

# Fund Review

MI Hawksmoor

Vanbrugh

December 2021

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# Defaqto Fund Reviews

This document is designed to provide the reader with a quantitative overview of the fund reviewed. The review then goes on to examine information of a more qualitative nature, which has been obtained through an interview process with the fund manager/s.

The qualitative information covers specific areas including the fund manager’s philosophy, their people, and the processes they employ. Additional information is also provided on their research capability, the resources they have at their disposal and how they manage risk.. All of this information goes towards creating this comprehensive Fund Review.

## Defaqto Ratings

### Ratings to help advisers and their clients make better

The Defaqto experts have created a range of ratings to help advisers find the best product or proposition for their clients.



Show at a glance how a fund or fund family performs in comparison to the rest of the market.



Demonstrate the comprehensiveness of products across a range of areas, from pensions to DFMs.



An overall assessment of service – by advisers for advisers.

### Suitability ratings to support compliant advice

Defaqto have created a set of ten Risk Profiles, and four Income Risk Profiles with corresponding ratings to which funds are mapped using a robust process. This helps advisers to evidence suitability for their clients in both the accumulation and decumulation phase:



# Fund Review

Hawksmoor Fund Managers  
Fund name: Vanbrugh  
Fraser Donaldson, Insight Consultant



## Executive summary



Hawksmoor is a growing, profitable, asset management company that focuses on both fund management and discretionary management.

The fund managers are Ben Conway and Daniel Lockyer, who have both been at Hawksmoor for more than 10 years, and are assisted by Ben Mackie and Dan Cartridge.

The Vanbrugh fund's primary objective is to deliver positive real returns after charges in excess of CPI over the medium term (rolling periods of at least 3 years).

Hawksmoor have an unconstrained approach to asset allocation. This flexibility is not viewed as an opportunity to increase risk, rather it is their belief that reliance on artificial limits can hinder the successful implementation of their portfolio construction risk controls.

Hawksmoor are active managers, they do not invest to a benchmark and they aim to remain fully invested at all times. They aim to stick to their long term view and in doing so will accept short term periods of higher volatility.

Hawksmoor feel they have an advantage in their size, in that they can invest in smaller funds (boutiques, start-ups and closed-end funds). As well as seeing the benefits of possible early growth, they believe that this helps in developing stronger relationships with the fund managers and aids their

qualitative driven investment process.

Significant exposure to investment trusts, gives Hawksmoor access to a wider range of asset classes including property, private equity and even areas such as ships and songs. This enables Hawksmoor to target their investments more accurately to the themes they believe in.

Hawksmoor operate a collegiate approach to investment, with all members operating a generalist approach to fund analysis. Being qualitative driven, the team undertake more than 500 manager meetings a year. Notes and conclusions are all peer reviewed amongst the whole team before any action is considered by the fund managers.

Hawksmoor view risk to the investor as the risk of permanent loss of capital. With this in mind they do not believe in assessing risk by correlation to a benchmark or a statistical measure of volatility, rather they assess how volatility may change in the future, which works with the more qualitative approach.

Internal oversight of the fund is provided by the compliance team. External oversight of the fund is provided by the funds' Authorised Corporate Director, Maitland and the funds' Depositary and Custodian, Northern Trust.

## Investment objective

The Vanbrugh fund's primary objective is to deliver returns after charges of in excess of CPI over the medium term (rolling periods of at least 3 years). Hawksmoor attempt to balance the need for achieving positive real returns with the preservation of capital. Hawksmoor will invest in a variety of

financial assets which can be volatile. To mitigate against this there is a margin of safety built in and low correlation of assets.

While there is no yield target, the portfolio will contain some bond holdings and other income producing assets.

## About Hawksmoor Fund Managers

Founded in 2007, Hawksmoor Investment Management was bought by US Private Equity firm The Carlyle Group early in 2021. As at the end of September 2021, Hawksmoor managed in excess of £1.5bn. This is split approximately 70% discretionary portfolio management, 30% fund management (Hawksmoor Fund Managers).

Until the end of 2018, Ben Conway and Daniel Lockyer managed both the funds and the model portfolio service. A

major restructure has resulted in Ben and Daniel running the funds, with the model portfolio service being run by a separate team. 2018 saw Hawksmoor achieve a gross profit for the first time in several years. Overall assets have been growing strongly since the restructure.

The fund management team are based in Exeter, with offices in London, Taunton, Dorchester and Bury St Edmunds.



## Quantitative Summary

Although there is currently a relatively high allocation to fixed income, the rest of the portfolio is well diversified both geographically and by asset type.

There is a relatively significant exposure to investment trusts (37.3%), which allows exposure to a range of alternative assets such as real estate, private equity and commodities.

