QUARTERLY REPORT
Q4 2020

HAWKSMOOR
FUND MANAGERS

THE MI HAWKSMOOR VANBRUGH FUND

The one-stop investment solution for real returns.

INVESTMENT OUTCOME

The Vanbrugh Fund's primary aim is to deliver returns, after charges, in excess of the Consumer Price Index (CPI) over the medium term (defined as rolling periods of 3-5 years). In striving to achieve this target, the managers seek to strike the right balance between the need to generate positive real returns and preserve capital by investing in a variety of financial assets which can be volatile. The managers will seek to mitigate against this volatility by ensuring a diversified portfolio of assets, each of which share the common characteristics of a margin of safety and low intra-asset correlations. However, investors may 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. Whilst there is no yield target, the Fund will always contain an allocation to bonds and other income producing assets, so some income generation is likely.

INTRODUCTION

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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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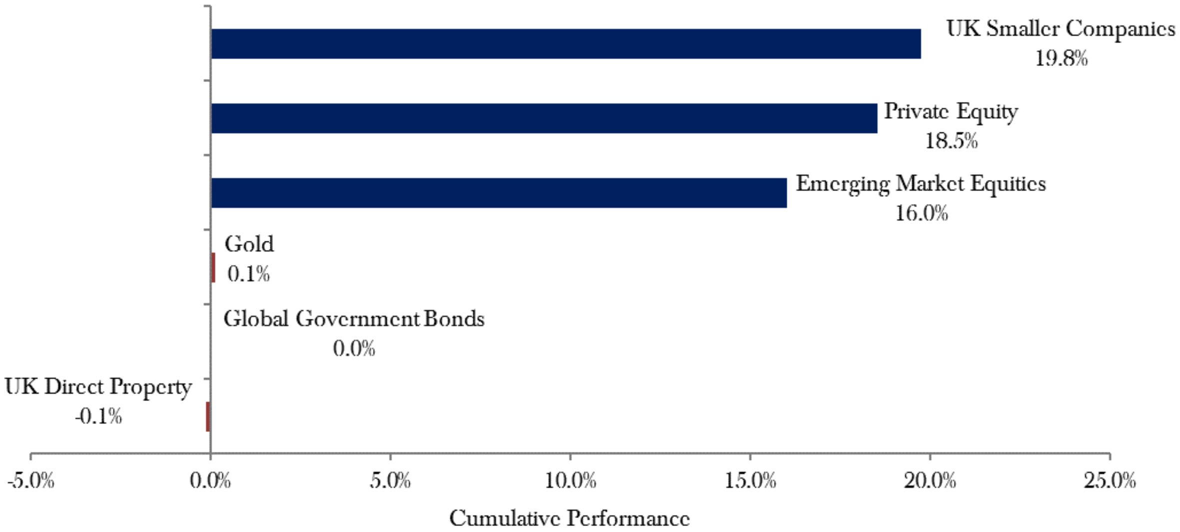
Top and bottom three performing asset classes



