

# QUARTERLY REPORT

## Q4 2020



## THE MI HAWKSMOOR GLOBAL OPPORTUNITIES FUND

The one-stop investment solution to  
maximise long-term real returns.



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### INVESTMENT OUTCOME

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The Global Opportunities Fund's primary aim is to deliver returns, after charges, in excess of general markets over the long term (defined as rolling periods of 5+ years). In order to achieve this, the managers will invest in a variety of financial assets, using collectives to invest in long term structural growth themes, together with exploiting inefficiencies in the closed-ended sector - i.e. investment trusts trading at a discount. The portfolio will be fully invested and, whilst diversified, it will have a minimum exposure to equities of 60% . It is therefore likely that investors will see fluctuation in the value of their investment over the short term, so they need to share the managers' long term perspective in order to increase the likelihood of superior long term total returns.

# INTRODUCTION



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## Our Team

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**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*

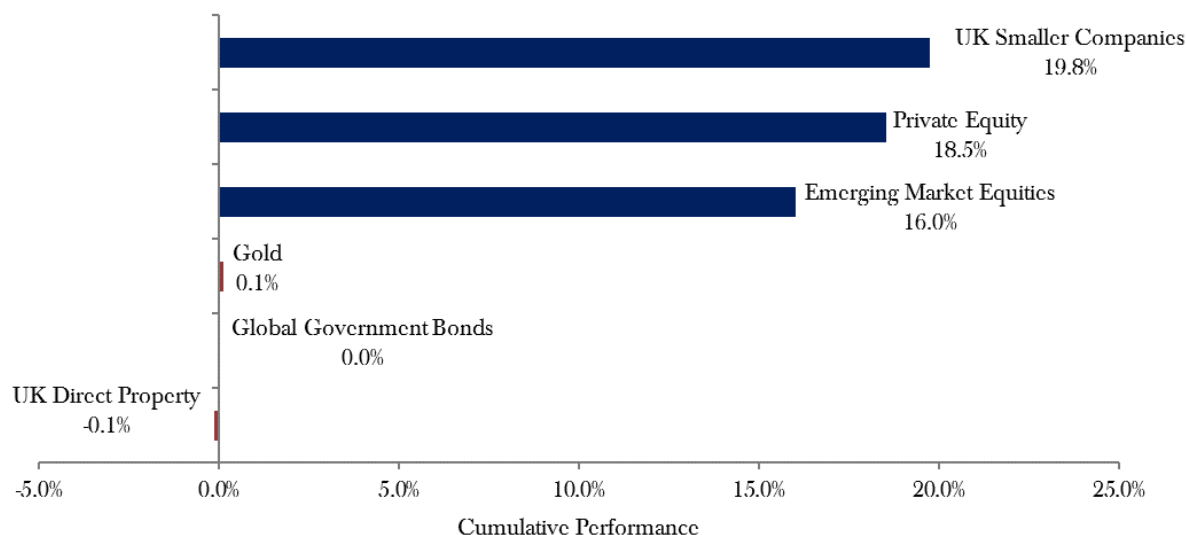


Left to right: David Chapman, Dan Cartridge, Ben Mackie, Ben Conway, Daniel Lockyer, Hannah Isaac