Cash aside, the top ten holdings represent just over 30% of the portfolio. With the current number of holdings standing at 49, there is a good deal of diversification. As with other Hawksmoor funds, and consistent with their 'small is better' philosophy, there are a number of holdings that will be unfamiliar to many investors. This approach appears to chime with their assertion that they can target asset allocation more precisely. For instance, there is Phoenix Spree Deutschland which focuses on German rental properties or CG Dollar fund which focuses on US treasury inflation linked bonds.

The last 5 years have seen a steady outperformance of its peers overall, in the IA Mixed Investment 20%—60% shares sector. It is only in 2019 and 2020, where some underperformance has occurred. The fund has recovered well from the sharp fall in value during the early months of 2020 when the pandemic hit, only registering slight underperformance for the year overall.

Given that Hawksmoor expect short periods of volatility and underperformance, we would suggest that the fund has performed relatively well overall, having remained fully invested, sticking to their long term strategy and abiding by their fundamental philosophy.

Over 5 years (and indeed since launch) the fund has exhibited just the kind of risk profile that an investor would wish for—relatively low volatility compared to its peers and higher annualised returns. While the last year or so has been less impressive compared to its peers we would accept that Hawksmoor expect some short-term volatility from time to time and that investors should be amply rewarded for the risk taken over the longer term.

The estimated drawdown of –18% and a worst month of –11% has clearly been driven by the markets early in 2020 and yet, actually compares favourably with its peers in the sector. With positive months outperforming negative months 2:1, lower volatility, and higher returns, this is an enticing combination.

With a current AUM of £213m, the Vanbrugh fund is well above the size that its longevity could be questioned, and well below the size where capacity constraints would be considered. The fund continues to receive positive inflows.

The OCF is perhaps a touch above its peer group average, although over 5 years this does not seem to have been detrimental to the fund achieving its aims. Actual underlying transaction fees are competitive.

With a focus on long term capital preservation, there is no specific yield target for this fund and certainly no attempt to achieve year on year income growth. However, the diversification of assets means there will always be an allocation to bonds and other income producing assets which will contribute to total return over time.

## Fund information and classification

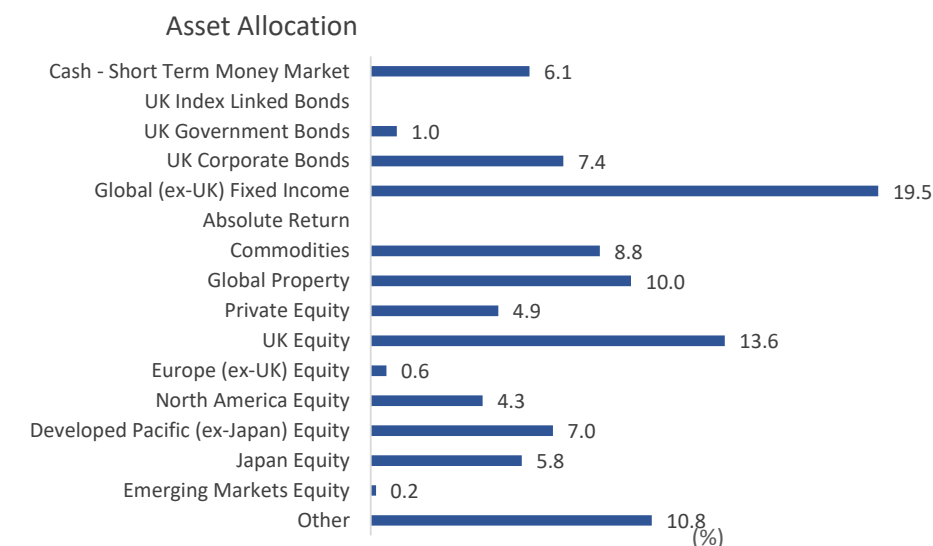
Launch date	18 February 2009
Fund Manager	Daniel Lockyer/Ben Conway
Domicile	GBR
Assets	Active
Approach	Return Focused
Type	OEIC

IA sector	Mixed Investment 20-60% shares
Morningstar category*	GBP Moderate Allocation
Defaqto Diamond Rating Type	Multi-Manager Return Focused
Diamond Rating	5

\*Note: The Morningstar Category is used in all comparative analysis, over the following pages.

AUM	£225M
Date	30 November 2021
OCF Estimated	1.38%
OCF Actual	1.38%
Transaction Fee Actual	0.14%
Performance Fee (Yes/No)	No
Performance Fee Actual	n/a

## Asset allocation



Source, Morningstar October 2021

## Note

This asset allocation chart is drawn using the 16 asset classes (including 'other') that we use in our modelling.

This may differ slightly from the asset allocation described by the fund manager, due to various asset class roll-up and mapping variances.

