy exposure to quality-orientated funds (which were well and truly left behind in last year's rally) and our bias towards mid and small-cap funds (which, again, had a tough year relative to large-caps) put a lid on our relative returns.



Source: FE Fundinfo, 31.12.2025

Past performance is not an indication of future performance.

I don't want to steal my colleague's thunder, though, as Mr Evan-Cook will be dissecting all things 2025 in his annual letter later this month. Instead, I wanted to focus on some of the notable (and surprising) contributors to our returns last year.

For this, I'll revisit Expected Performance (xP), our football-inspired metric that we introduced [last year](#). As a reminder, we build custom benchmarks for all the funds we analyse and these directly match said fund's stylistic and market-cap exposures, creating their xP. We then monitor their performance versus their xP, with a score above 1 showing they have outperformed versus their xP and a score below 1 meaning they have underperformed.

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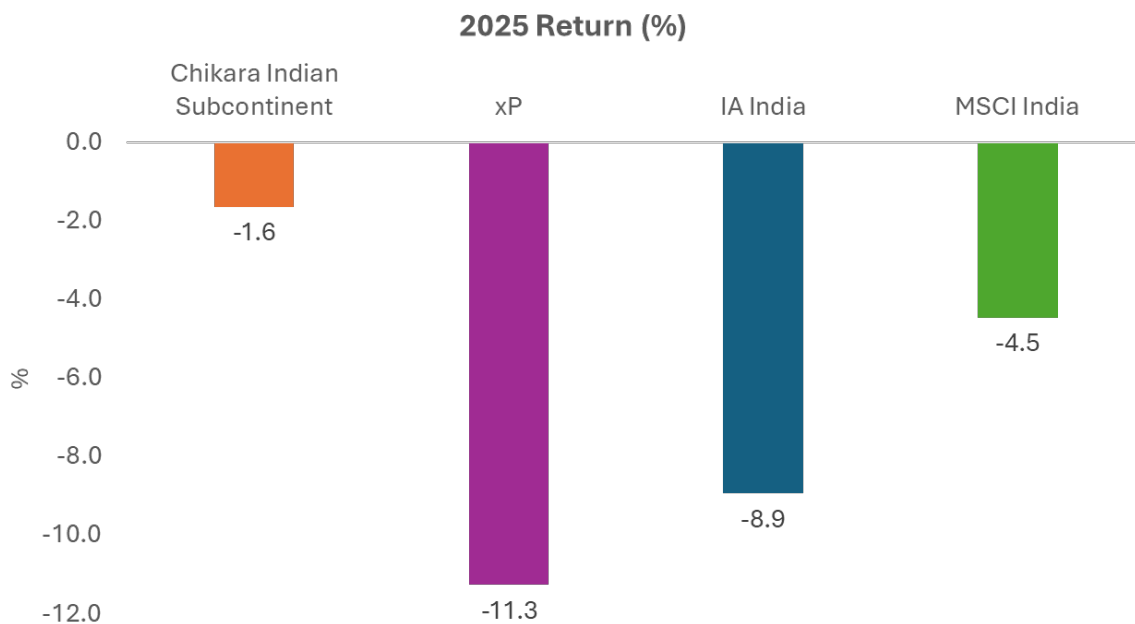


The three funds below all outperformed their xPs, IA sector averages and the most commonly used indices for their area of focus. The reason they are included on this list, though, is that these were very much surprise packages last year as their xPs all underperformed the wider market (suggesting these funds, all things being equal, should have underperformed as well). The fact they outperformed was therefore down to the managers' superior stock picking.

All of these funds are run by boutiques and are still relatively small in stature, meaning we see them very much as hidden gems. So, let's have a look:

Chikara Indian Subcontinent vs xP = 1.11

Having produced enormous returns between 2021 and 2024, the Indian equity market had a very challenging 2025. Bubble-like valuations in Indian mid and small-caps deflated, while tariff concerns and weaker than expected consumer activity all lead to a depreciation in the rupee and significant selling from foreign investors.



