

# Investors' Report

30<sup>th</sup> June 2020

## AIM PORTFOLIO SERVICE

We wrote in the last *Investors' Report* that the selling pressure on AIM had been both acute and indiscriminate in the first quarter. In the second, calmer heads prevailed and with them came sharply higher share prices. Over the past three months, our portfolios have increased in value by approximately 20%, which is 5% better than the wider market (*see performance statistics overleaf*). The defensive qualities and financial health of our portfolio holdings are starting to shine through.

The major change we made to portfolios in the period was to sell in full our position in **Dart Group PLC**, which we had already started to reduce in December (*not necessarily held in all portfolios*). Dart Group is the parent of Jet2 holidays and budget airlines, and therefore a major COVID-19 casualty. We took the opportunity to sell out when Dart's share price more than doubled from its lows to trade at levels similar to that of last summer. The shape of a profitable recovery for the travel sector is still far too uncertain for comfort: we slept much better not having that risk in portfolios.

Yet while COVID-19 presents significant threat to some, at the same time it is accelerating a number of investment themes that have been bubbling away for years. Chief among these is digitalization, and the move to greater online shopping and working. That in turn is throwing fuel on the fire of demand for cloud computing. There are clear operational and security issues for businesses that suddenly move from one central office to each and every employee's home office. For many businesses, investment in cloud technology is now an urgent and essential spend. We are long-term shareholders of a company called iomart Group, which is a direct beneficiary: we introduce it below.

We remain alive to the risk that the coronavirus pandemic is still with us and we cannot yet rule out the potential for a disruptive 'second wave'. That said, recent company commentary points to encouraging initial trading as the economy starts to reopen. Moreover, we see a number of opportunities emerging from this current crisis too. Throughout, our investment approach has remained unchanged: we want to own high quality, healthy businesses that stand to benefit from this rapidly evolving world.



## Company Focus | iomart Group 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.



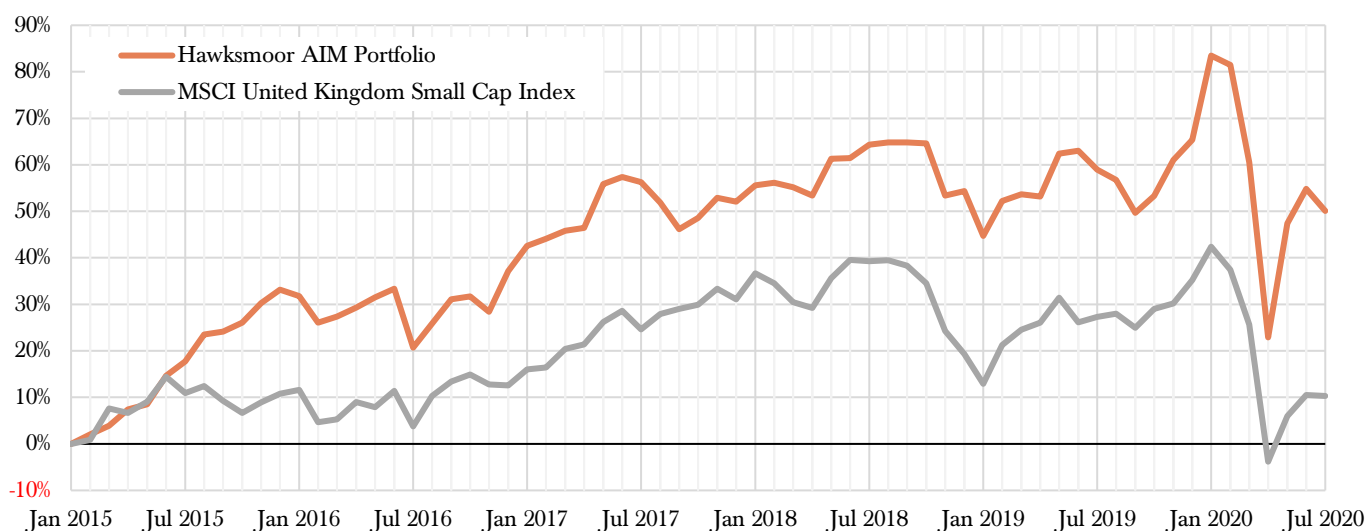
iomart is one of Europe's leading cloud-computing businesses. It owns and operates data centres across the UK, which host corporate IT systems. Companies use 'the cloud' to access remotely the computing resources that they need. In this way, their files and systems can be securely accessed from anywhere and can be flexibly increased as the business grows.

Computing is mission-critical to almost all companies these days: 85% of iomart's revenues are of a recurring nature and the group has very good levels of visibility. Virtually all of iomart's customers are in the private sector, and no one customer generates more than 1% of total group revenues. This is a specialist, highly profitable company with a rapidly growing opportunity set.

iomart was founded in 1998 and is based in Glasgow. It employs around 400 people, including approximately 260 technical staff.



## Performance of an illustrative Hawksmoor AIM Portfolio



	2015	2016	2017	2018	2019	YTD	Q2 2020
<b>Hawksmoor AIM Portfolio</b> <sup>1</sup>	+31.8	+8.2	+9.2	-7.0	+26.8	-19.2	+20.6
MSCI United Kingdom Small Cap <sup>2</sup>	+11.6	+3.9	+17.8	-17.4	+26.1	-22.5	+15.2

<sup>1</sup> *Methodology and source:* Hawksmoor Research, as at 30<sup>th</sup> June 2020. 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.

<sup>2</sup> *Source:* MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof) and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI or any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. **No further distribution or dissemination of the MSCI data is permitted** without MSCI's express written consent.

## 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. To find out more, email [jill.gill@hawksmoorim.co.uk](mailto:jill.gill@hawksmoorim.co.uk) or call 01392 454708.



**Ian Woolley, CFA**  
AIM Portfolio Manager



**Jim Wood-Smith**  
Chief Investment Officer  
(Private Clients)



**Ben Luck**  
Research Assistant

### Important Information

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