## Top 10 holdings

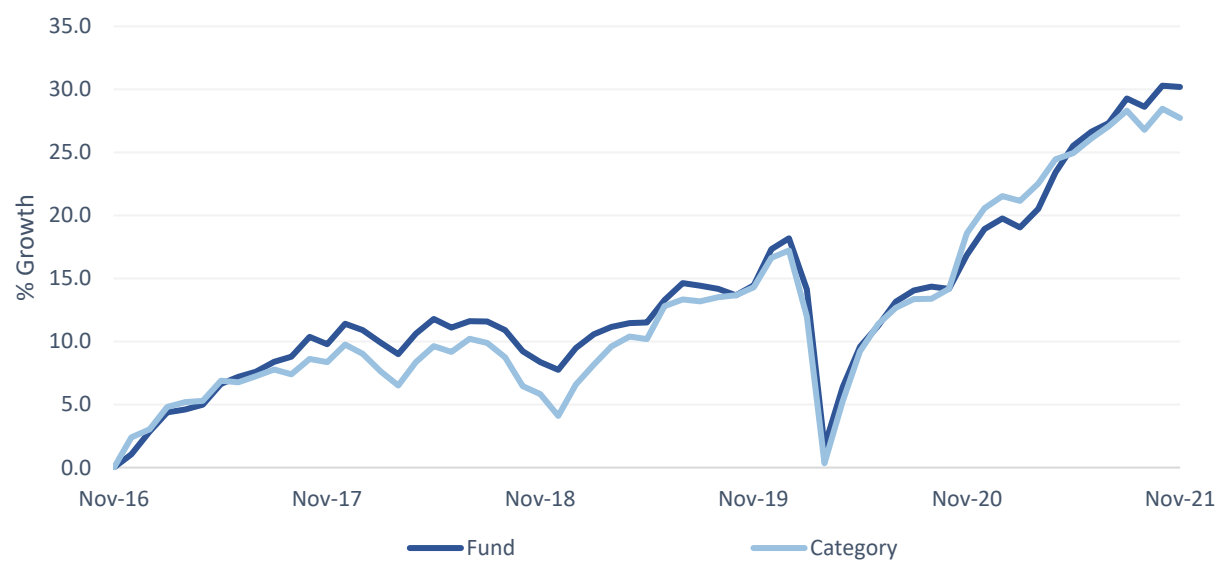
Total Number of Holdings	49
Exposure to Investment Trusts (%)	37.3
Assets in Top 10 Holdings (%)	31.9

Name	Asset Class	% of assets
Allianz Strategic Bond	Global Fixed Income	3.8%
MI TwentyFour AM Monument Bond	European Fixed Income	3.6%
Oakley Capital Investments	European PE	3.5%
Jupiter Gold & Silver	Commodities	3.3%
Phoenix Spree Deutschland	German Property	3.2%
GVQ UK Focus	UK Equity	3.0%
WisdomTree Physical Gold	Commodities	3.0%
CG Dollar	US Inflation Linked Bonds	2.9%
CIM Dividend Income	Asian Equity	2.9%
Prusik Asian Equity Income	Asian Equity	2.8%

