

# Fund Review

Hawksmoor

Distribution

February 2023



For professional advisers only

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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 informed decisions

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  
Distribution  
Fraser Donaldson,



## Executive summary



We endeavour to confirm the accuracy of the qualitative content of this document annually. The qualitative content for this review was last confirmed as accurate by Hawksmoor on 09 Dec 2022.

Hawksmoor 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 primary aim of the Distribution fund is to deliver an attractive, increasing level of income plus some capital growth over the medium to long term (rolling periods of 3 to 5 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 primarily active managers, not investing 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), which they believe 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 shipping 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. 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 fund will consist primarily of a diversified range of open and closed ended funds. The primary aim is to deliver an attractive level of income. The managers aim to ensure that the fund's yield will always be at a premium to a composite index of financial classes (equity, bonds, property and cash).

The objective is to increase distributions as well as achieving a level of capital growth in order to maintain an attractive distribution yield. The portfolio will maintain diversity through exposure to a range of asset classes, currencies, geographies, asset managers and investment styles.

## About Hawksmoor

Hawksmoor have offices in Exeter, London, Taunton, Bath, Dorchester, Worcester and Bury St Edmonds

The Hurst Point Group (a subsidiary of The Carlyle Group, which has upwards of \$325bn of AUM), completed the purchase of Hawksmoor in March 2021.

Hawksmoor now have an AUM of £2.7bn of which £484m is managed by the Hawksmoor Fund Managers team (as at end

November 2022). They see the backing of the Hurst Point Group as central to their ability to evolve further.

There continues to be some staff ownership, with shares rolled over into those of the Hurst Point Group.



## Quantitative summary

The quantitative data that appears over the following pages has been generated by Defaqto using a combination of third-party and proprietary data sources and data provided by the asset manager. The information reflects the availability of data as at the dates highlighted.

All information reflects the investment solution specified in the information and classification table below.

## Fund information and classification

Launch date	05 March 2014	ISIN <sup>1</sup>	GB00BJ4GVL48
Fund Manager	Ben Conway, Daniel Lockyer	IA sector	Mixed Investment 40-85%
Domicile	GBR	Morningstar category <sup>2</sup>	GBP Allocation 60-80% Eq
Assets	Active	Defaqto Diamond Rating Type	Multi-Asset Income
Approach	Return Focused	Diamond Rating	5
Type	OEIC		

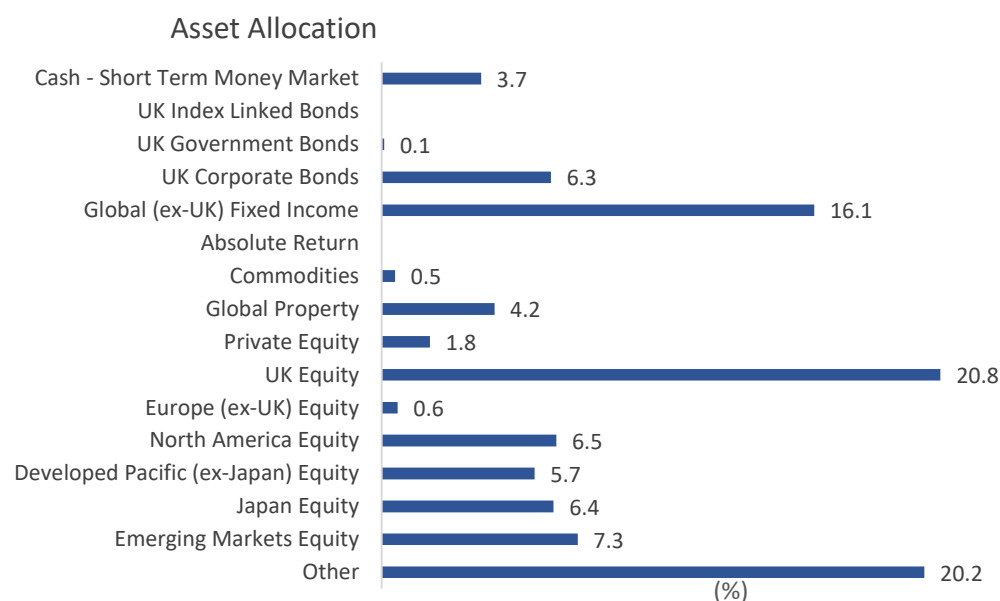
<sup>1</sup>This is the shareclass used for the quantitative data and analysis over the following pages

<sup>2</sup>The Morningstar Category is used in all comparative analysis, over the following pages.

