QUARTERLY REPORT
Q4 2020

HAWKSMOOR
FUND MANAGERS

THE MI HAWKSMOOR DISTRIBUTION FUND

The one-stop investment solution for income and growth.

INVESTMENT OUTCOME

The Distribution Fund's primary aim is to deliver an attractive level of income. In doing this, the managers will aim to ensure the Fund's yield will always be at a premium to a composite index of financial asset classes (equities, bonds, property and cash). The intention is to increase the distribution alongside an increase in capital growth, in order to maintain an attractive distribution yield for new and existing investors. Therefore, investors should expect to receive a total return on their investment that will be somewhat correlated to financial markets given the Fund's fully invested, albeit diversified, portfolio.

INTRODUCTION

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Contents

Our Team

Ben Conway *Head of Fund Management, Senior Fund Manager*
FE Analytics aggregated track record of 6+ years running retail funds – returning 52% versus 47% for the peer group (01/01/2014 to 31/12/2020)

Daniel Lockyer *Senior Fund Manager*
FE Analytics aggregated track record of 15+ years running retail funds – outperformed peer group by 43%, returning 148% versus 105% (13/01/2005 to 31/12/2020)

Ben Mackie *Fund Manager*

Dan Cartridge *Assistant Fund Manager*

Richard Scott *Advisor*

Hannah Isaac *Head of Fund Operations*

David Chapman *Business Development Manager*

Charlotte Sternberg *Team Assistant*

Left to right: David Chapman, Dan Cartridge, Ben Mackie, Ben Conway, Daniel Lockyer, Hannah Isaac

 Source: FE Analytics GBP total return.

MARKET PERFORMANCE

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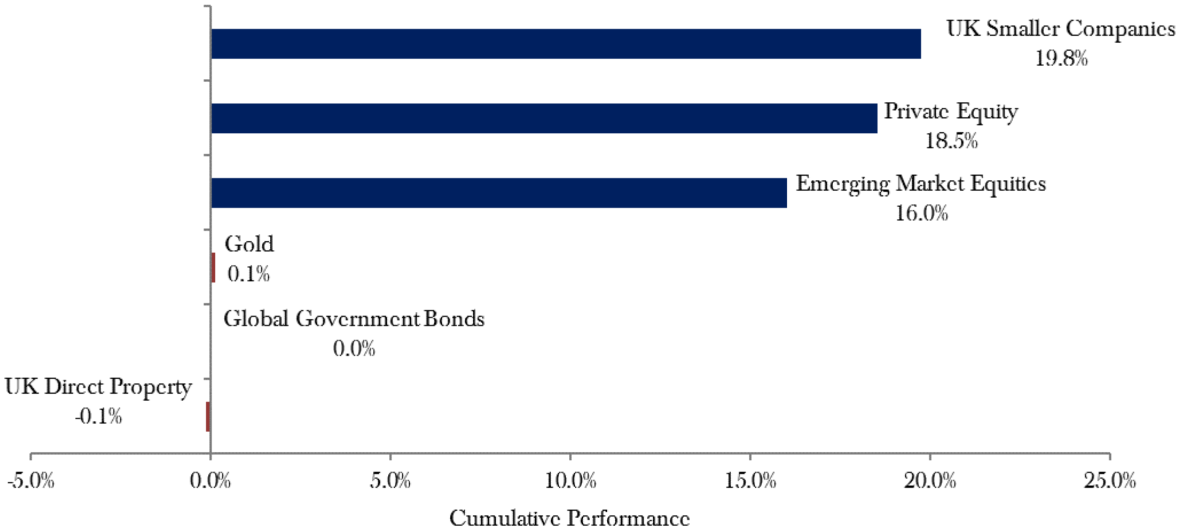
Top and bottom three performing asset classes



UK Smaller Companies: MSCI United Kingdom Small Cap, Private Equity: IT Private Equity, Emerging Market Equities: MSCI Emerging Markets, Gold: WisdomTree Physical Gold, Global Government Bonds: ICE BofA Global Government, UK Direct Property: IA UK Direct Property.

