

# Investors' Report

31<sup>st</sup> December 2020

## AIM PORTFOLIO SERVICE

We end this very tumultuous year with a smörgåsbord of investor optimism. The past three months has been the remarkable story of how our scientists can develop world-saving vaccines in record time, of how our businesses can quickly adapt, even of how the UK and EU can uncover enough common ground for a trade deal. As such, the fourth quarter generally brought much better news for investors than we had dared hope for earlier in the year.

The recovery in share prices and portfolio values has been dramatic. Indeed, had you looked at your portfolio value only at the start and end of 2020, the year would have seemed entirely unremarkable. For the fourth quarter, however, our AIM portfolios were up an average +20% over the three months (*full performance statistics overleaf*).

The general trend we reported in the autumn of companies trading better than they feared has continued. We are now seeing a return to formal profit guidance, dividends, and even acquisitions. Corporate confidence has come a long way since the spring. Moreover, the last-minute swerve away from the No Deal Brexit cliff edge will be very welcome news for the UK's smallest companies – and not just from a day-to-day operational perspective. Since the summer of 2016, the uncertainties of Brexit have weighed heavily on UK stock markets. Greater clarity over our future relationship with our European cousins and the wider world is the first step to that discount unwinding.

Meanwhile, the COVID-19 vaccines provide real hope for an end to social restrictions. The caveat, of course, is that it is always darkest just before the Day dawneth. The near-term will inevitably bring stricter restrictions to contain the virus before we are deemed sufficiently vaccinated. We are not yet out of this pandemic, and its potential still to upset financial markets should not be underestimated. That said, remember that investing is inherently a long-term endeavour. Imbedded in the price of a share is value that should be measured in decades of cash flows, not mere quarters. Human nature is such that we will always seek and find something to worry about. But our sense as 2020 ends is that, on many fronts, prospects for the UK's smaller companies are looking brighter than for quite some time.



## Company Focus | IMPAX Asset Management 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.



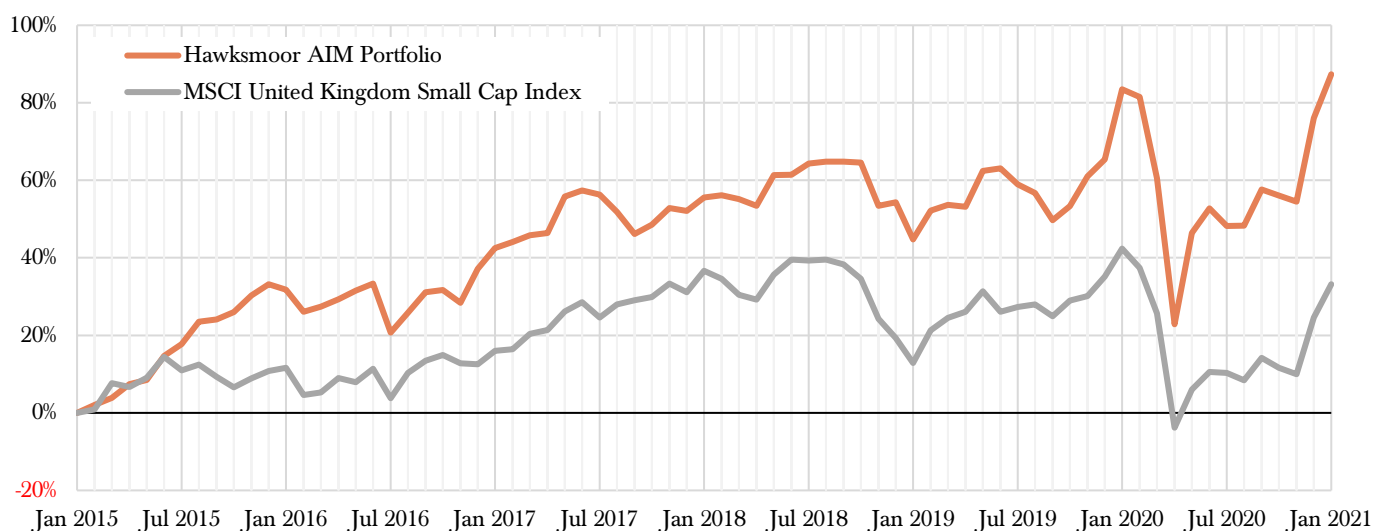
A rapidly growing cohort of people wish for their investments to do more than just make them mere money. This demand for investment mandates that seek to benefit society in addition to achieving a financial return has been a major force in the financial world in recent years.

**Impax Asset Management**, a specialist manager of sustainable investments, has been a key beneficiary of that trend. Its assets under management have grown from around £3 billion in 2015 to over £25 billion today. Its range of funds cover thematic and global equities, private equity infrastructure (such as renewable energy) and sustainable property.

Impax was one of our best performing shares in 2020: its share price rose in the year by 79.4% (*Source: FactSet*).



## Performance of an illustrative Hawksmoor AIM Portfolio



	2015	2016	2017	2018	2019	2020	Q4 2020
<b>Hawksmoor AIM Portfolio</b> <sup>1</sup>	+31.8	+8.2	+9.2	-7.0	+26.8	+2.1	+20.1
MSCI United Kingdom Small Cap <sup>2</sup>	+11.6	+3.9	+17.8	-17.4	+26.1	-4.9	+19.8

<sup>1</sup> *Methodology and source:* Hawksmoor Research, as at 31<sup>st</sup> December 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 illustrated, 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.



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### Important Information

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