## Fund size and fees

AUM	£150M
Date	30 December 2022
OCF Estimated	1.36%
OCF Actual	1.36%
Transaction Fee Actual	0.25%
Performance Fee (Yes/No)	No
Performance Fee Actual	n/a

## Asset allocation



Source: Morningstar, 30/12/2022

## Note

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

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

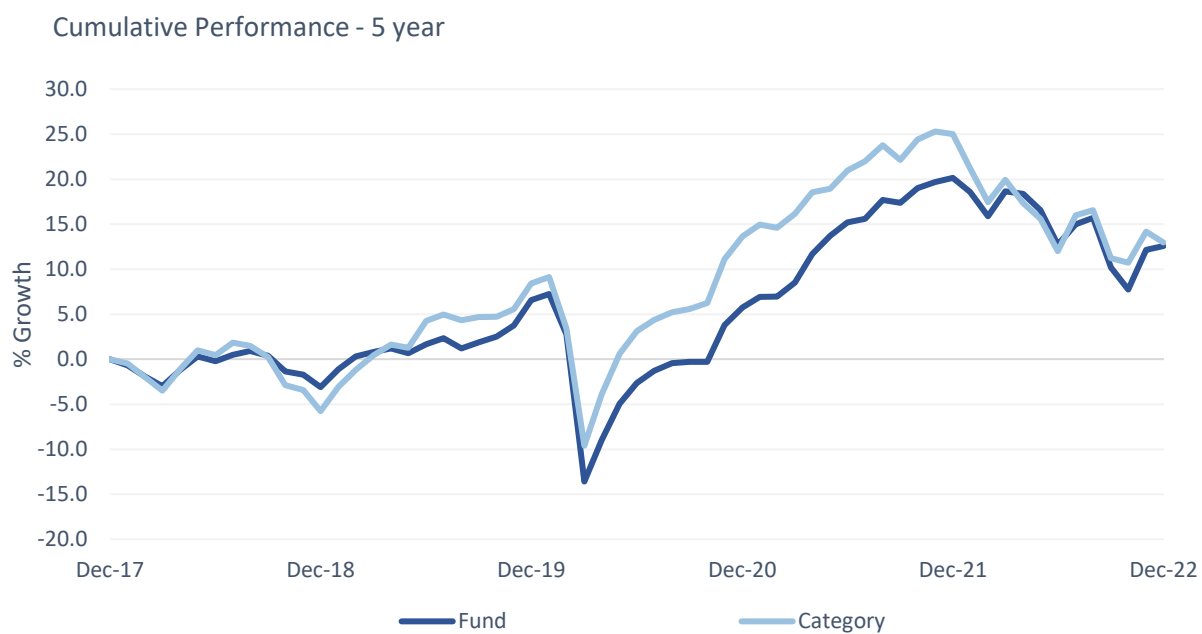
## Top 10 holdings

Total Number of Holdings	42
Exposure to Investment Trusts	25.6%
Assets in Top 10 Holdings (%)	46%

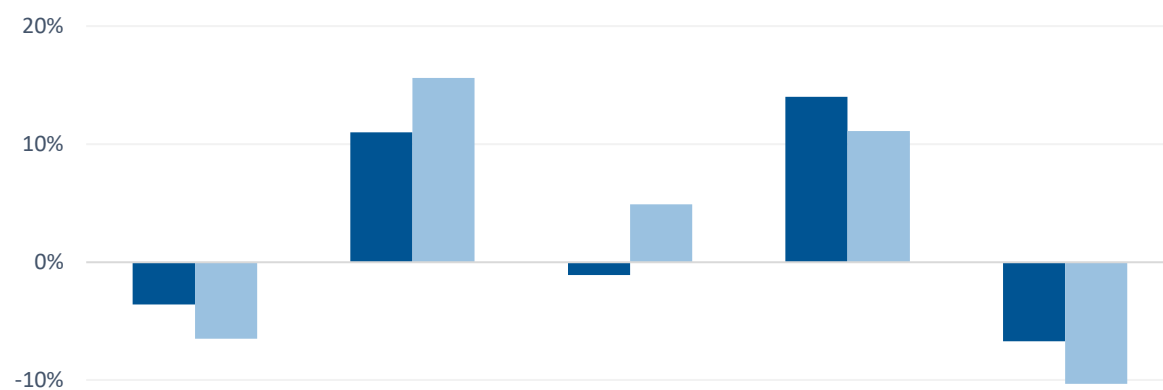
Name	Asset Focus	% of assets
LF Gresham House UK Multi-Cap Income	UK Equity	6.5
MAN GLG Income	UK Equity	5.9
MAN GLG Sterling Corporate Bond	Fixed Income	5
TwentyFour AM Monument Bond	Fixed Income	5
CIM Dividend Income	Asian Equity	4.9
Prusik Asian Equity Income	Asian Equity	4.7
Schroder Strategic Credit	Fixed Income	4.2
Oakley Capital Investments	Private Equity	4.1
FP Octopus UK Multi Cap	UK Equity	3.8
VT Downing Small & Mid-Cap Income	UK Equity	3.1

