

## INVESTORS' REPORT - 31st December 2022

A very happy new year to all our readers and investors. The fourth quarter of 2022 was the first positive quarter for the AIM market out of the last six—which will either be good or bad news, depending on when you last looked at your portfolio value. For 2022, our portfolios were on average 3.2% ahead of our benchmark (see overleaf). We are also thrilled to have been recognised as the **Best AIM Portfolio Service** at the **Growth Investor Awards 2022**.

There is little investment relevance to the Earth completing yet another solar orbit. A new year is neither an end nor a beginning, but a carrying on. Indeed, rudely eschewing a neat slot in Gregory's calendar, AIM peaked on the 6th September 2021; since then it has been a bruising trip down Eas a'Chual Aluinn. It's too early to call whether the modest bounce of the last three months signals a turn in that tide—yet we do see sound reasons for new year optimism.

So where is that optimism, after such a brutal 481 days? To start, supply chains appear to be stabilizing after the lockdown-induced imbalances of 2022. Just look at the big recent falls in shipping costs or (whisper it) wholesale energy prices. We started 2022 unsure of how high or long this bout of inflation would run; we enter 2023 with hints that it has already peaked.

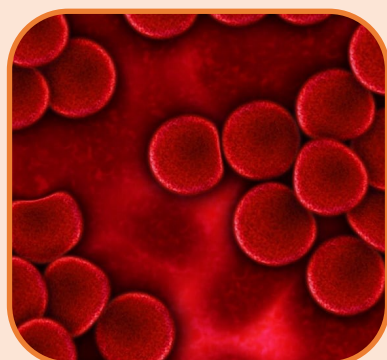
Most of our optimism, though, comes from looking at the health, prospects and valuations of our companies. This is a collection of well-invested businesses with tremendous growth potential. The vast majority have navigated this challenging year well, have grown earnings and—now with sharply lower share prices—have valuations in the bargain basement clearance sale. The nature of small company investing is that there will inevitably be at least a couple of problem children: **MJ Hudson** is currently on the naughty step; its shares have temporarily been suspended due to late final results, which auditors are painstakingly combing through with an ant's hairbrush. Yet overall we are as excited as we ever have been about the portfolio.

No one rang a bell at the top on the 6th September 2021, and none will ring at the market bottom. Some of the inherent value in quality UK smaller companies is already starting to be noticed, and in the last quarter we saw particularly sharp upward share price moves at **Oxford Metrics**, **Argentex** and **Bioventix**. We explore the latter in *Company Focus*, below.



### Company Focus | Bioventix 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.



**Bioventix** develops and produces antibodies used in diagnostic blood tests. The company owns a portfolio of 20+ antibodies used in tests to detect, for example, heart problems, thyroid function, fertility issues, Vitamin D deficiency and illicit drugs.

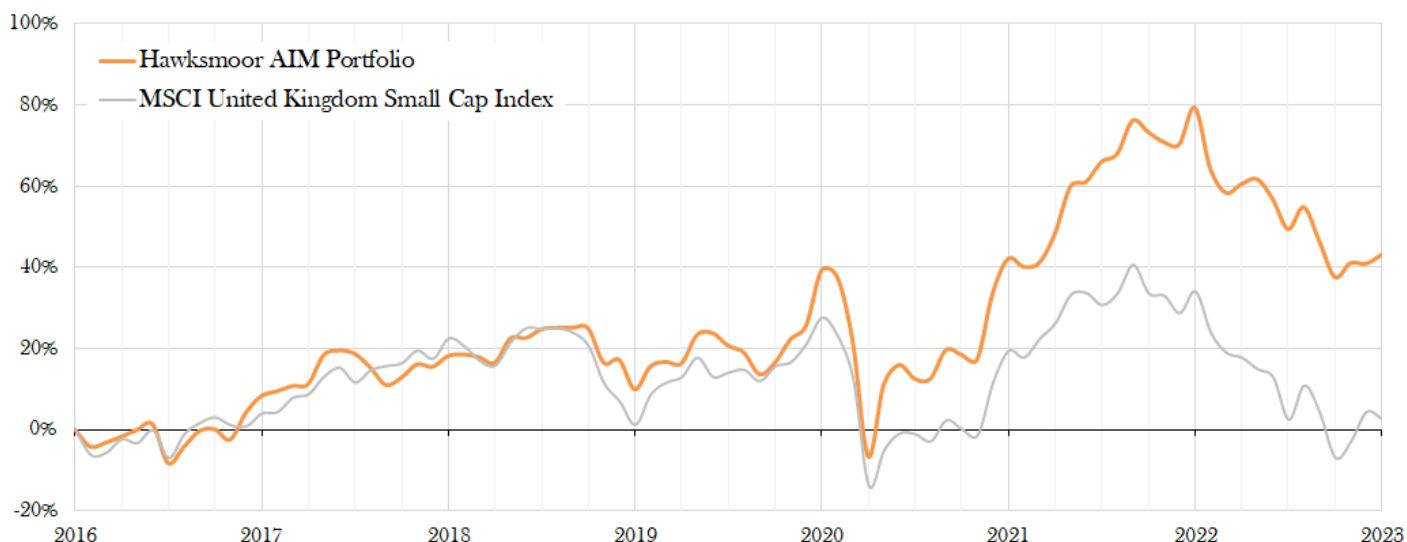
Most of its revenues come from royalty payments every time a blood test is carried out. This creates highly attractive defensive qualities and revenues that have little correlation with the wider economy. Barriers to entry in this market are also high due to the long time frames to develop, test, and approve a new antibody.

Yet it also has an excellent record for growth by bringing to market new, innovative antibodies. Bioventix is thus a rare combination of a high-growth, high-return business with a very defensive revenue base.



## 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
<b>Hawksmoor AIM Portfolio<sup>1</sup></b>	+8.2%	+9.2%	-7.0%	+26.8%	+2.0%	+26.3%	-20.3%
MSCI United Kingdom Small Cap <sup>2</sup>	+3.9%	+17.8%	-17.4%	+26.1%	-6.4%	+12.3%	-23.5%

Cumulative Performance	1 month	3 months	6 months	1 year	3 years	5 years
<b>Hawksmoor AIM Portfolio<sup>1</sup></b>	1.5%	4.0%	-4.3%	-20.3%	2.7%	21.1%
MSCI United Kingdom Small Cap <sup>2</sup>	-1.7%	10.3%	0.2%	-23.5%	-19.6%	-16.2%

PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE.



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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.

<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.

