
VANBRUGH'S MANAGERS REFLECT ON 10 FEATURES BEHIND THE FUND'S SUCCESS IN ITS FIRST DECADE.

The Vanbrugh Fund reached its tenth anniversary on 18th February 2019. Looking back at the title of Vanbrugh's pre-launch flyer we made a bold claim that it was *"A Fund with heritage, designed with flair and built to last."* Ten years is too brief to judge whether Vanbrugh has indeed been "built to last," even though the Fund is now in a minority of funds marketed in the UK that have been around for at least a decade. However, the tenth anniversary does provide an opportunity to take stock. In doing this, we review ten of Vanbrugh's characteristics as we endeavour to ensure the Fund's investors will have many more significant anniversaries to celebrate in the future.

-  **1 What's in a name?** The Fund was named after the architect Sir John Vanbrugh, an associate of Sir Nicholas Hawksmoor, the inspiration for our company's name. Vanbrugh's enduringly famous buildings, such as Blenheim Palace, illustrate the solidity, flair and quality which we seek to embody in the Vanbrugh Fund.
-  **2 We have an undistracted focus on what Vanbrugh's investors actually want.** Our stated aim for the Fund at launch was to deliver on Sir John Templeton's observation that "The true objective of any long term investor is maximum total real return after taxes." All our investment decisions are made with this in mind, given this is what all investors really want whether they articulate it or not. We therefore evaluate all investments as to whether they will help the Fund's overall portfolio increase its investors' spending power over time. While seeming obvious, in our experience depressingly few financial service professionals remember this is why they have been entrusted to look after their clients' wealth.
-  **3 We stick to our circle of competence.** Successful investment managers adopt a variety of styles, but they tend to have the unifying trait of consistently sticking to what they're good at. Vanbrugh's success has been built on our proven expertise in asset allocation and choosing funds. While we are constantly looking to refine our approach and broaden our knowledge, we do so with this question in mind to lessen our chance of making mistakes: Is what we're seeking to do within our circle of competence?
-  **4 We make the most of our comparative advantages.** The investment industry is hugely competitive and it's hard to develop an edge. However, one advantage we have is our unusual combination of being a well-resourced funds of funds team yet not managing unwieldy sums of money. This means we have the flexibility to invest in small funds and specialist assets that many of our larger peers ignore. Good examples are our on-going successful investments in funds targeting pockets of value within the property sector. Another side to this point is our passion for finding successful funds managed by talented managers before they are universally discovered, illustrated by our early investments in Fundsmith and GCP Infrastructure.
-  **5 We have a responsible, common-sense approach to risk.** We seek to control Vanbrugh's risk by minimising the risk of permanent loss of capital. We would feel embarrassed about stating something so obvious were it not for the fact that we work in an industry in which it is more common to judge risk by targeting volatility. Vanbrugh's low volatility over its first decade has been the outcome of our investment approach, and has never been our target. By targeting volatility, managers can be bounced into making investment decisions at the worst time; buying increasingly expensive assets because their volatility has declined, or selling cheap assets when their volatility has increased. Judging investment risk requires assessing the valuation of assets relative to their likely future returns, not only by their past performance. We seek to profit from volatility by being its master, not its servant!

-  **6 We believe we have shown cautious investing doesn't have to be dull!** Our common-sense approach to risk frees us to invest in assets which are commonly viewed off-limits to cautious investors. Examples from Vanbrugh's portfolio over the years include private equity, sector specific equities and emerging markets assets. The vital thing is to invest only in assets you believe are cheap. 'Safe' assets can be anything but safe if bought when expensive, and similarly 'risky' assets can be comparatively safe if bought when they are attractively valued. One of Vanbrugh's core holdings for most of its life has been the private equity investment trust HG Capital. A position was purchased in this trust soon after Vanbrugh's launch when its share price stood at a discount of in excess of 40% to its net asset value even though almost half of the portfolio was in cash at a time when the manager said they sought "to exploit one of the most promising markets for new investment in decades."
-  **7 We are conscious of our fallibility but sufficiently confident to act differently and decisively.** As investors we keep in mind the picture of a lion-tamer at the circus, knowing that overconfidence can be deadly. Investing is a humbling, uncertain business, and there will inevitably be times when performance slips. We had a difficult time in 2011, and no doubt there will be times ahead when our strategy is out of step with markets. However, acknowledging this fact instils discipline and self-confidence into our investment process. This is vital, because the key reason why Vanbrugh has performed strongly versus its competitors is the way in which we have been prepared to hold a portfolio of investments that looks very different to a majority of our peers.
-  **8 We eat our own cooking.** Our self-belief in Vanbrugh is illustrated by a high level of co-investment since launch that has grown over time. Vanbrugh's investors also include many personal connections such as family, friends, colleagues and professional contacts. It would be worrying if this was not so, because as the American economist Thomas Sowell observed "It is hard to imagine a more stupid and dangerous way of making decisions than by putting those decisions in the hands of people who pay no price for being wrong."
-  **9 We manage the Fund as a team.** Hawksmoor Fund Managers should be compared to an orchestra rather than to a concert soloist. This comparison highlights a couple of important points. First, the fact that Vanbrugh is managed by a team overcomes the vulnerability of many funds which are dependent on an individual. We are like a successful orchestra that has seen its membership evolve over time even while our character and values are unchanged. Second, our investment process is designed to get the best from each of the individuals making up the team. This means Vanbrugh's performance has been stronger and more consistent than any one of us could have achieved on our own.
-  **10 As we look ahead to the next decade we take inspiration from Virgil's Aeneid; *Vires acquirit eundo* ("we gather strength as we go").** An encouraging aspect of celebrating Vanbrugh's tenth anniversary is knowing how much we have learnt from the past ten years, and how Hawksmoor Fund Managers has been strengthened as we seek to ensure Vanbrugh's second decade is another successful one for investors.

This financial promotion is issued by Hawksmoor Fund Managers which is a trading name of Hawksmoor Investment Management ("Hawksmoor"), the investment manager of the MI Hawksmoor Vanbrugh Fund ("Fund"). Hawksmoor is authorised and regulated by the Financial Conduct Authority. Hawksmoor's registered office is 2nd Floor Stratus House, Emperor Way, Exeter Business Park, Exeter, Devon EX1 3QS. The Fund's Authorised Corporate Director, Maitland Institutional Services Ltd is also authorised and regulated by the Financial Conduct Authority. This document does not constitute an offer or invitation to any person, nor should its content be interpreted as investment or tax advice for which you should consult your financial adviser and/or accountant. 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. Hawksmoor, its directors, officers, employees and their associates may have a holding in the Fund. Any opinion expressed in this document, 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 and any income from it can fall as well as rise as a result of market and currency fluctuations. You may not get back the amount you originally invested. Please read the Prospectus and the Key Investor Information Document ("KIID") before making an investment.