# MARKET PERFORMANCE



## 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

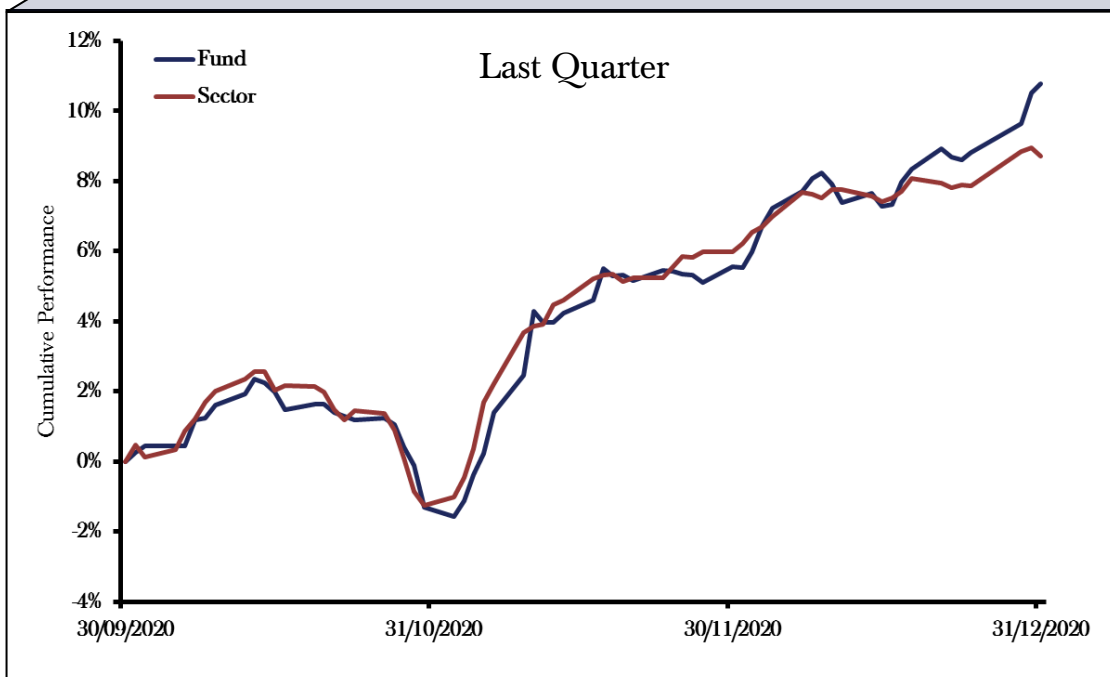
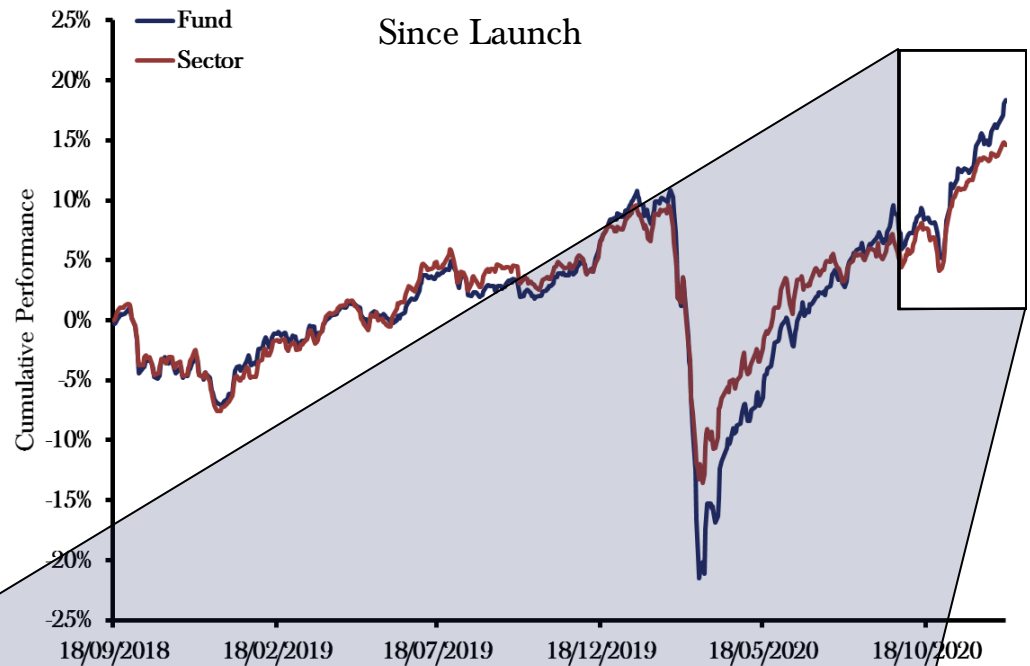
The final quarter of a remarkable year will be best remembered for the string of positive COVID-19 vaccine trial results that were announced. First, on the 9th November Pfizer and BioNTech announced that their mRNA vaccine candidate was found to be more than 90% effective in preventing COVID-19 in participants 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.



# GLOBAL OPPORTUNITIES FUND PERFORMANCE



# GLOBAL OPPORTUNITIES FUND PERFORMANCE



## Performance history

<i>Cumulative performance % growth to last month end</i>					
	<i>Annualised since launch</i>	<i>Since launch</i>	<i>1 year</i>	<i>3 months</i>	<i>Annualised volatility since launch</i>
<b>Fund</b>	<b>7.6</b>	<b>18.3</b>	<b>9.0</b>	<b>10.8</b>	<b>16.2</b>
Sector	6.1	14.6	6.7	8.7	12.3
Quartile in Sector	2	2	2	2	3

## Commentary

The Global Opportunities Fund continued its very strong run, which has seen the fund rise by 40.4% from the end of March to the end of December. The final quarter of the year was another excellent quarter for both absolute and relative performance, with the fund up 10.8%, significantly outperforming the sector's return. There were significant contributors to the Fund's performance from a broad range of asset classes. The strongest performing position was Geiger Counter (+44.3%) which owns a portfolio of uranium miners. The uranium price (and the respective miners) rose sharply after President Trump asked Congress for \$1.5bn over the next 10 years to establish a uranium stockpile in the US. Private equity trusts Chrysalis Investment (+29.7%), Princess Private Equity (+16.0%) and Oakley Capital (+14.0%) rose strongly amid the risk-on sentiment, with Chrysalis releasing a very positive net asset value uplift of over 17%. High yield bond fund Man GLG High Yield Opportunities rose 13.8% as high yield credit spreads narrowed sharply following the positive vaccine news. Within credit, emerging market bonds were also strong with Ashmore Emerging Markets Short Duration up 5.2%. Special situation Highbridge Tactical Credit rose 13.4% as shareholders unanimously voted to wind the trust down which saw the discount sharply narrow.