Commentary

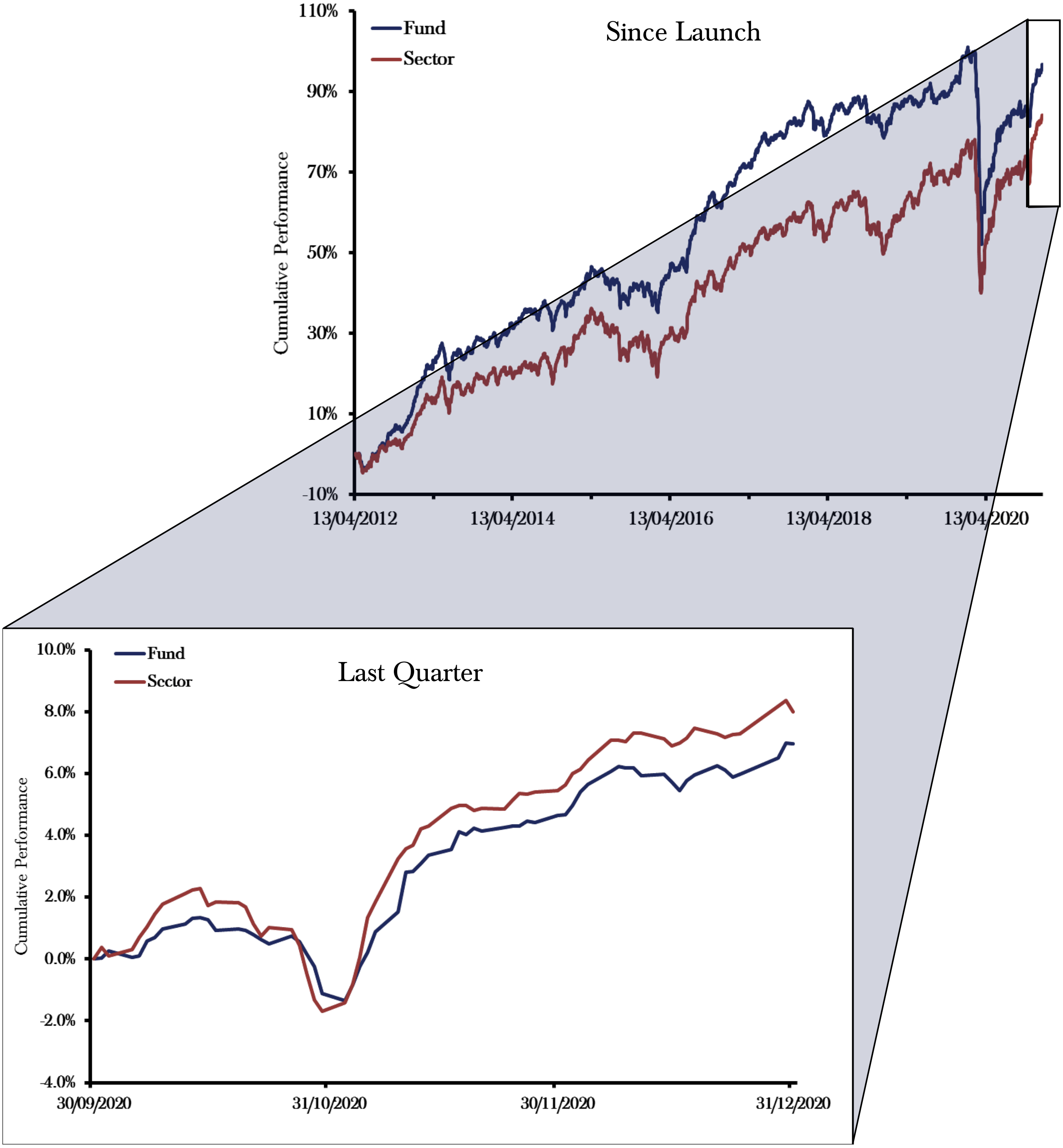
The final quarter of a remarkable year will be best remembered for the string of positive COVID-19 vaccine trial results that were announced. First, on the 9th November Pfizer and BioNTech announced that their mRNA vaccine candidate was found to be more than 90% effective in preventing COVID-19 in participants without evidence of prior infection in the initial efficacy analysis. Exactly one week later on the 16th November, Moderna announced its own primary efficacy announcement that its vaccine candidate has shown efficacy of 94.5%. Finally, as good news tends to come in threes, another week later on the 23rd November the University of Oxford and AstraZeneca announced more positive vaccine trial results. To have not one but three performing vaccines within a year of the first reported cases of the virus is nothing short of exceptional given it can take up to 10 years to develop effective vaccines. The US presidential election also took place in November, with Joe Biden winning despite unfounded claims of election fraud from Donald Trump.

The market reaction to the positive vaccine developments was staggering. Investors initially switched away from the expensive big-tech growth stocks that dominated returns in 2020, moving into cheaper, more economically sensitive businesses poised to do well as social distancing restrictions start to ease. Indeed, the initial rotation from growth to value was the sharpest turn in style leadership in history, with UK and emerging market equities leading the charge. Additionally, buoyed by the reduction of US presidential election uncertainty, in November US stocks delivered their best monthly return since 1987. Meanwhile, credit spreads narrowed aggressively as bond prices rallied. However, this shift in leadership became more muted with the realisation that despite positive vaccine news, the winter months are likely to remain difficult with ongoing lockdowns posing further challenges for many of the more cyclical businesses that had enjoyed an uptick in their share price performance. This is highlighted by the fall of Philip Green's Arcadia group and the collapse of Debenhams into administration. Many trends have been accelerated by the pandemic and are unlikely to reverse, so taking a selective approach within value exposure remains absolutely crucial.