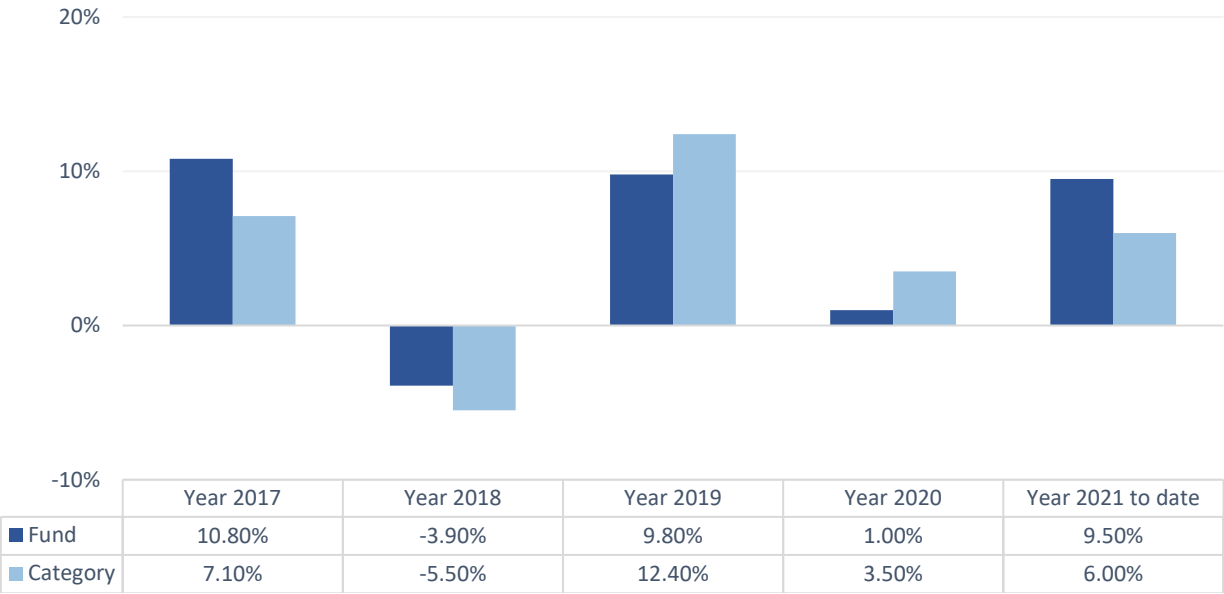
Source, Hawksmoor November 2021

# Performance

Cumulative Performance - 5 year

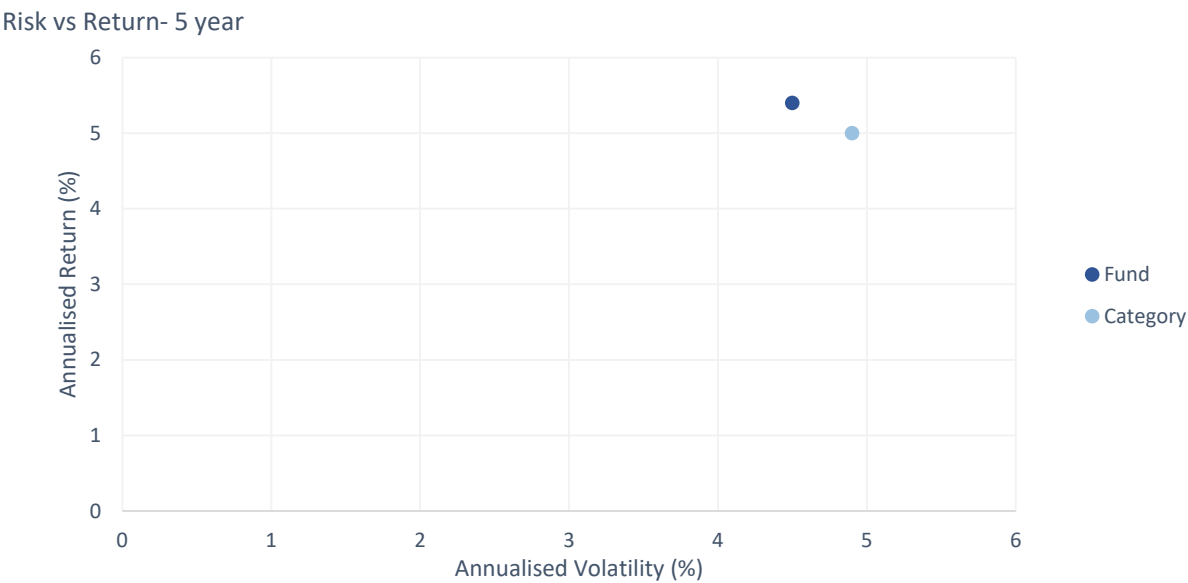


Annual Performance



Source, Morningstar December 2021

## Risk



Source, Morningstar, December 2021

## Drawdown

Last 60 Months	
Max Drawdown	-18.00%
Positive Months	40
Negative Months	20
Worst Month	-11.00%

[Source, Morningstar December2021

## Liquidity

Days to liquidate holdings	% of portfolio
1 - 5 days (%)	69
10– 20 days (%)	16
20+ days (%)	15

Source, Hawksmoor September 2021.

