



Downing

# Downing Fund Managers



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# Who are Downing Fund Managers?



Founded  
2011



£323 million  
assets under  
management



13  
staff

Formerly known as the 'public equity' division of Downing LLP, Downing Fund Managers (DFM) was founded in 2011 as a boutique investment house with a value-based style that favours a private equity approach to investing in public markets.

This guide looks at how Downing Fund Managers has evolved, the line-up of funds and fund managers, and considers the entrepreneurial investment culture that's helped the team grow over the years.

Downing Fund Managers is part of Downing LLP, a long-established investment manager based in London. Downing LLP's heritage is in managing tax-efficient products and running privately listed assets.

Founded in 1986, the company now manages approximately £1.4 billion of assets, many of which sit in the company's enterprise investment scheme (EIS), venture capital trusts (VCT), and inheritance tax (IHT) services.

The range of mandates covered by Downing Fund Managers now consists of five funds - all different from and complementary to, each other. The 13-strong DFM team runs more than £323 million of publicly listed assets (as at 28 February 2021).



**Judith MacKenzie**  
Head of Downing  
Fund Managers

# Our story...so far

Downing Fund Managers is headed up by Judith MacKenzie, a Partner who also sits on Downing LLP's Executive Committee.

Judith joined Downing LLP in October 2009 from Acuity Capital where she managed AIM-quoted IHT and VCT investments as well as a small-cap activist fund. Soon after, she founded Downing Public Equity.

In 2016, the Querns Monthly Income Fund was taken over and rebranded as the MI Downing Monthly Income Fund (now known as the VT Downing Monthly Income Fund). In 2017, Judith became lead manager of Downing's first closed-ended mandate, following the launch of the Downing Strategic Micro-Cap Investment Trust.

By the end of 2020, three more funds had been added: the VT Downing Unique Opportunities Fund, the VT Downing Global Investors Fund and the VT Downing European Unconstrained Income Fund. This has boosted the suite of offers to five specialist boutique funds, giving investors a wide choice of clear investment

strategies that are threaded together by a hands-on investment approach and entrepreneurial culture.

Judith explains: "We're not frenetic asset gatherers. We have taken 10 years to grow our business to this level, carefully growing assets and ensuring we have the right vehicle for the investment mandates that we offer investors. Being a compact investment house means we're more open and transparent; investors can easily see and hear what they are getting direct from the horse's mouth."

“We never lose sight that it’s our job to return value for our shareholders and stakeholders.”

# Our story...so far



2009

Judith MacKenzie joins Downing LLP after nine years at Aberdeen Asset Management and two years at Acuity Capital, a management buyout from Electra.



2011

Judith establishes Downing Public Equity.



2016

Downing takes over management of the Querns Monthly Income Fund and rebrands it MI Downing Monthly Income Fund.



2017

The company launches the Downing Strategic Micro-Cap Investment Trust.



2020

Downing Public Equity rebrands to Downing Fund Managers and launches the VT Downing Unique Opportunities Fund, managed by Rosemary Banyard, the VT Downing Global Investors Fund managed by Anthony Eaton and the VT Downing European Unconstrained Income Fund, managed by Mike Clements and Pras Jeyanandhan.

# Judith MacKenzie

## Downing Strategic Micro-Cap Investment Trust

Judith MacKenzie is lead manager of the Downing Strategic Micro-Cap Investment Trust.

“My heritage and background have always been in small and micro-cap investing, very much looking at both public and private markets at the same time,” Judith says. “I started off about 25 years ago as a small cap analyst at Brewin Dolphin, before moving to Aberdeen Asset Management where I spent nine years looking at private and AIM-listed companies. I am a firm believer in truly active investment management and sit on the board of a number of our portfolio companies.”

In the small cap space, Judith proactively engages and works alongside management to realise value and drive returns. “We often invest in things that many other investors would not want to touch. We invest over a long investment cycle, looking at between a three to seven-year time horizon.”



The investment process itself is cash flow focused and aims to identify companies which have either historical, current, or near-term potential to generate significant, positive free cash flows.

“We describe ourselves as value-led investors but there are so many factors to value and investors have so many interpretations of it. We’re not scared of buying growth, we just want to pay the right price for it.”

Working alongside Judith in managing the Downing Strategic micro-cap portfolio is Nick Hawthorn, Fund Manager. Nick joined Downing in September 2015 from BP Investment Management, where he worked in the private equity team. Prior to this, he worked in group finance for Aberdeen Asset Management.

# Josh McCathie

## VT Downing Monthly Income Fund

Josh McCathie joined Downing in 2018 as an analyst and took over as lead manager of the VT Downing Monthly Income Fund in April 2021. Josh had been working as co-manager dedicated to the VT Downing Monthly Income Fund for over two years, and it was a natural progression for him to assume the management of this smaller and mid company income portfolio.

Josh has over 7 years' experience in the industry. After studying Economics & Politics, he began his career at BRI Wealth Management focusing on UK equity research and portfolio management.

While equity markets in general are a good place to search for income, the equity income space itself is dominated by the large traditional blue chip funds. Josh explains that this means that the majority of assets in the whole sector are invested in the top 50 income producing stocks in the UK market.



Although this in itself is not necessarily a problem, it does miss a huge opportunity. He says, "VT Downing Monthly Income Fund adopts a multi-cap, multi sector approach that applies the group's small-cap expertise across a range of UK market capitalisations and sectors." Within this space, he believes that a diligent and methodical approach is an excellent way of gaining an informational advantage over the market and a route to capturing alpha.

