

# MPS Review

Hawksmoor

Cautious (0-40% Equity) Core

February 2023



For professional advisers only

# Contents

|                      |        |
|----------------------|--------|
| Executive summary    | Page 4 |
| About                |        |
| Investment objective |        |
| Defaqto Ratings      |        |

## Quantitative review

|  |        |
|--|--------|
| Quantitative summary                     | Page 5 |
| Portfolio information and classification |        |
| Portfolio size and fees                  |        |
| Asset allocation                         | Page 6 |
| Top 10 holdings                          |        |
| Performance                              | Page 7 |
| Risk                                     | Page 8 |
| Drawdown                                 |        |
| Liquidity                                |        |

## Qualitative review

|                 |         |
|-----------------|---------|
| Philosophy      | Page 9  |
| People          |         |
| Process         | Page 11 |
| Risk management | Page 12 |
| About Defaqto   | Page 13 |

# Defaqto Portfolio Reviews

This document is designed to provide the reader with a quantitative overview of the portfolio 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 portfolio 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 Portfolio 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:



# Portfolio Review

Hawksmoor  
Cautious (0-40% Equity) Core  
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 in December 2022.

The acquisition of Wellian by the the Hurst Point Group has led to the appointment of Richard Philbin as Head of Investment Solutions, who has recently taken on the responsibility of lead portfolio manager in the MPS team.

Hawksmoor now have around £2.7bn in assets under management (which includes the Wellian portfolios).

The acquisition by the Hurst Point Group has not resulted in the central investment philosophy and investment process changing.

The MPS team operate a collegiate approach to investment, preferring to remain a relatively small tight-knit team.

The team prefer to invest, where they can, in to smaller funds as they believe this gives them an advantage over their

peers helping to develop a more solid, trusting, long term relationship with the underlying fund managers.

Hawksmoor run “high conviction” portfolios, although not at the expense of diversification.

The investment process is driven by qualitative assessment with all underlying funds likely to have gone through at least two fund manager meetings and rigorous internal peer debate before approval.

There is a certain scepticism over relying too heavily on risk models. Results and outcomes are debated and a common sense approach applied.

To maintain the risk profile, each of the portfolios in the range maintain a minimum and maximum equity content.

## Investment objective

Cautious (0 –40% Equity) portfolios are intended for clients where a degree of equity risk is appropriate through an investment cycle, but where the longer-term preservation of capital is of primary importance. The portfolio will be managed with an asset allocation and risk profile consistent with a Dynamic Planner Fund Risk Profile of 4.

Suitable for investors looking to invest for at least 3 years.

The objective of this portfolio is to provide returns from a combination of income and capital growth within this risk mandate.

## 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. As Wellian was part of associated acquisitions, this was an opportunity to strengthen the MPS team, with Richard Philbin becoming the CIO (Investment Solutions) and Kishan Raja becoming Assistant Portfolio Investment Manager (both based in London).

Hawksmoor now have around £2.7bn in assets under management (which includes Wellian portfolios). 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 review



## 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.

## Portfolio information and classification

|                   |                              |
|-------------------|------------------------------|
| Launch date       | 22 April 2010                |
| Portfolio Manager | Richard Philbin, Kishan Raja |
| Domicile          | GBR                          |
| Assets            | Multi-Asset                  |
| Approach          | Active                       |
| Type              | MPS                          |