Source: Hawksmoor, 31/01/2023

## Performance



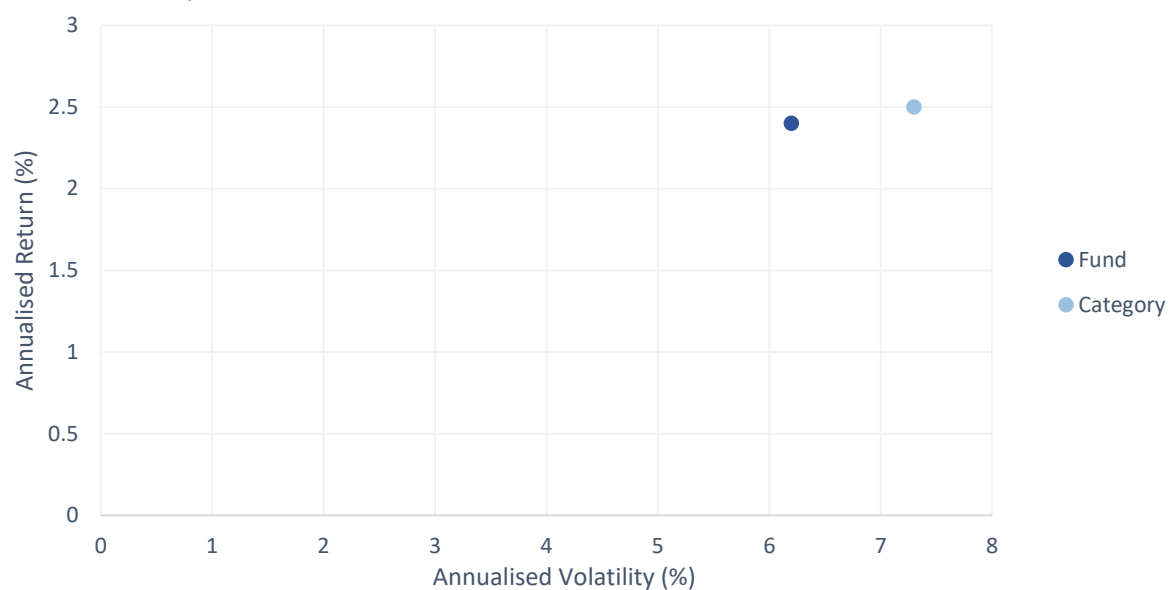
### Annual Performance



	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022 to date
■ Fund	-3.6%	11.0%	-1.1%	14.0%	-6.7%
■ Category	-6.5%	15.6%	4.9%	11.1%	-10.3%

## Risk

Risk vs Return- 5 year



Source: Morningstar, 30/12/2022

## Drawdown

Last 60 Months	
Max Drawdown	-24.3%
Positive Months	38
Negative Months	22
Worst Month	-15.3%

Source: Morningstar, 30/12/2022

## Liquidity

Days to liquidate holdings	% of portfolio
1 day	74.4
5 days	5.4
10 days	4.4
20 days	5.2
> 20 days	10.6