"Essentially, what we are trying to do is access some of the smaller companies that can provide an income, as well as achieve some diversification away from those blue-chip companies."

# Rosemary Banyard

## VT Downing Unique Opportunities Fund

Rosemary Banyard joined Downing Fund Managers in March 2020 to launch the VT Downing Unique Opportunities Fund. With over three decades in the industry, she rose to prominence during her 23 years at Schroders, where she developed a reputation as one of the UK's leading fund managers.

For many years Rosemary was known for running the acclaimed Schroder UK Smaller Companies Fund with Andy Brough. She was the lead manager of the Schroder Mid Cap Fund Investment Trust, and headed-up several other segregated UK equity mandates, taking large stakes in a number of small UK companies and managing total assets of around £1 billion.

"My entire investment career has been spent managing UK equity funds. I specialise in small and mid-caps and, to an extent, the lower end of the FTSE 100 - areas where there is now a lot more interest from investors," Rosemary says.



The VT Downing Unique Opportunities Fund aims to invest in 25 to 40 UK mid and small-cap companies that can achieve above average returns on equity because they have a strong, protected and sustainable competitive advantage.

"Downing is a great fit for me because they have extensive experience in both micro-cap and income investing and my investment philosophy and my target range of companies essentially starts where they leave off in terms of scale."

"I believe I have honed my investment philosophy and process over the years and this fund is the culmination of that evolution."



# Anthony Eaton

## VT Downing Global Investors Fund

Anthony Eaton joined Downing Fund Managers in March 2020 to manage the VT Downing Global Investors Fund. He was formerly lead manager of the CF JM Finn Global Opportunities Fund from 2005 until its sale to Thornbridge in 2019. Under Anthony's stewardship, the fund established a long-term track record, achieving 10.40% compound annualised growth\*.

The VT Downing Global Investors Fund invests in companies that supply the wants and needs of the expanding global middle-class population.

"The investment thesis is that the dominant driver of events is going to be the continuing expansion of the global middle-class. Moving the needle will be the six billion people outside the West, with the middle class in Asia being prominent. The strategy is to own businesses that cater to the consumer requirements of this homogenous group - wherever they are located, without geographical borders."



Anthony has applied this investment philosophy and process for over 15 years and to keep individual stock specific risk low the fund aims to invest in around 200 positions. "The fund is thematically invested – we seek to own businesses worldwide that engage with the macro-level growth phenomenon we have identified," he says. Anthony uses a number of investment screens to identify emerging patterns and then concentrates on selecting appropriate baskets of investments, rather than picking individual stocks.

For Anthony, Downing's entrepreneurial culture was the core attraction. "Not only is Downing seen as a dynamic company, but everyone who I spoke to prior to joining talked about its reputation as a business you can trust to do what they say they'll do."

*\*Source: MI Thornbridge Global Opportunities Fund, August 2019 factsheet.*

*\*\*Source: Brookings, 28 February 2017. Please note that past performance is not a reliable indicator of future performance.*

# Mike Clements and Pras Jeyanandhan

## VT Downing European Unconstrained Income Fund

In November 2020 Mike Clements and Pras Jeyanandhan joined Downing Fund Managers to launch the VT Downing European Unconstrained Income Fund. Mike was formerly Head of European Equities and Pras was a Portfolio Manager at Swiss-based Syz Asset Management. This fund follows a similar approach as that adopted on the range of Oyster European strategies, which the duo had managed together for the last five years.

Pras explains, “Europe has changed structurally over the last decade with a shift away from ‘old economy’ exposure towards being more of a growth region. With this fund we are trying to offer a solution that allows UK investors to diversify their portfolios and gives themselves something different.”

The fund aims to hold around 30-40 high-quality companies across the European market cap spectrum, focusing on contrarian opportunities and ‘under the radar’ ideas. Mike says, “We aim to generate alpha (returns that beat the index) in two ways: by buying



good quality, well-known companies that are temporarily out of favour with the market, and by buying those that are under the radar - stocks that are poorly researched or have fallen out of our peers’ investable universe.”

Downing’s venture capital and micro-cap ethos were attractive to both managers. “Judith and the team have a very distinct culture and investment style and that really appealed to the both of us,” Mike says. “When Downing invests in a company, they treat it as if they are the owners of the business and we do the same, just in the public equity space.” Pras comments: “At Downing there is no pressure to move towards the consensus, in fact just the opposite. We slot in perfectly.”



## Get in touch



For information on  
**VT Downing Unique Opportunities Fund**  
please visit:  
[downingunique.co.uk](http://downingunique.co.uk)



For information on  
**Downing Strategic Micro-Cap Investment Trust**  
please visit:  
[downingstrategic.co.uk](http://downingstrategic.co.uk)



For information on  
**VT Downing Global Investors Fund**  
please visit:  
[downingglobalinvestors.com](http://downingglobalinvestors.com)



For information on  
**VT Downing European Unconstrained Income Fund**  
please visit:  
[downingeurope.com](http://downingeurope.com)



For information on  
**VT Downing Monthly Income Fund**  
please visit:  
[downingmonthly.co.uk](http://downingmonthly.co.uk)



For more information about Downing Fund Managers please visit:  
[www.downingfundmanagers.co.uk](http://www.downingfundmanagers.co.uk)

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