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

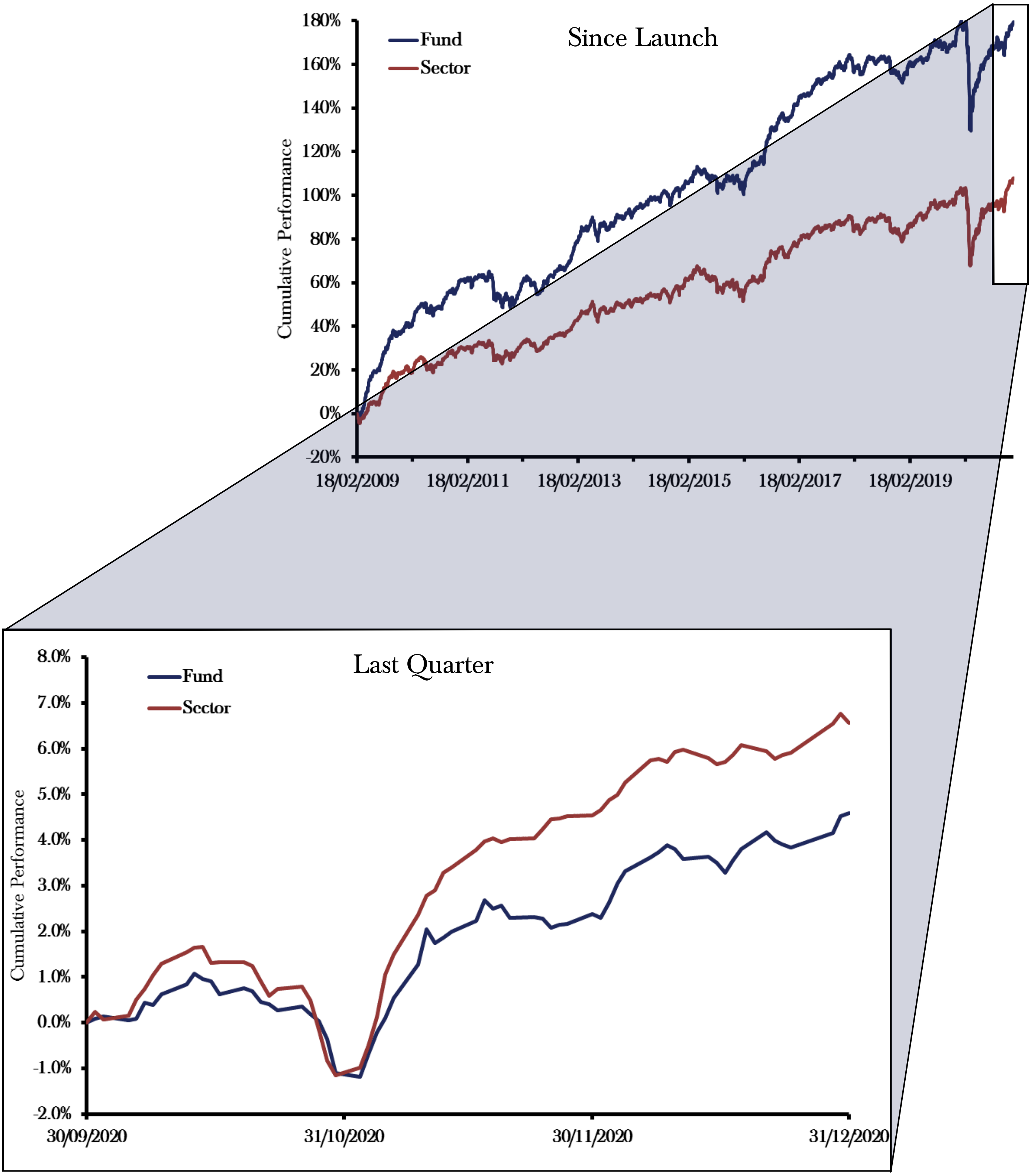
The final quarter of a remarkable year will be best remembered for the string of positive COVID-19 vaccine trial results that were announced. First, on the 9th November Pfizer and BioNTech announced that their mRNA vaccine candidate was found to be more than 90% effective in preventing COVID-19 in participants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

VANBRUGH FUND PERFORMANCE



 Source: FE Analytics GBP total return 31/12/2020. C Acc units. Sector: IA Mixed Investment 20-60% Shares.

VANBRUGH FUND PERFORMANCE

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Performance history

Cumulative performance % growth to last month end

	Annualised since launch	*Since launch*	*10 years*	*5 years*	*3 years*	*1 year*	*3 months*	*Annualised volatility since launch*
Fund	**9.0**	**179.6**	**73.4**	**33.7**	**6.5**	**1.0**	**4.6**	**6.4**
Sector	6.3	107.6	59.5	29.9	9.9	3.5	6.6	6.5
Quartile in Sector	1	1	2	2	3	3	4	1

Commentary

The Vanbrugh Fund enjoyed a strong final quarter of the year, delivering a positive absolute return of 4.6%, albeit lagging the sector return of +6.6%. 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 Teviot UK Smaller Companies (+29.8%), closely followed by Odysssean Investment Trust (+29.7%) and Crux UK Special Situations (+27.5%), all of which significantly outperformed the broader UK large cap and small cap indices.