Source: Hawksmoor, November 2022

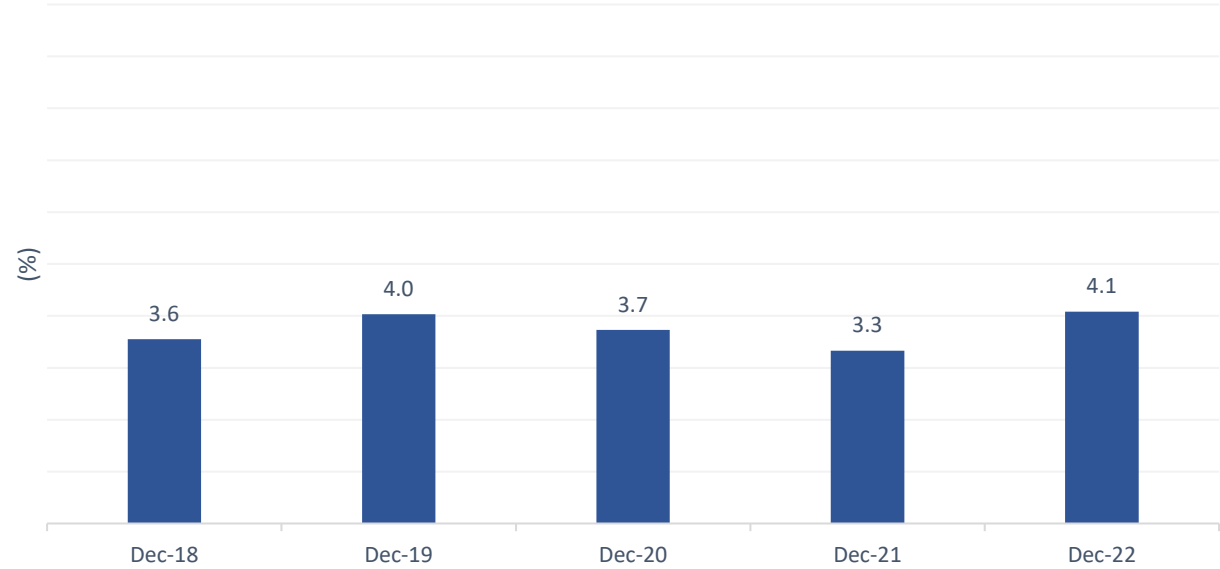
Based on the portfolio at the end of September 2021, Hawksmoor have declared the following liquidity position. The majority of the portfolios are invested in open ended funds, all of which are daily dealing, so can be liquidated in one day. For investment trusts, of which there is a significant exposure, Hawksmoor conservatively estimate the number of days based on 15% of the 120 day trading volume average.