The UK was the first nation to approve and begin the rollout of the Pfizer vaccine, giving hope for an end to lockdown measures at some point in 2021. Unfortunately, the emergence of a new strain which is more easily transmissible resulted in the government having to enact much tougher lockdown measures in December. This is a stark reminder of the challenges the virus continues to pose as we look ahead to 2021, and that the vaccines do not represent the end of the pandemic, but the next chapter in the struggle against the virus. The gold price was volatile, suffering its worst month in four years in November against a backdrop of rising US 10 year nominal government bond yields. However, one of the most important long term drivers of the gold price, real yields, did not rise, and indeed began falling as inflation expectations rose faster than nominal yields, with sharply rising food and industrial metal prices. This, combined with fears over the new virus strain, saw the gold price recover into the year end.

 Chart Source: FE Analytics local currency, total return 30/09/2020 to 31/12/2020. See page 8 for MSCI and ICE disclaimers.

DISTRIBUTION FUND PERFORMANCE



 Source: FE Analytics GBP total return 31/12/2020. C Acc units. Sector: IA Mixed Investment 40-85% Shares.

DISTRIBUTION FUND PERFORMANCE

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Performance history

Cumulative performance % growth to last month end

	Annualised since launch	*Since launch*	*5 years*	*3 years*	*1 year*	*3 months*	*Annualised volatility since launch*
Fund	**8.1**	**96.7**	**38.1**	**5.8**	**-1.1**	**7.0**	**8.0**
Sector	7.2	83.6	42.1	14.5	5.3	8.0	8.9
Quartile in Sector	2	2	3	4	4	3	1

Commentary

The Distribution Fund enjoyed a strong final quarter of the year, delivering a positive absolute return of 7.0%, albeit lagging the sector return of +8.0%. The biggest drivers of the Fund's positive returns were generated by UK equity and property exposure. UK equities roared ahead in the wake of the positive vaccine trial results, which gave investors confidence that an end date to social distancing and lockdown restrictions could be seen by the end of 2021. In addition, towards the end of December, with the Brexit transition period deadline looming on the 31st, at long last the UK government and Brussels negotiated a post-Brexit trade deal. UK equities had suffered more than global peers throughout the year, with the composition of UK equity indices more concentrated towards economically sensitive sectors such as banking and oil and gas, and with a relatively low weighting to technology companies which dominated global market returns. The best performing position was Aberforth Split Level Income Trust (+70.6%), with notably strong returns from GVQ UK Focus (+23.2%) and Man GLG Income (+18.7%).

It was also a strong period for UK property trusts. In the activity section of our Q3 report we highlighted the introduction of two property trusts to the Fund's portfolio, BMO Commercial Property Trust (BCPT) and Secure Income REIT (SIRE). Both had suffered aggressively share price falls since March, with BCPT trading at a c.50% discount and SIRE at a c.40% discount when we introduced them. Over the quarter BCPT rose 25.1% and SIRE rose 14.5%. Regional REIT (+28.3%), another which traded on a deeply distressed rating, also performed well. Alternative Income REIT had a strong quarter (+19.5%) after a tender offer for up to 25% of the shares was announced in late October. Elsewhere, there was notable positive contributions across a range of different asset classes including, BlackRock Emerging Markets (+18.1%), private equity holdings Princess Private Equity (+16.0%) and Oakley Capital (+14.0%), high yield credit fund Man GLG High Yield Opportunities (+13.6%) and convertible bond fund Polar Capital Global Convertibles (+11.3%).

The worst performing position was Ninety One Global Gold (-11.6%), which suffered as the gold price fell. There were large outflows of the precious metal and related mining stocks, as investors moved out of more defensive assets into riskier areas of markets including high yield credit and corporate debt. Despite this difficult backdrop for gold, Merian Gold & Silver (+1.1%) delivered an impressive positive return, with silver holding up well amid strong industrial demand. Other negative performers came largely as a result of currency moves. Sterling appreciated by +5.4% against the US dollar during the quarter, with this having a negative impact on our exposure to dollar denominated assets, with BioPharma Credit (-4.9%) and Angel Oak Multi Strategy Income (-3.2%) seeing their returns over the quarter swamped by this currency move.

 Source: FE Analytics GBP total return 30/09/2020 to 31/12/2020. Sector: IA Mixed Investment 40-85% Shares.

