AIM PORTFOLIO SERVICE

INVESTORS' REPORT – 31st March 2023

GROWTH INVESTOR 2022 AWARDS | WINNER BEST AIM PORTFOLIO SERVICE

GROWTH INVESTOR 2021 AWARDS | RUNNER UP BEST AIM PORTFOLIO SERVICE

INVESTMENT WEEK TAX EFFICIENCY AWARDS 2019/20 WINNER BEST AIM IHT PORTFOLIO SERVICE - DFM PROVIDER

For the three years to the 31st March 2023, our AIM portfolios have delivered returns of over +50%. That statistic is, admittedly, flattered by the comparator being the COVID-19 lockdown lows of March 2020 (has it really already been three years?). Yet over the same time period our benchmark is up only +20%. A 3-year outperformance of +30% suggests we are doing something right. It is also yet another example of why investors shouldn't panic sell at market bottoms.

Perspective matters, and it has been a far less pleasant ride for those that invested within the past eighteen months. The first quarter of 2023 had a buoyant start, but by March that fragile recovery ran face-first into what first appeared to be a mini banking crisis (though is more likely a case of a handful of poorly run institutions caught short by rising interest rates). The bigger picture here is that the cost of money, as set by interest rates, is no longer free, and that has profound implications for the investment world, particularly those at the speculative and overly-indebted end of the spectrum.

We have always shied away from such businesses, but even the more acquisitive ventures that we do own—such as **Marlowe** or **Restore**—have latterly signalled that debt reduction is a higher priority now than chasing more deals. That's welcome, especially as both will continue to grow organically. Yet the flip side is that private equity, which in recent years had been all too happy to buy up quality AIM businesses that trade too cheaply, likely has had its funding wings clipped.

Three years later and the economic impacts of lockdowns are still being felt in the business world—not least because China has only recently abandoned its (flawed) zero COVID policy. It took time for the economy to rebalance; the supply shock is all too clearly seen in the inflation print. Yet the reporting season this year has been positive; trading at the businesses we hold has been at least in line with expectations and opportunities for further growth abound. Crucially, after the frustrations of 2022, supply chains are today better greased and functioning. We expect this to be an increasingly important theme for the year ahead, and with it the return of investor confidence.

Company Focus | CVS Group 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.

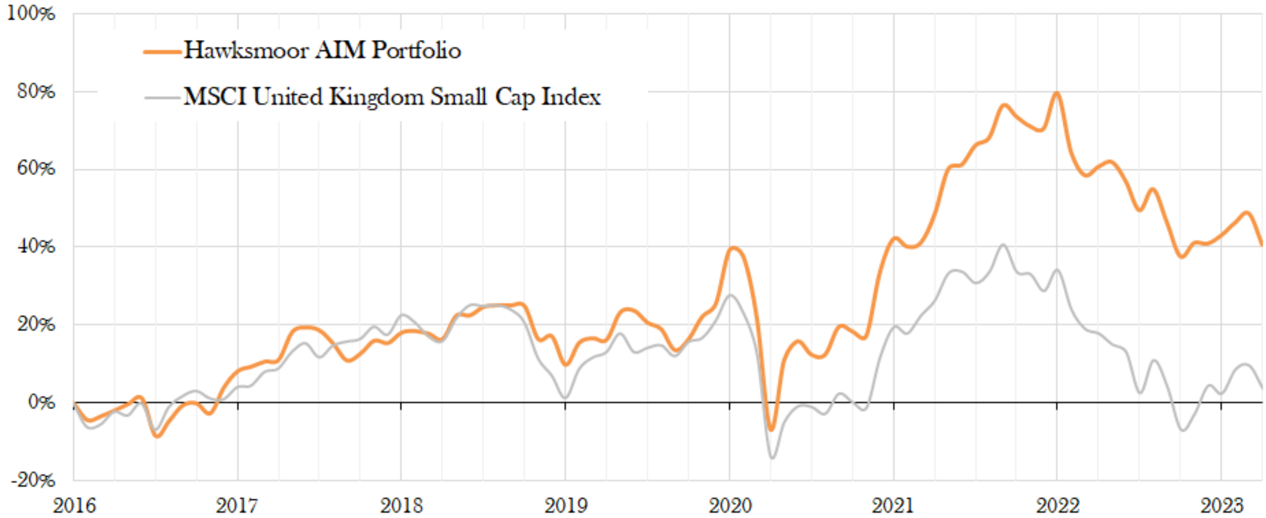
CVS Group is one of the UK's largest veterinary groups with over 500 sites. Most of its revenues are from vet services (c.85%), though CVS also operates four laboratories for pet diagnostic services, seven pet crematoria and an online pet retail business.

This is a growing market. Pets are living longer from improved diets and treatments, and older pets need more care. The increasing "humanisation" of pets also increases demand for the highest quality healthcare. The pet population has also expanded, particularly accelerated by COVID-19's lockdowns, which will drive further revenue growth for CVS as that population ages.

The appeal of CVS is in its relatively defensive nature, healthy balance sheet, strong profits margins and excellent cash conversion.

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
Hawksmoor AIM Portfolio [1]	+8.2%	+9.2%	-7.0%	+26.8%	+2.0%	+26.3%	-20.3%
MSCI United Kingdom Small Cap [2]	+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
Hawksmoor AIM Portfolio [1]	-5.4%	-1.7%	2.2%	-12.5%	50.8%	20.8%
MSCI United Kingdom Small Cap [2]	-5.4%	1.2%	11.3%	-12.0%	20.2%	-10.6%

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.