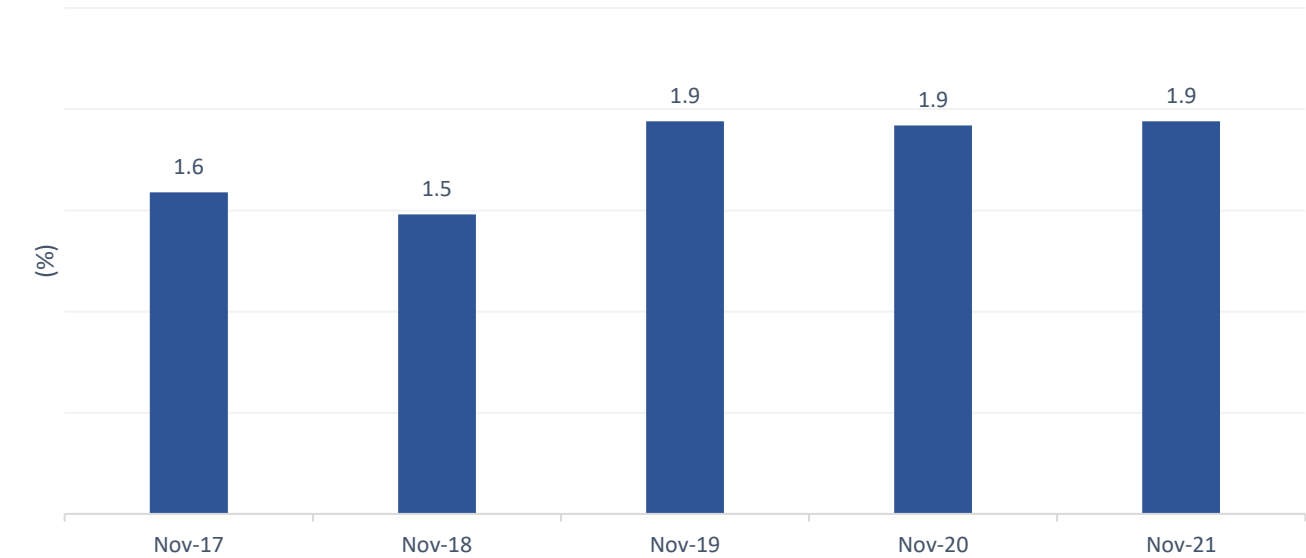
Based on the portfolio at the end of September 2020, Hawksmoor have declared the following liquidity position. The majority of the portfolios are invested in open ended funds, all of which are daily dealing, so can be liquidated in one day. For investment trusts, of which there is a significant exposure, Hawksmoor conservatively estimate the number of days based on 15% of the 120 day trading volume average.



Income and yield

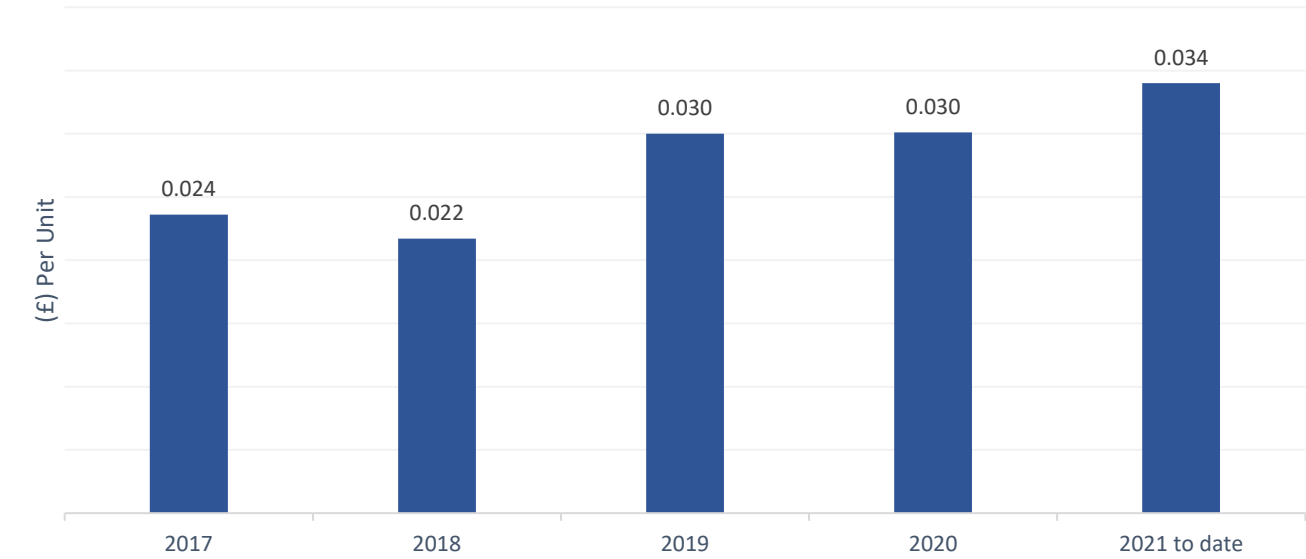
Distribution Yield	1.9%
Distribution Frequency	Semi-annually

Distribution Yield



Morningstar, December 2021

Pre Tax Income



Morningstar, October 2021

## Philosophy

The fundamental aim of Hawksmoor is to achieve client objectives rather than shooting for volatility and/or performance targets. This applies to all their funds. With this in mind, the driver of their due diligence is qualitative rather than quantitative.

In turn, this means that Hawksmoor have an unconstrained approach to asset allocation. The only constraints are those imposed by the Investment Association (IA) sector in which the fund sits and the rules governing UCITs funds. This flexibility is not viewed as an opportunity to increase risk, rather it is their belief that reliance on artificial limits can hinder the successful implementation of their portfolio construction risk controls.

Hawksmoor do not invest to a benchmark and they aim to remain fully invested at all times. They will stick to their long term view and in doing so will accept short term periods of higher volatility.

