

INVESTORS' REPORT - 30th September 2022

There has been little respite from the storm that has battered equity markets this year. August and September proved to be particularly grizzly months, and our portfolios were down -7.9% on average in the third quarter, versus -9.8% for our benchmark (*full stats overleaf*).

The reasons for those falls are still at the big picture, macro-political level—not the company-specific level. The war in Ukraine continues, exacerbating an energy price and cost-of-living crisis for consumers and small businesses. There have been sporadic lockdowns in China, further disrupting global supply chains. Inflation remains public enemy number one and we all fear just quite how much economic pain Central Bankers feel is necessary to rid us of its ills. And then in the UK we've had a brash new government scaring the horses to the extent that the Bank of England has had to step in to prevent a collapse of the pound and gilt markets.

For UK companies the above has brought challenge and frustration. Our strategy is to favour those companies that have the pricing power and flexibility to pass through the input cost inflation that they are seeing, that operate in markets with long-term structural growth drivers, and that are not overly indebted. The result is that over the past 12 months, our portfolios are just over 10% better than the wider market. We don't expect applause when the value of your portfolio falls, regardless of the wider context—though preserving value in bear markets is key to long-term value creation.

Our worst performer in the quarter was **Alliance Pharma**—a stock we've held since the inception of the service. This is usually a defensive, dependable performer, though the company missed expectations in the first half on account of Chinese lockdowns and order phasing—issues which should in time prove transitory. Skittish investors however took fright, especially on the further news of an adverse competition ruling by the CMA (a ruling on the appeal is due next year).

That detractor was offset by better performances from **AB Dynamics**, **Argentex** and **NWF Group**, all of which guided to a better-than-expected financial performance this year. In fact, this is a common message we are hearing across the portfolio: inflation is challenging, but it is still manageable, and demand remains robust. We repeat our message from last quarter: we don't know how long this market storm will last, but with sharply lower share prices we are finding plenty of excellent value.

And a final note: we are delighted to be finalists for the **Best AIM Portfolio Service** at next month's Growth Investor Awards.



Company Focus | Volex 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.



Volex is an integrated manufacturer of power products and cables. As well as being one of the world's largest suppliers of cables for household appliances and whitegoods, Volex has a rapidly growing business supplying complex systems for use in data centres, electric vehicles, industrial and medical markets.

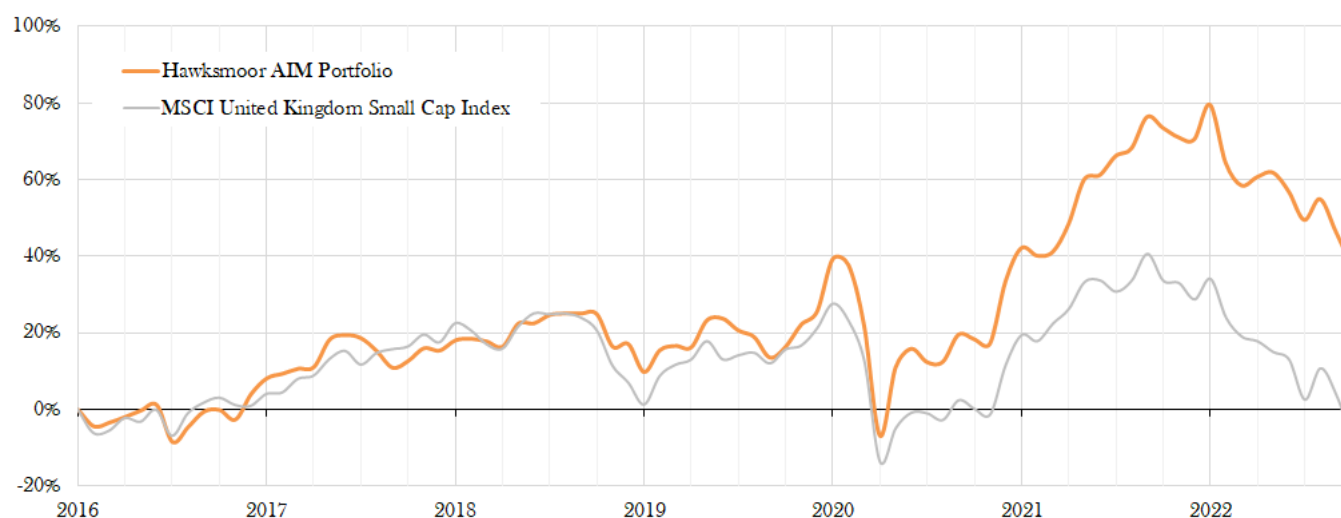
In electric vehicles, it specialises in 'grid cords' - plugs and cables used to connect cars to the mains electricity. These need to be rugged enough to be accidentally driven over, or left out in the rain, without risk of electrocution.

Volex is a well-invested, highly-automated operation with deep customer relationships and exposure to several 'structural growth' markets. The business has a history dating back to 1892; today it employs over 8,000 and operates across 21 countries.



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.



Discrete Annual Performance		2016	2017	2018	2019	2020	2021	2022 YTD
Hawksmoor AIM Portfolio ¹		+8.2%	+9.2%	-7.0%	+26.8%	+2.0%	+26.3%	-23.3%
MSCI United Kingdom Small Cap ²		+3.9%	+17.8%	-17.4%	+26.1%	-6.4%	+12.3%	-31.1%
Cumulative Performance		1 month	3 months	6 months	1 year	3 years	5 years	
Hawksmoor AIM Portfolio ¹		-6.1%	-7.9%	-14.3%	-20.7%	18.2%	22.0%	
MSCI United Kingdom Small Cap ²		-10.9%	-9.8%	-21.5%	-30.9%	-20.1%	-20.6%	

PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE.



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Important Information

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¹ *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.

² *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.

