



# Downing Fund Managers



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# Who are Downing Fund Managers?



Founded  
2010



£384 million  
assets under  
management



15  
staff

Formerly known as the 'public equity' division of Downing LLP, Downing Fund Managers (DFM) was founded in 2010 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 c £1.5 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 six funds - all different from, and complementary to, each other. The 14-strong DFM team runs more than £384 million of publicly listed assets (as at 31 January 2022).



**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. This fund was later rebranded the VT Downing Small & Mid-Cap Income Fund following some minor changes to the mandate. In 2017, Judith became lead manager of Downing's first closed-ended product, 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 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."

In January 2022, DFM added the VT Downing Listed Infrastructure Income Fund to it's line up. The fund offers investors exposure to a diversified portfolio of UK listed infrastructure and renewable energy investment trusts.

“ 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.

2010

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.

2021

VT Downing Monthly Income Fund rebranded as VT Downing Small & Mid-Cap Income Fund.

2022

Downing launches the VT Downing Listed Infrastructure Income Fund.

# 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 Small & Mid-Cap Income Fund & VT Downing Listed Infrastructure Income Fund

Josh McCathie joined Downing in 2018 as an analyst and took over as lead manager of the VT Downing Small & Mid-Cap Income Fund in April 2021. In March 2022, Downing launched the VT Downing Listed Infrastructure Income Fund, with Josh as lead manager.

Josh has over 8 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.

The VT Downing Small & Mid-Cap Income Fund is a focused 30-50 stock portfolio of small and mid-cap equities listed in the UK. The fund specifically invests outside of the FTSE 100, looking at companies from c. £100 million up to c. £4 billion market cap.

The majority of IA UK Equity Income sector is focused on large cap equities. "The top 15 dividend payers by absolute value account for 65% of all UK dividends, so naturally there is a concentration around these names," he says. "These are drawn from industries largely perceived as low growth, such as banks, tobacco, oil & gas, and mining. Broadening the investment universe across the market cap spectrum not only offers diversification from those top 15 dividend payers, but also offers a greater mix of exciting industries."

The VT Downing Listed Infrastructure Income Fund offers a low-cost\* and low-touch approach to access the UK listed infrastructure and renewable energy investment trust universe. It aims to give investors diversified exposure to >35 different investment mandates across >2000 individual infrastructure projects focusing on five core sectors: digital, social infrastructure, energy, transport and utilities.

\*In relation to comparable funds.

# 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 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)



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**VT Downing Listed Infrastructure Income Fund**  
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