Hawksmoor are in favour of active management, they seek out smaller funds which they believe they can develop stronger relationships with, which chimes with their more qualitative approach. Because of their size they can invest in smaller funds getting the benefit of early growth and have

some exposure to 'incubator' funds

Hawksmoor's size also allows them to invest in closed-end funds to a significant extent, where larger funds cannot. This gives them access to a wider range of asset classes including property, private equity and even areas such as ships and songs. In turn, this enables Hawksmoor to target their investments more accurately to the themes they believe in.

Given their fundamental aim, they not only look to diversify their portfolios but also build in a value margin of safety to their selections. The Team aim to seek good value investments that exhibit a margin of safety, but that does not necessarily preclude investments in high growth areas.

Hawksmoor will not rule out fund capacity restraints should the size of their funds reach a level that compromises their philosophy.

## People

Ben Conway and Daniel Lockyer are the lead managers for this fund.

Ben joined Hawksmoor in July 2010. He has worked on the Fund Management team since 2011 and been a co-manager of the Vanbrugh, Distribution and Global Opportunities Funds since January 2014. In the Autumn of 2018 he was appointed a Director of Hawksmoor Investment Management Limited and is now Head of the Fund Management Team.

Daniel joined Hawksmoor in June 2009 as Fund Manager and remains co-manager of the Vanbrugh, Distribution and Global Opportunities Funds.

Ben and Daniel are ably assisted by Ben Mackie, Dan

Cartridge and Richard Scott. Ben joined Hawksmoor in 2019 as a fund manager. Dan, an assistant fund manager joined Hawksmoor in 2016. Richard was a co-manager of both the Vanbrugh fund and the Distribution fund since launch, having established the fund management department. Since the beginning of 2019, he works as an adviser to the Hawksmoor Fund Management team.

The Executive Board of Hawksmoor are Sarah Soar, Chief Executive. James Gaisford, Finance Director. Ben Conway, Head of Fund Management. Jess De Alwis, Head of Compliance.

## The Fund Management Team



The fund management team from left to right: Ben Mackie, Ben Conway, Daniel Lockyer, Dan Cartridge, Hannah Isaac, David Chapman

**Ben Conway**, Senior Fund Manager and Director, joined Hawksmoor in 2010 and has been a co-manager of the Vanbrugh, Distribution and Global Opportunities Funds since January 2014. Before this, he specialised in Japanese equities at Deutsche Bank and Merrill Lynch. In the Autumn of 2018 he was appointed a Director of Hawksmoor Investment Management Limited and is now Head of the Fund Management Team.

**Daniel Lockyer**, Senior Fund Manager, he joined Hawksmoor in June 2009 as Fund Manager and remains co-manager of the Vanbrugh, Distribution and Global Opportunities Funds. Previously, he was Head of Investment Services at iimia and lead manager of the iimia Income Fund.

**Ben Mackie**, Fund Manager, joined Hawksmoor in 2019 as a Fund Manager and helps manage the Vanbrugh, Distribution and Global Opportunities Funds. He is a Fellow of the Chartered Institute for Securities and Investment.

**Dan Cartridge**, Assistant Fund Manager, joined Hawksmoor in October 2016 and was promoted to Assistant Fund Manager in November 2018 in relation to the Vanbrugh, Distribution and Global Opportunities Funds. He has completed his Investment Management Certificate and has passed Level 1 of the CFA programme.

**David Chapman**, Business Development Manager, has worked in financial services since 1986, working in Stockbroking and Investment Management – most recently spending 23 years at BlackRock covering IFAs and discretionary clients before joining Hawksmoor in November 2018.

**Kieran Daly**, Business Development Manager, joined Hawksmoor in May 2021 having previously spent his time covering the advisory market in the Midlands, North, Scotland and N. Ireland.

**Hannah Isaac**, Head of Fund Operations, joined Hawksmoor in 2010 and is now responsible for the administration of the Vanbrugh, Distribution and Global Opportunities Funds, as well as providing sales and marketing support. Hannah holds the Investment Management Certificate.

**Charlotte Sternberg**, Team Assistant, provides administration and sales and marketing support to the Fund Management team.

## Process

Hawksmoor operate a collegiate approach to investment. The fund management team is close-knit, with all members operating a generalist approach to fund analysis. Lines of communication between the team are permanently open and access to all research and meeting notes can be accessed by the team at any time in their internal library.

Although a separate team, all notes and research produced by the discretionary team are also available.

Hawksmoor, where possible, and because of their size are able to include smaller funds (boutique, start-ups and closed-end funds), which gives them a larger pool of potential investments than many of their peers, and also enables them to target preferred themes more accurately.

Hawksmoor believe that supporting smaller funds, leads to a much stronger relationships with the fund managers.

This is important as the foundation of Hawksmoor's investment process is qualitative rather than quantitative. There are likely to be at least two due diligence meetings with a fund manager before a fund is considered for inclusion in the portfolio. Once selected, there would be at least one formal fund manager meeting a year and also likely one or more informal meetings/calls.