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. River & Mercantile UK Micro Cap (+31.9%), Teviot UK Smaller Companies (+29.8%) and Crux UK Special Situations (+27.5%) all rose sharply.

It was also a strong period for UK property trusts. In the activity section of our Q3 report we highlighted the introduction of a trio of property trusts to the Fund's portfolio, BMO Commercial Property Trust (BCPT), Secure Income REIT (SIRE) and Regional REIT (RGL). All had suffered aggressive share price falls since March, with BCPT trading at a c.50% discount, SIRE at a c.40% discount and RGL at a 35% discount when we introduced them. Over the quarter BCPT rose 25.1%, SIRE rose 14.5% and RGL rose 28.3%. 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.

The worst performing position was Ninety One Global Gold (-11.6%), which suffered along with Golden Prospect (-6.6%) 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. 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.

# GLOBAL OPPORTUNITIES FUND ACTIVITY



## By holding

### Purchases:

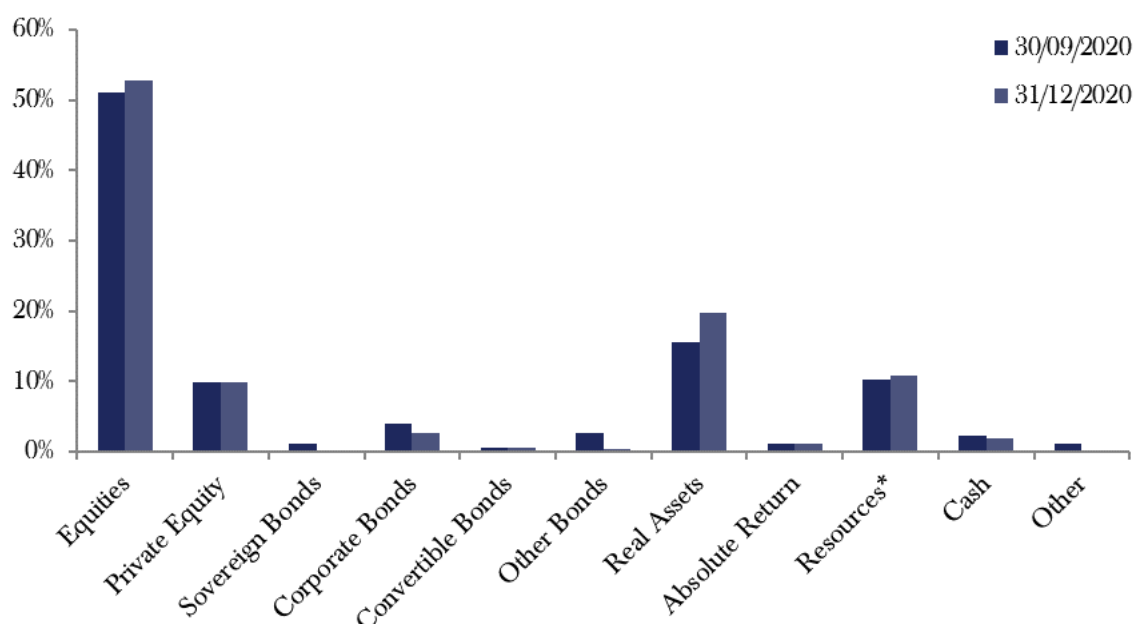
- Gore Street Energy Storage
- Gresham House Energy Storage
- Round Hill Music Royalty

### Disposals:

- Aberdeen Emerging Markets
- M&G Emerging Markets Bond
- Semper Total Return

During the Quarter we introduced positions in battery storage trusts Gore Street Energy Storage and Gresham House 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. Competition for capital from these new ideas as well as from existing positions led to the exit of three holdings during the quarter. Semper Total Return and M&G Emerging Markets Bond made way after strong performance to fund our new ideas, whilst we concentrated our Asia and emerging market holdings with the sale of Aberdeen Emerging Markets following a period of discount narrowing, as we increased our conviction in Prusik Asian Equity Income, a high quality but cheaply rated portfolio offering a dividend yield in excess of 6%.

## 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.



# GLOBAL OPPORTUNITIES FUND HOLDINGS



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.

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## CONTACT INFORMATION

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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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