

# Investors' Report

31<sup>st</sup> December 2019

## AIM PORTFOLIO SERVICE

As you will surmise from the obnoxiously large winner's sticker slapped right, we are thrilled to announce that our AIM Portfolio Service has been crowned the **Best AIM IHT Portfolio Service** for 2019/20. We would not have a service were it not for our clients and supporters – so thank you all for your ongoing support.

Investment performance took a notable upward surge in the fourth quarter. Our illustrative portfolio of twenty-five equally weighted stocks rose by +19.6% in the last three months of 2019, which was comfortably better than the wider AIM market (*see statistics overleaf*). As we have seen over the past two years, investor sentiment can be frustratingly fickle. Nonetheless, the decisive general election result, and with it at least a partial resolution of the lingering Brexit uncertainty, proved to be a welcome boost to long-suffering UK smaller companies.

Price changes are never uniform and the exceptionally strong performance in some holdings meant that, in certain cases, we placed trades to rebalance portfolios. We intend to keep trading in your portfolio to a minimum, though maintaining adequate diversification is a key pillar to our risk management strategy.

While the pantomimes of politics will no doubt continue into the new decade, we would emphasise that, for the most part, this is but a noisy distraction. Meanwhile, there are several high quality businesses benefiting from technological advancements, rising global prosperity and changing demands. Below we highlight the case of FW Thorpe, which has seen double-digits revenue growth due to increased demand for cost-saving and planet-saving LED lighting.



## Company Focus | FW Thorpe 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.



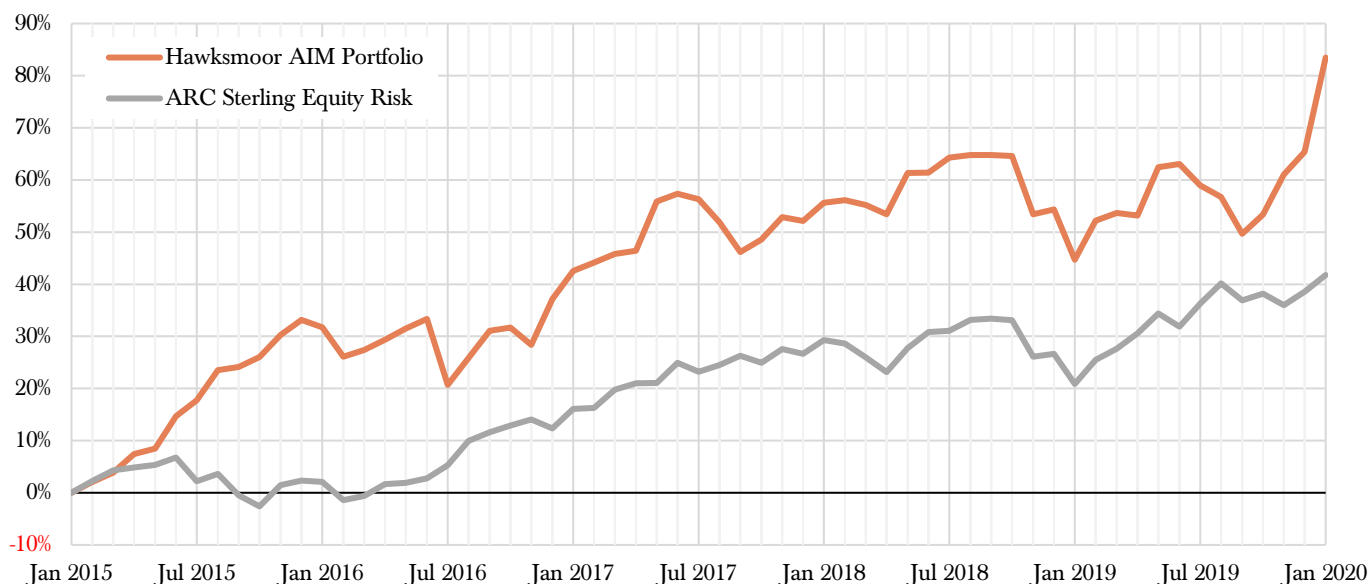
FW Thorpe designs and manufactures lighting equipment for commercial, industrial, education, healthcare and infrastructure markets. Its products include LED ceiling lights and controls, clean room luminaires for pharmaceutical labs, emergency exit signage, and lights for road tunnels. Its customers are diverse and include The Shard, the Olympic Stadium, Burberry and Eton College.

The company was founded in 1936 yet the founding family retains a sizeable ownership stake. The business is run for the longer-term which, in our view, is to the benefit of all shareholders. The company is well-invested, has a clear focus on manufacturing excellence and adopts a prudent attitude to risk management: for example, the business has zero debt. Returns on equity are consistently in the mid-teens and it has grown revenues at 12% annually over the past 5 years.

Moreover, LED lighting technology is a key structural growth market, driven by both environmental concerns yet also energy cost savings. FW Thorpe is well placed to further benefit from the world's switch from fluorescent to LED bulbs.



## Performance of an illustrative Hawksmoor AIM Portfolio



	2015	2016	2017	2018	2019	Q4 2019
<b>Hawksmoor AIM Portfolio</b>	+31.8	+8.2	+9.2	-7.0	+26.5	+19.6
ARC Sterling Equity Risk PCI	+2.1	+13.7	+11.4	-6.5	+14.6	+2.6

**Methodology and source:** Hawksmoor Research, as at 31<sup>st</sup> December 2019. Performance is quoted on a total return basis, net of a 1.5%+VAT Annual Management Charge and based on a portfolio of 25 equally weighted stocks typical of those bought for clients within the Hawksmoor AIM Portfolio Service since launch in January 2016 and a simulated portfolio for the period from January 2015 to launch. 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. Past performance is not a guide to future performance.

## 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 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**.



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### Important Information

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