The analyst due diligence notes and opinion, from fund manager meetings, are a key input in to the fund selection process.

Overall, the team undertake some 500+ manager meetings each year.

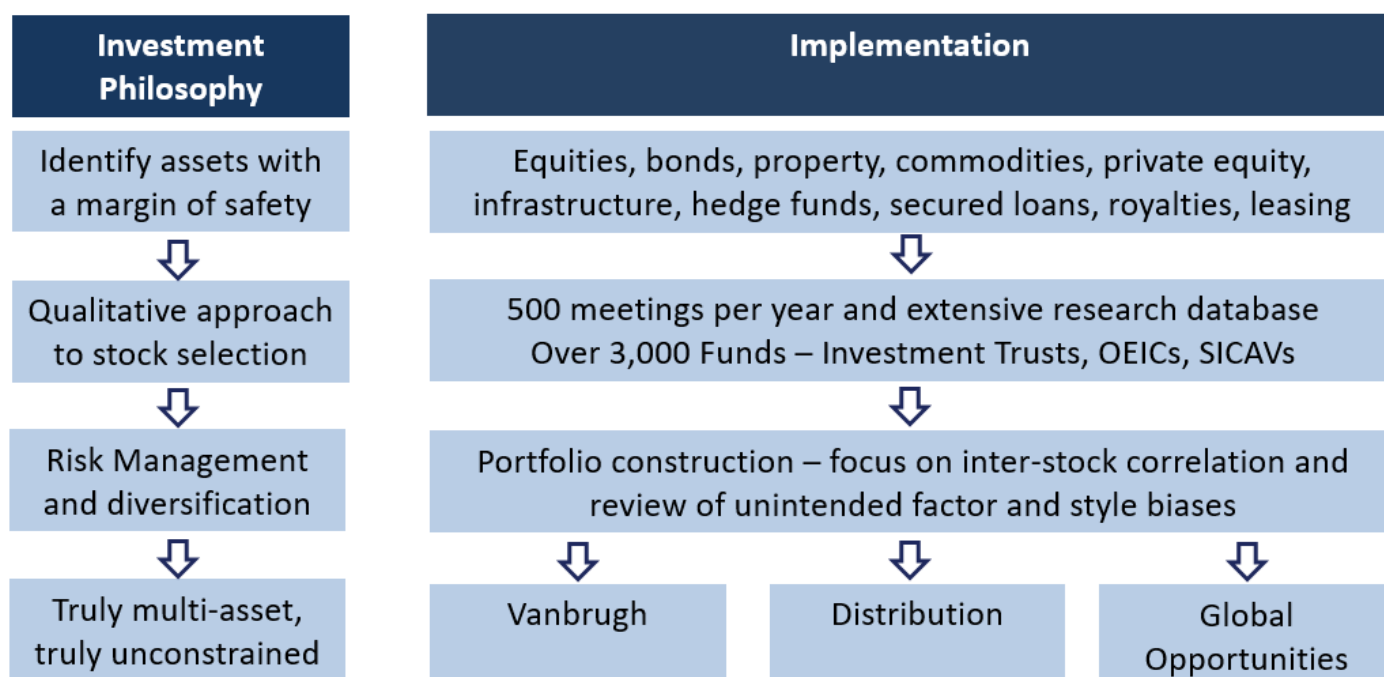
Prospective funds are discussed amongst the whole team. The key questions being:

- Is the fund needed to fulfil portfolio construction requirements?
- Is the fund better than what they have already got in the portfolio?
- Is the fund (underlying holdings) exhibiting good value in terms of price, or for closed-end funds perhaps undervalued?
- Do the fund managers operate a philosophy and process that chimes with their own?

Before a fund is included in a portfolio, at least two of the four fund managers have to agree to its inclusion.

While there is perhaps less formality in terms of structure and meeting regularity, this approach is perhaps well suited to the close-knit nature of the team and their collegiate approach.

They would consider imposing fund capacity limits if size ever got in the way of their process and philosophy.



Source: Hawksmoor Fund Managers

## Risk management

Hawksmoor do not believe in running risk models, suggesting that nothing works well enough. They do, however, run frequent compliance test tolerances to ensure that the portfolio is not too heavily weighted to one fund or theme and that sufficient diversification is maintained.

All prospective investment selections are peer reviewed with at least two of the four fund managers having to agree actions before any portfolio change are made.

Portfolio construction ensures diversification in terms of asset distribution, despite the fund being unconstrained in terms of asset allocation.

Hawksmoor view risk to the investor as the risk of permanent loss of capital. With this in mind they do not believe in assessing risk by correlation to a benchmark or a statistical measure of volatility.