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 Vanbrugh 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. On the 4th of November, we also introduced a position in Regional REIT, with the trust trading on a c.35% discount. All three trusts rallied strongly on the vaccine news. Over the full quarter BCPT rose 25.1%, SIRE rose 14.5% and between our introduction and the end of the quarter Regional REIT returned 33.4%. In addition, 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. Other positive contributions came from a variety of different asset classes, including distressed investment trust specialist Miton Global Opportunities (+21.9%), emerging market equities fund BlackRock Emerging Markets (+18.1%), private equity trust Oakley Capital (+14.0%), convertible bond fund Polar Cappital Global Convertibles (+11.3%), direct lending specialist RM Secured Direct Lending (+9.6%), and music royalty trust Hipgnosis Songs (6.7%).

The worst performing position was Ninety One Global Gold (-11.6%), which suffered along with WisdomTree Physical Gold (-5.3%). 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%), CG Dollar (-4.2%) 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 20-60% Shares.

VANBRUGH FUND ACTIVITY

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By holding

Purchases:

- Gore Street Energy Storage
- Gresham House Energy Storage
- Regional REIT
- Round Hill Music Royalty
- US Solar

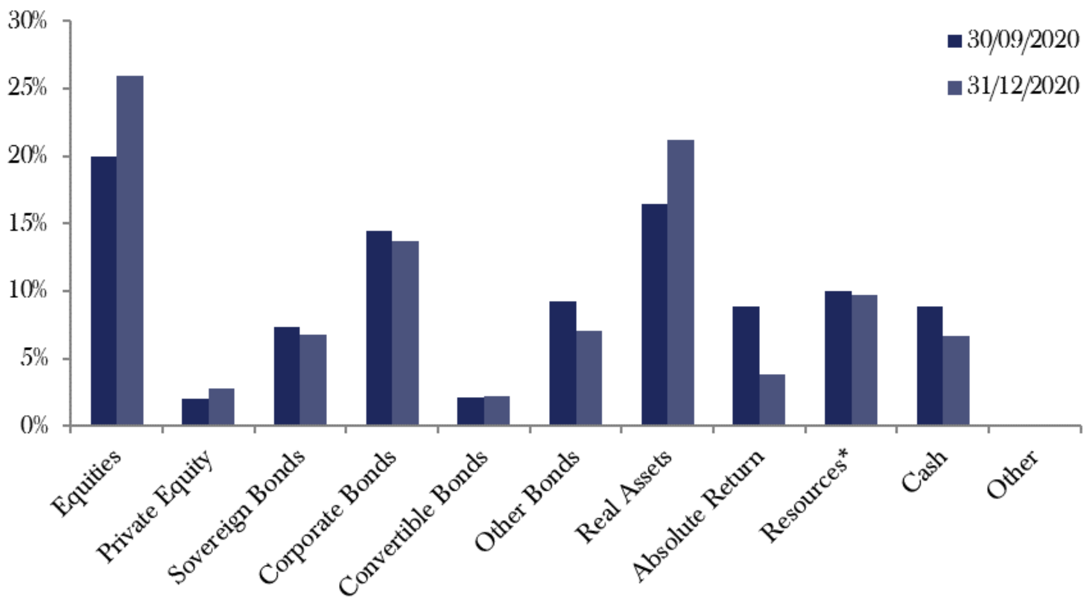
Disposals:

- Natixis ASG Managed Futures
- Real Estate Credit Investments
- Semper Total Return
- Winton Trend

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 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 advantage of weakness in Regional REIT to introduce it to the Vanbrugh Fund's bucket of distressed property trusts. The shares subsequently rose over 33%. 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.

We sold our positions in Winton Trend and Natixis ASG Managed Futures after changes in their portfolio positioning meant they wouldn't continue to offer diversification benefits, and amid a broader move away from strategies into cheap real assets and 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. Semper Total Return was sold on competition for capital grounds, with more attractive returns available elsewhere.

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.

VANBRUGH 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

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IMPORTANT INFORMATION

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