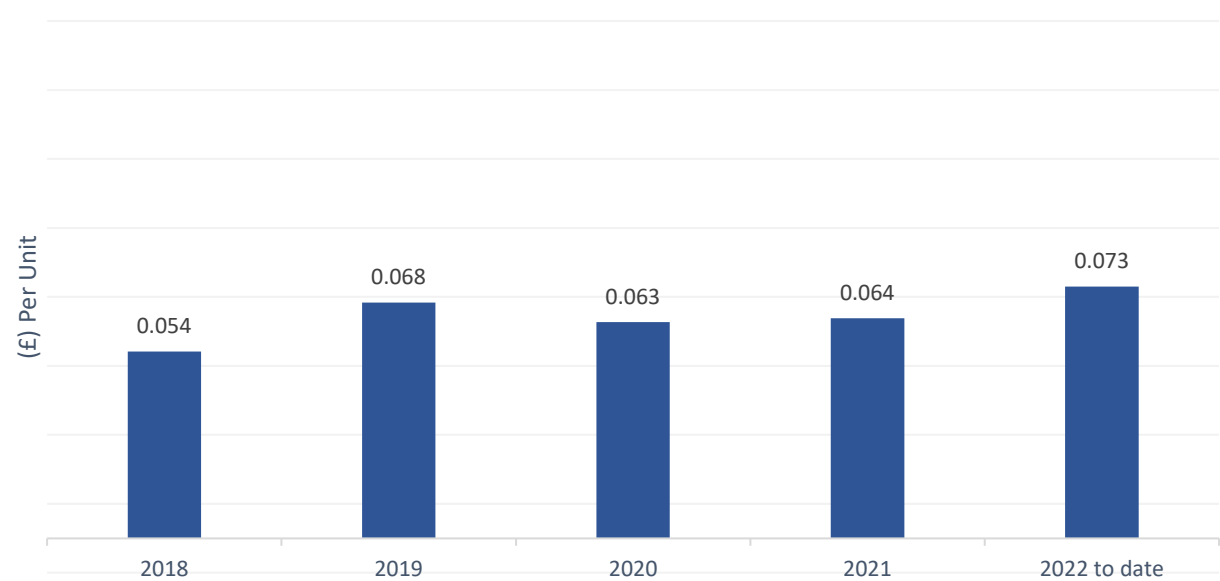
# Income and yield

Distribution Yield	4.1%
Distribution Frequency	Quarterly

## Distribution Yield



## Pre Tax Income



Source: Morningstar, 30/12/2022

## 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.

In relation to the Distribution fund, Hawksmoor would take a pragmatic approach to income. While the primary driver of returns is income, they would not chase that income if it meant excessive hit to capital returns or compromising their investment 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 and Dan Cartridge. Ben joined Hawksmoor in 2019 as a fund manager. Dan, an assistant fund manager joined Hawksmoor in 2016.

In addition, since the beginning of 2019, Richard Stott who was a co-manager of both the Vanbrugh fund and the Distribution fund since launch, now works as an adviser to the Hawksmoor Fund Management team.

The Executive Board of Hawksmoor are Sarah Soar, Chief Executive. Leighton Dunkley, Chief Finance Officer and 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

**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.

**Ben Conway**, Head of Fund Management, 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. Ben 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.

**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.

## 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?

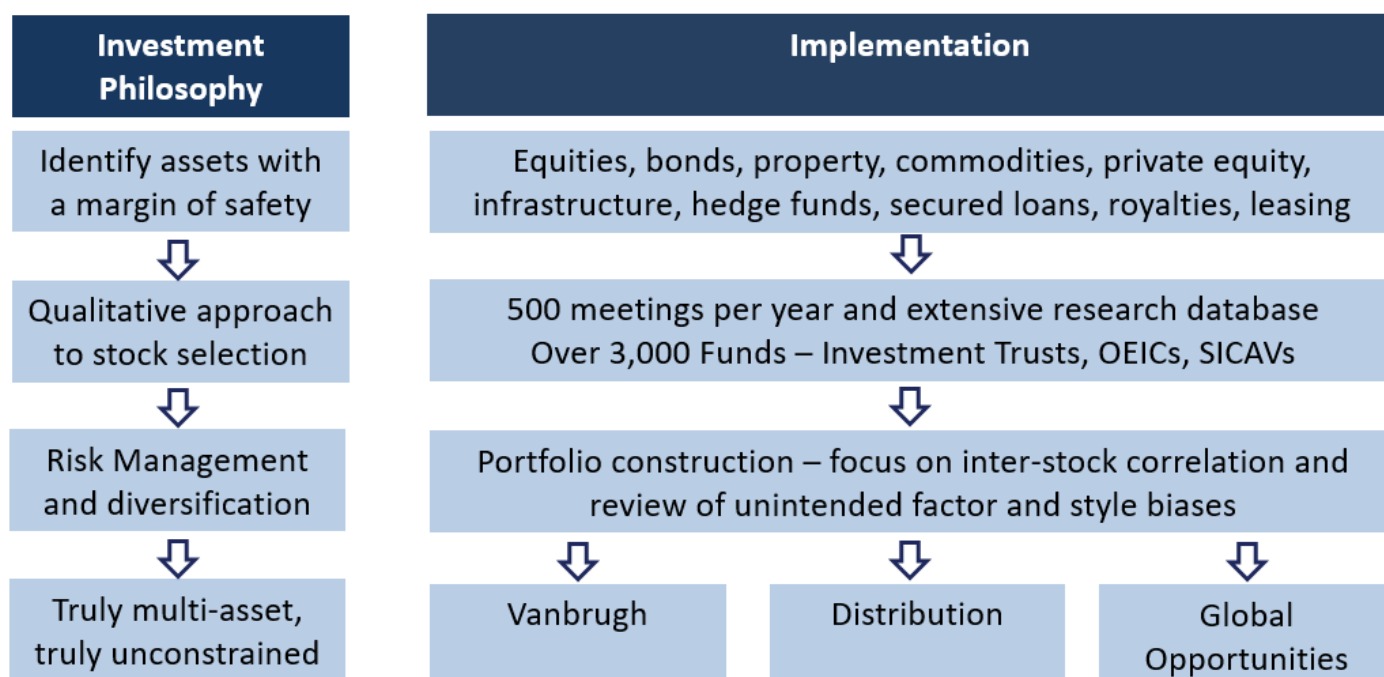
Is the fund (underlying holdings) exhibiting good value in terms of price, or for closed-end funds perhaps undervalued?