Source: FE Analytics, 31.12.2025

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We use the Chikara Indian Subcontinent Fund for our dedicated exposure to India. It is managed by Abhinav Mehra and Andy Draycott, who focus on the fast growth and development of India, and the companies they think will benefit from that specific tailwind. We were drawn to the fund due to the managers' bottom-up approach and quality-growth philosophy, where they focus on a select number of the highest-quality, best-run companies in the market.

This approach has meant that while the fund's large/mid-cap growth xP fell more than 10% last year, Chikara Indian Subcontinent finished the year with a loss of just 1% thanks to its holdings in stocks like Kotak Mahindra Bank, HDFC Bank and Narayana. Though the fund didn't add much to our total return last year, the fact they were able to shield us from such a large fall deserves huge plaudits (especially as they were able to keep pace with the wider Indian equity market during the go-go years of 2023 and 2024 -

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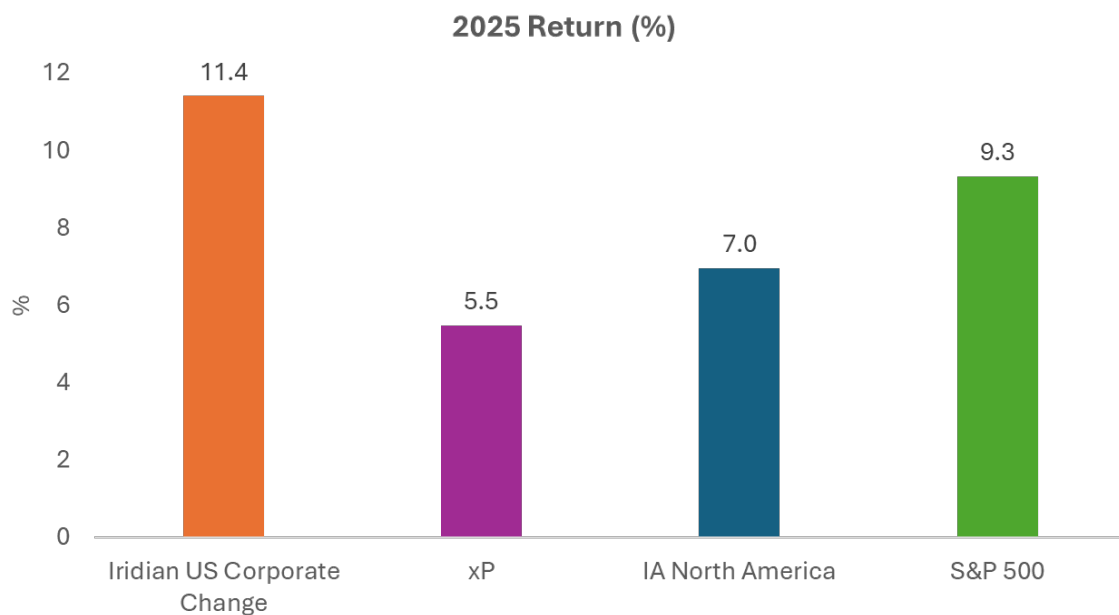
which means that, despite this year's minor loss, the fund has still returned 40% over the past three years¹).

Iridian US Corporate Change vs xP = 1.06

For much of 2025, the US market was flying, powered by NVIDIA and other stocks tied to the theme of artificial intelligence. It meant that, unless you were a mega-cap focused US manager or had a heavy bias to unprofitable tech stocks, you probably underperformed the S&P 500 last year.

That's why the performance of Iridian US Corporate Change was so pleasing, given it doesn't do either of those things. It is a mid and small-cap focused value fund, in which managers Todd Raker and Eric Stone invest in companies that are benefitting (or are set to benefit) from corporate change, with opportunities including changes to management, capital allocation, acquisition/consolidation, and industry disruption.

The idea is that they buy these companies when they are cheap relative to their valuation and, if the change is successful, they hope to achieve a 50% return in each stock over the following three years.



Source: FE Fundinfo, 31.12.2025

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We knew when we bought this fund last year that the returns would be highly unpredictable thanks to their very bottom-up approach. And despite having minimal exposure to the AI theme, the fund was able to outperform thanks to special situations such as Herbalife and Axsome Therapeutics.

