

Investors' Report

1st October to 31st December 2018

The last quarter of 2018 brought a sharp and painful return of volatility to global equity markets. Concerns over a US-China trade war, rising interest rates, slowing economic growth and the chaotic course of Brexit negotiations conspired to turn sentiment from cautious optimism to widespread fear.

AIM is by its nature a higher risk investment arena and therefore magnified this wider market selloff. In the quarter, an index of the largest one hundred companies on AIM fell by well over 25%. There were few places to hide, though our more conservative and whole-of-market investment approach meant our portfolios held up considerably better: in the period, our illustrative portfolio fell by 12.3%. Our relative outperformance for 2018 is **+8.8%** as measured against the *Numis Smaller Companies + AIM* benchmark (see full performance statistics on the reverse).

This level of outperformance is vindication of the differentiated investment process that we have been expounding in these pages over the past few years. Twelve months ago, we highlighted the extreme valuation levels at the larger end of AIM – and it has been these stocks, such as ASOS and Purplebricks, that suffered the most in 2018. We took full advantage of our boutique size in 2018 to invest nimbly across the whole of the market capitalization spectrum: below in Company Focus we introduce the case of Oxford Metrics.

Our view is that the market moves seen in the fourth quarter will be relatively short-lived: it is a reflection of investors' fickle mood-swings, rather than of a new fundamental issue within the global economy. Meanwhile, remember that volatility offers opportunities to buy quality businesses at cheaper prices. Whilst we should brace for further turbulence in the coming months, our core assumption is that the worst is most likely now over.

Finally, we were pleased once again to have been selected as finalists in the Investment Week Tax Efficiency Awards 2018/19 in the Best AIM IHT Portfolio Service category.

Company Focus | Oxford Metrics PLC

In each of our quarterly briefings we present one of the companies in which we invest. We hope that this will give you a better idea of the kind of opportunities that one can find amongst quality smaller companies that trade on AIM.



Oxford Metrics, valued at £90m, is the parent of Vicon, the global market leader in motion measurement cameras and software. The applications of this technology include creating visual effects in Hollywood films and the gaming industry, helping athletes examine their performance and in life sciences. Vicon cameras are also now increasingly being used in virtual reality experiences.

The other half of the business is Yotta, which supplies government bodies and councils with software to manage their infrastructure assets, such as highways, parks and lampposts. It enables these asset owners to collect vast amounts of real-time data and make better, informed decisions.

In the past five years, the group has grown its profits by 2.5x, and has an ambition to double profits and treble recurring revenues in the coming five years. This is a relatively small AIM stock, though with a rich intellectual property portfolio, strong market position, and a very promising future.

Hawksmoor AIM Model Portfolio (the “HAMP”) Performance



	2015	2016	2017	2018	Q4 2018
Hawksmoor AIM Model Portfolio	+31.8	+8.2	+9.2	-7.0	-12.3
<i>Numis Smaller Companies + AIM Excluding Investment Companies</i>	+8.6	+12.0	+21.9	-15.8	-14.8

Calculation Methodology

- *Source:* Financial Express, as at 31st December 2018. The HAMP is a portfolio of 25 equally-weighted stocks typical of those that we buy for clients within the Hawksmoor AIM Portfolio Service. The above performance is based on the HAMP since launch in January 2016 and a simulated portfolio for the period from January 2015 to launch.
- Performance is quoted on a Total Return basis, net of a 1.5% Annual Management Charge. Given the liquidity of AIM, actual market prices paid may have been materially different than that simulated, and thus the returns of an actual portfolio may have differed over the period.

About the Hawksmoor AIM Portfolio Service

Our AIM Portfolio Service invests in exceptional UK smaller companies for long-term capital growth. It can also be used for inheritance tax planning since we endeavour to ensure that every investment will qualify for *Business Property Relief* once held for at least two years. It is a virtue of Hawksmoor’s size that we are not restricted to only the largest and most popular of AIM companies, where valuations can become artificially elevated by tax relief demand. Rather, our proprietary investment process combines a disciplined screening process with rigorous fundamental analysis designed to identify value and quality.

It is managed by a specialist team of experienced professionals. For further information, please call 01392 410180.



Ian Woolley, CFA
AIM Portfolio Manager



Jim Wood-Smith
CIO, Private Clients



Chris Rew
Regional Director

Health Warning/ Disclaimer

HA3028

This document should not be interpreted as investment advice for which you should consult your independent financial adviser. The information and opinions it contains have been compiled or arrived at from sources believed to be reliable at the time and are given in good faith, but no representation is made as to their accuracy, completeness or correctness. Any opinion expressed, whether in general or both on the performance of individual securities and in a wider economic context, represents the views of Hawksmoor at the time of preparation. They are subject to change. Past performance is not a guide to future performance. The value of an investment can fall as well as rise and you may not get back the amount originally invested. Investments in AIM carry an above-average level of risk – please see **Guide to the AIM Portfolio Service** for full details. Telephone calls may be recorded.

Hawksmoor Investment Management Limited is authorised and regulated by the Financial Conduct Authority.
Registered in England No. 6307442. Registered office: 2nd Floor, Stratus House, Emperors Way, Exeter Business Park EX1 3QS.