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.



## 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.

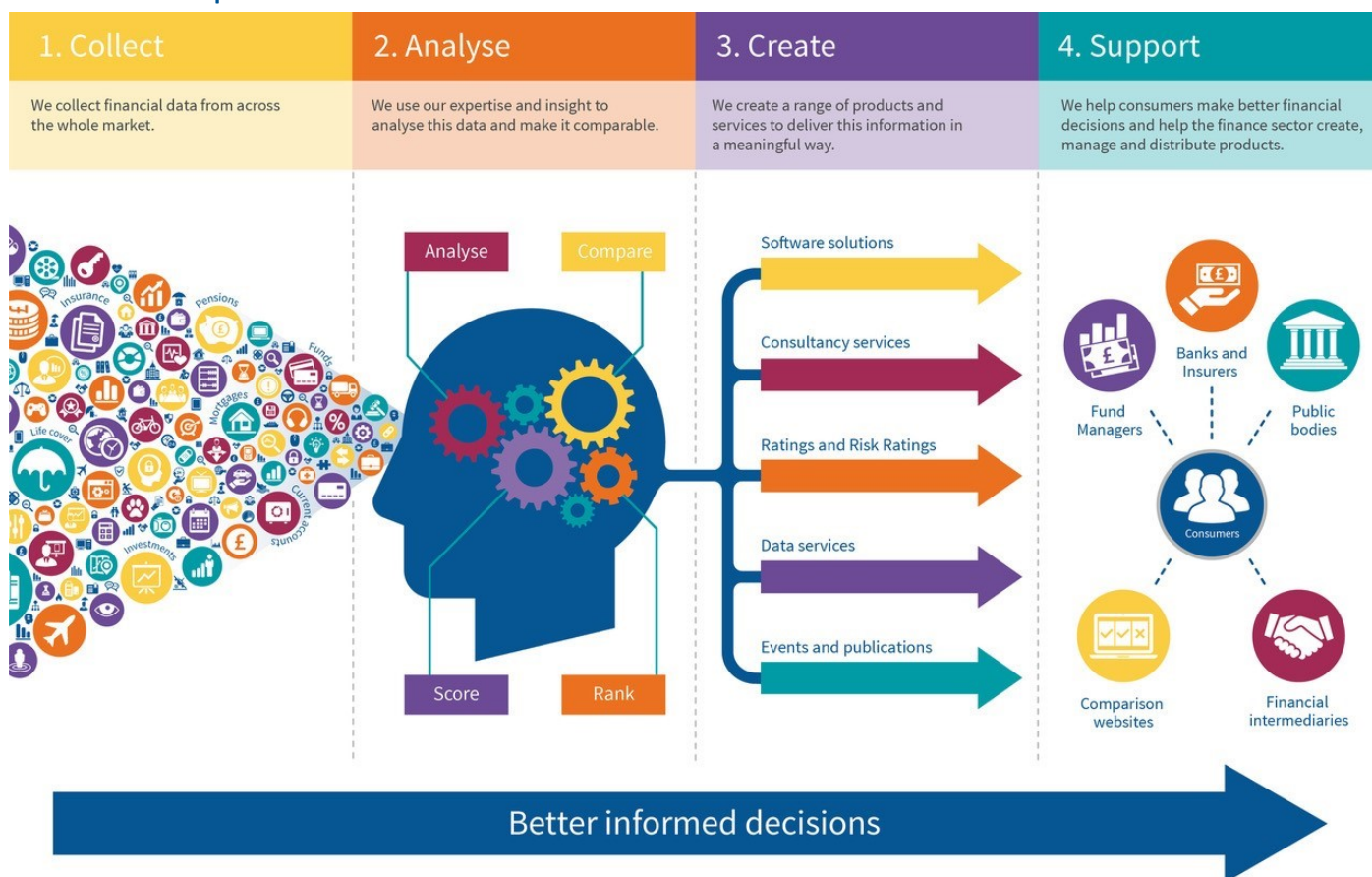
Hawksmoor view risk to the investor as the risk of permanent loss of capital. With this in mind they do not believe in assessing risk by correlation to a benchmark or a statistical measure of volatility.

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.

## About Defaqto



Defaqto is a leading financial information, ratings and fintech business. Its unbiased fund and product information provided as expert Ratings, coupled with its market-leading software solutions helps consumers, financial institutions and financial advisers make better informed financial decisions.

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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