

## INVESTORS' REPORT - 30<sup>th</sup> September 2021

Hawksmoor's AIM Portfolios continue to perform well. Notwithstanding a little market wobble in the past couple of weeks, overall returns for the third quarter were a respectable 4.4%, taking the year-to-date to 22.1%, or almost double the return of the MSCI UK Small Cap Index (see full performance statistics overleaf).

The key message from the companies we speak to is that demand for goods and services remains very strong across most industries. The challenge, instead, is on its delivery. As the global economy continues to re-adjust from the COVID-19 pandemic, there are severe supply shortages for raw materials, labour and transportation. In general, companies are managing to meet expectations despite these rising costs—though with supply issues persisting, we expect to see more profit warnings in the coming months. In that environment, we continue to prefer companies that can be flexible, have a degree of pricing power, and short supply chains.

Our boutique size means that we can be nimble. This is a key advantage. Larger institutions managing hundreds of millions, or even billions, on AIM are constrained only to the largest of AIM's shares. We, instead, can hunt for opportunities right across the market size spectrum.

Yet, as our track record shows, this 'whole of market' approach doesn't equate to higher risk.

Our sweet spot for new investments is around the £100m to £300m size bracket: here you can find established, high quality, growing businesses, but without the valuation premium that can prevail amongst the larger AIM shares. Our investees are not start-ups; they are industry leaders or challengers, profitable, well-invested, cash-generative and with huge growth potential... but that fly underneath the radar and reach of the financial industry's larger institutions. Below we present the example of Tracsis PLC.

We are also delighted to add another award sticker top right. Having won *Investment Week's Best AIM IHT Portfolio Service* in 2019/20, the service is a finalist in the upcoming *Growth Investor Awards 2021* in the Best AIM Portfolio Service category. Cross your fingers for us.



### Company Focus | Tracsis plc

In each of our quarterly briefings we present one of the companies in which we invest (not necessarily held by all clients) to provide examples of the kind of opportunities that one can find amongst quality smaller companies that trade on AIM.



**Tracsis** provides the software that makes the rail industry safer and more efficient. It provides operational planning and timetabling, remote condition monitoring, consultancy and ticketing solutions. It also has a business conducting road traffic surveys and analytics.

The core theme in Tracsis' favour is the growing use of data and technology in industry. Its software means rail network signals, switches and infrastructure can be remotely monitored, reducing failure rates, reducing costs, and improving safety on the tracks. It further helps automate regulated business processes to reduce risk.

From an investment perspective, these are multi-year contracts with recurring revenues and high barriers to entry. It has a healthy balance sheet, earns good margins and has excellent growth prospects.



## Performance of an illustrative Hawksmoor AIM Portfolio

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.



| <i>Discrete Annual Performance</i>          |  | 2016    | 2017     | 2018     | 2019   | 2020    | 2021 YTD | 2021 Q3 |
|---|--|---------|----------|----------|--------|---------|----------|---------|
| <b>Hawksmoor AIM Portfolio</b> <sup>1</sup> |  | +8.2    | +9.2     | -7.0     | +26.8  | +2.0    | +22.1    | +4.4    |
| MSCI United Kingdom Small Cap <sup>2</sup>  |  | +3.9    | +17.8    | -17.4    | +26.1  | -6.4    | +11.9    | +2.2    |
| <i>Cumulative Performance</i>               |  | 1 month | 3 months | 6 months | 1 year | 3 years | 5 years  |         |
| <b>Hawksmoor AIM Portfolio</b> <sup>1</sup> |  | -1.6%   | 4.4%     | 17.0%    | 46.5%  | 38.9%   | 73.6%    |         |
| MSCI United Kingdom Small Cap <sup>2</sup>  |  | -5.0%   | 2.2%     | 5.9%     | 33.5%  | 10.8%   | 29.7%    |         |



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### Important Information

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<sup>1</sup> *Methodology and source:* Hawksmoor Research, as at the date of this report. 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. 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.