¹ Source FE Fundinfo, 30.12.22 to 31.12.25 in GBP terms.
www.downing-fox.co.uk

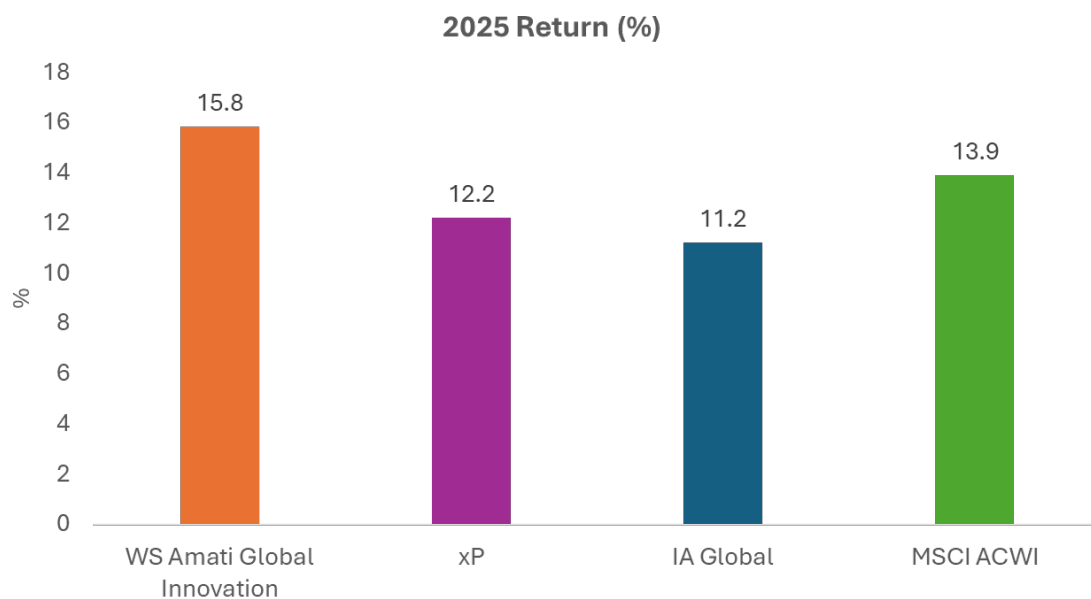
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WS Amati Global Innovation -vs xP: 1.03

WS Amati Global Innovation also faced the headwind of mega-cap domination in 2025. As its name suggests, managers Mikhail Zverev and Graeme Benke focus on identifying scientific and technological innovations that address challenges facing society, consumers and businesses. They seek companies at the forefront of these innovations and that are creating and capturing value from them. Within each “innovation frontier”, they invest in either Pioneers (the creators of the innovation), Enablers (those who help enable it) and Adopters (those who implement it).



Source: FE Fundinfo, 31.12.2025

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We were drawn to the fund because of the managers’ bottom-up approach and healthy respect for valuation (a discipline which is often lacking in growth-focused managers). The fund has a distinct mid and small-cap bias (given this is where Mikhail and Graeme feel they can add the most value via their stock-picking) and, as such, faced the challenge of the Magnificent Seven’s strong returns in 2025 (they don’t own any of those names).

However, while their mid and small-cap xP underperformed the wider global equity market, the fund outperformed in 2025, thanks in part to strong returns in Q4 of last year (which were powered by companies such as Lumentum, MKS, and Bruker).

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These are three of the funds that have surprised us (in a good way) and there were others that contributed positively to our overall return thanks to the managers taking advantage of their style being in favour. There were, of course, others that were more disappointing relative to their xPs, which we will continue to monitor. We will soon be producing our annual letter, which will give you more information on all of this and the changes we made to the portfolios.

Thanks for your continued support.

Alex Paget – Fund Manager, MGTS Downing Fox Funds.

Opinions expressed represent the views of the fund manager at the time of publication, are subject to change, and should not be interpreted as investment advice.

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