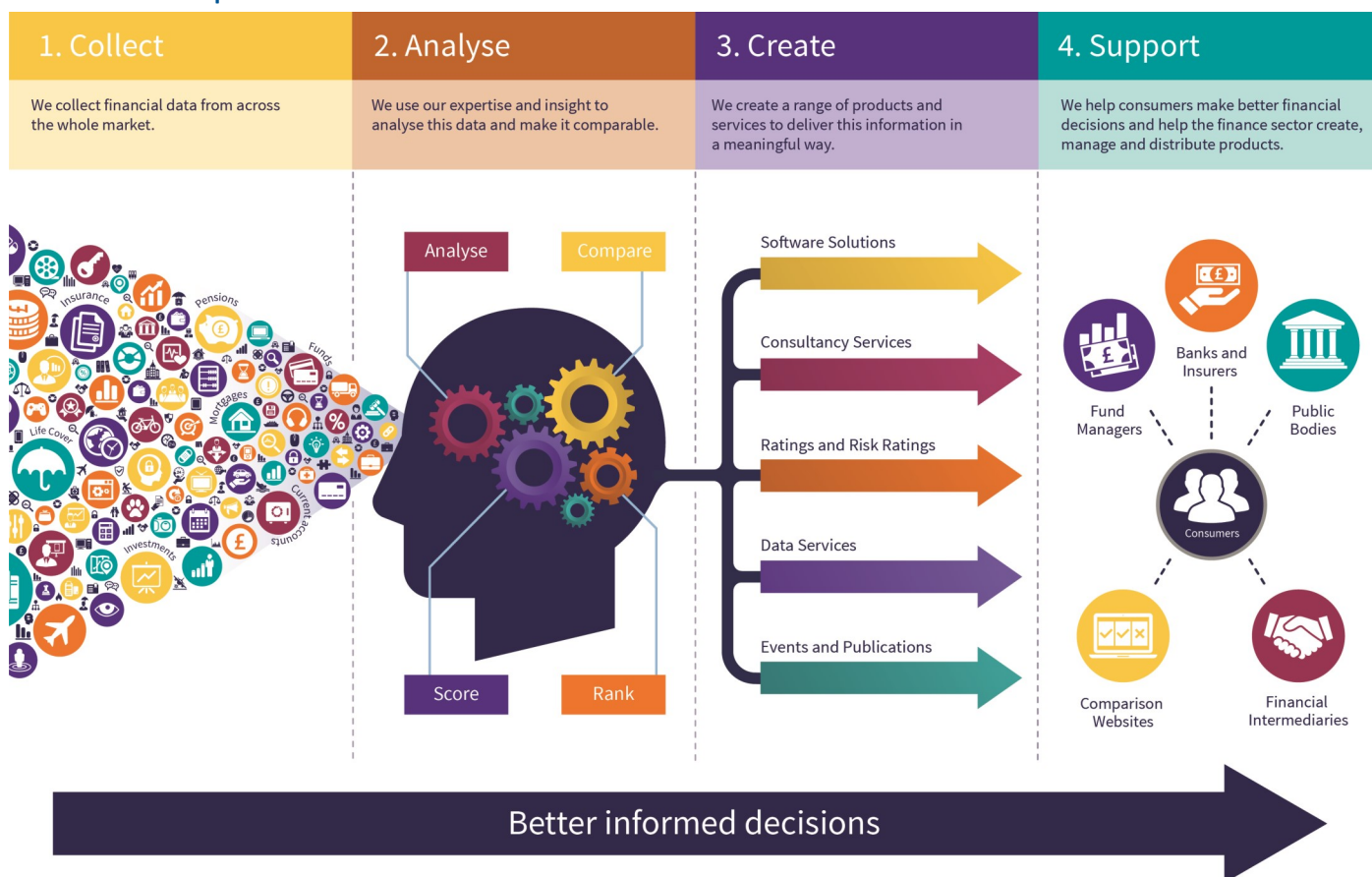
Hawksmoor see volatility as a backward looking by-product of performance and as such take what they see as a common sense approach by assessing how volatility may change in the future, which means using a more qualitative approach.

The historic quantitative factors the team use include: the last 10 years' discrete volatility, the maximum drawdown and the fund's beta relative to a composite index of financial assets. The forward-looking qualitative factors used include: valuations, structural changes, correlation benefits within portfolios, style and mandate of the fund.

Internal oversight of the fund is provided by the compliance team. External oversight of the fund is provided by the funds' Authorised Corporate Director (Maitland Institutional Services Ltd) and the funds' Depositary and Custodian, Northern Trust.



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Defaqto has been operating for over 25 years and works independently. Defaqto employs over 60 analysts spending 400 hours a day monitoring the market and analysing more than 43,000 financial products and funds in the UK, ensuring that the information provided is accurate and up to date.

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