DISTRIBUTION FUND ACTIVITY

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By holding

Purchases:

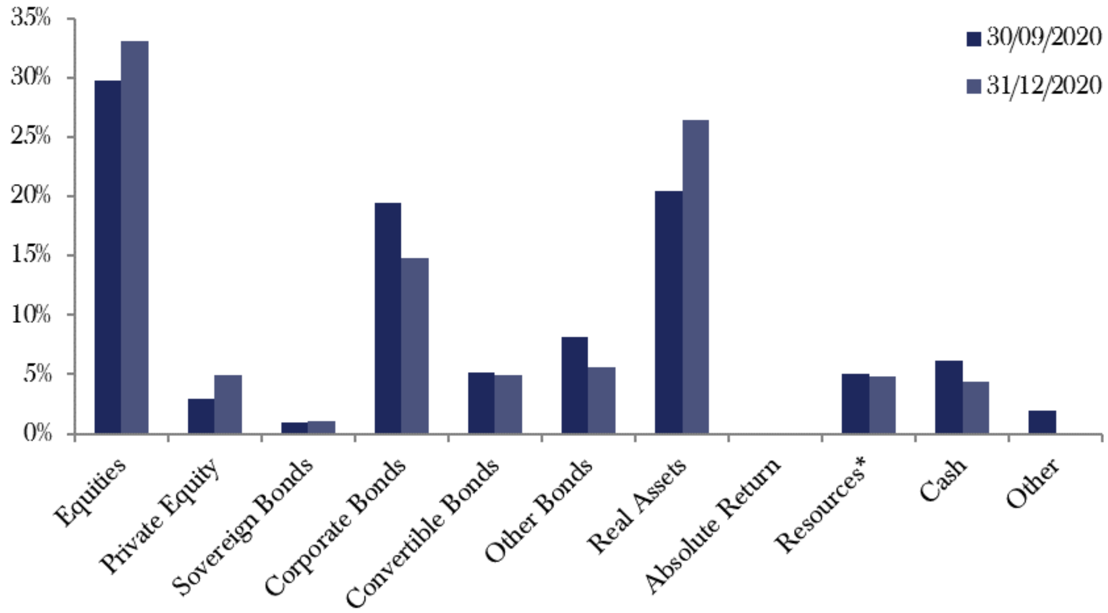
- Gresham House Energy Storage
- Round Hill Music Royalty
- US Solar

Disposals:

- Artemis Corporate Bond
- Overstone Global Equity Income
- Real Estate Credit Investments
- Schroder Asian Income Maximiser
- Semper Total Return

During the quarter we introduced US Solar, a trust that owns large scale US solar farms, leased on long term fixed price contracts (15 years) to investment grade counterparties. We took advantage of a placing at $0.90, significantly below the prevailing market price of $0.97. We also introduced a positions in battery storage trusts Gresham House Energy Storage and increased our holding in Gore Street Energy Storage. Both are positioned to meet growing demand for grid balancing technology to support renewable energy being a larger proportion of annual energy consumption. Both offer attractive return profiles primarily through high dividends, but also the opportunity for net asset value growth given well covered dividends and the opportunity for discount rate reductions. We took part in the IPO of Round Hill Music Royalty (RHM), complementing our existing position in Hipgnosis Songs. RHM has a ready made private portfolio with a long term track record of strong returns that the trust will purchase, using the end of June 2020 valuation which is significantly below more recent music catalogue sales. A number of positions were sold on competition for capital grounds after strong runs since the March lows. Significant spread compression saw us move on from Artemis Corporate Bond, whilst Semper Total Return was also sold to help fund new ideas. We sold Real Estate Credit Investments following a period of discount narrowing. We were disappointed with the boards (lack of) reaction to the poor share price performance in March and wide discount. We concentrated our Asian equity income exposure into Prusik Asian Equity Income with the sale of Schroder Asian Income Maximiser. Prusik continues to offer exposure to a high quality portfolio, that is cheaply valued and offers a dividend yield of over 6%. We sold our small position in Overstone, recycling proceeds into higher conviction ideas.

By asset class



This chart calculates the asset breakdown on a look through basis of the underlying holdings, therefore there may be differences in the breakdown shown here and on the pie chart on page 7.

 Source: Internal as at 30/09/2020 and 31/12/2020. *Including Precious Metals.

DISTRIBUTION FUND HOLDINGS

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Each fund has been allocated to an asset class for this pie chart, therefore there may be differences in the breakdown shown here and on the asset allocation chart on page 6.

 Source: Internal as at 31/12/2020.

CONTACT INFORMATION

For further information on any of our Funds or Services, or to arrange a meeting with a Fund Manager, please contact us on the details below:

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IMPORTANT INFORMATION

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