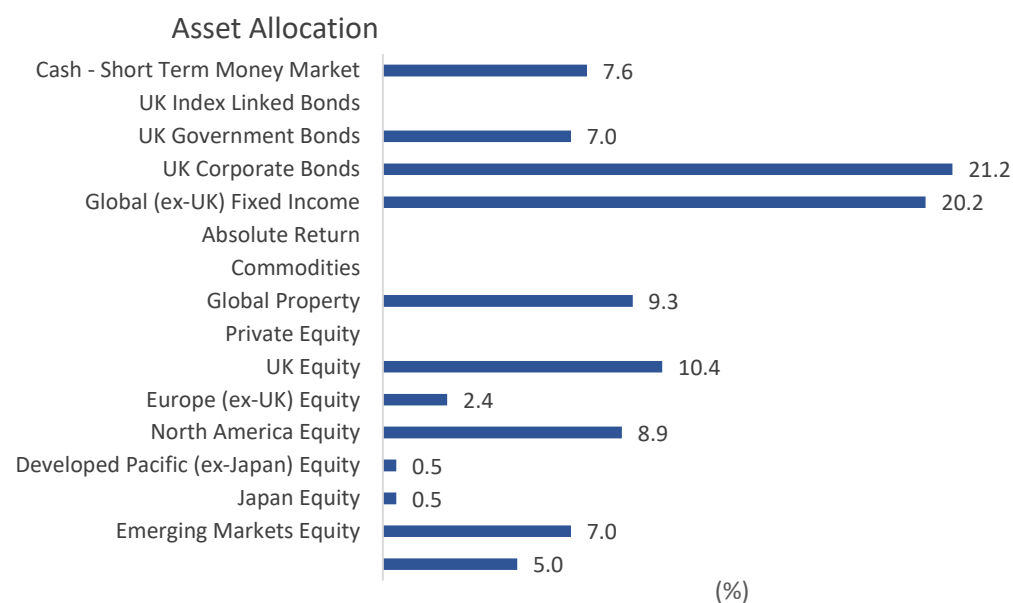
|                        |                                 |
|------------------------|---------------------------------|
| Category <sup>1</sup>  | Defaqto Risk Rated 3 Portfolios |
| Defaqto Diamond Rating | DFM MPS (Platform) Family 2022  |
| Diamond Rating         | 5                               |

<sup>1</sup>The category used in all comparative analysis, over the following pages.

## Portfolio size and fees

|                  |                  |
|------------------|------------------|
| AUM              | £4.6m            |
| Performance Date | 31 December 2022 |
| Total Costs      | 0.99%            |

## Asset allocation



Source, Morningstar, 31/12/2022

## 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 fund manager, due to various asset class roll-up and mapping variances.

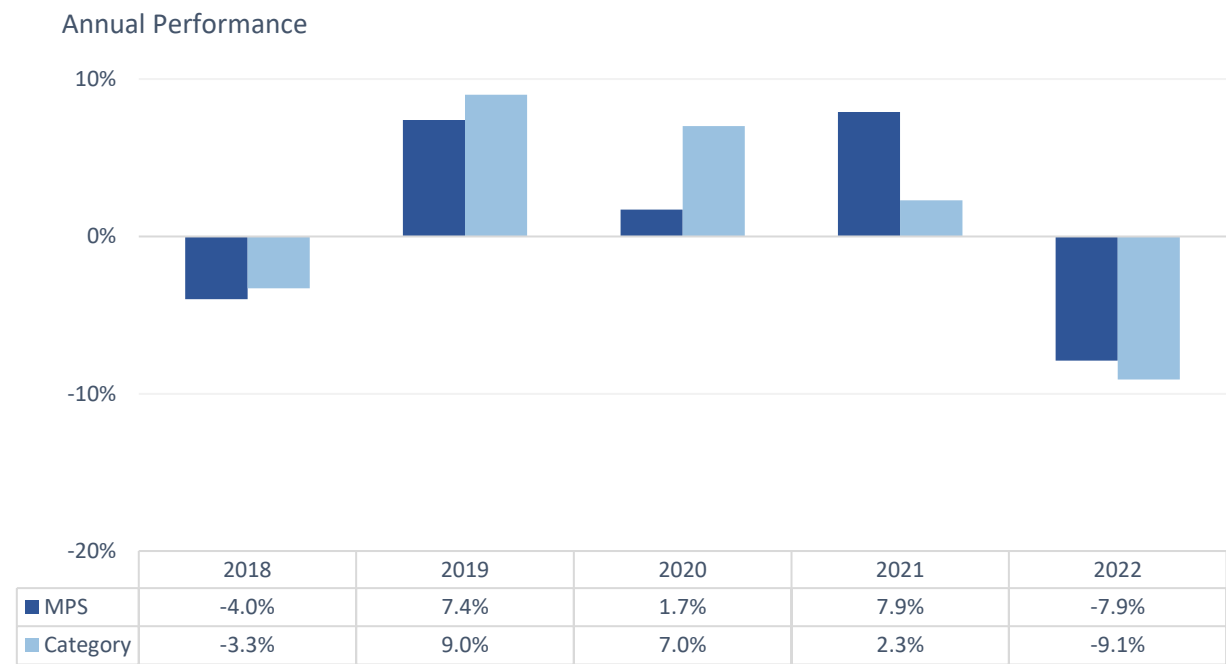
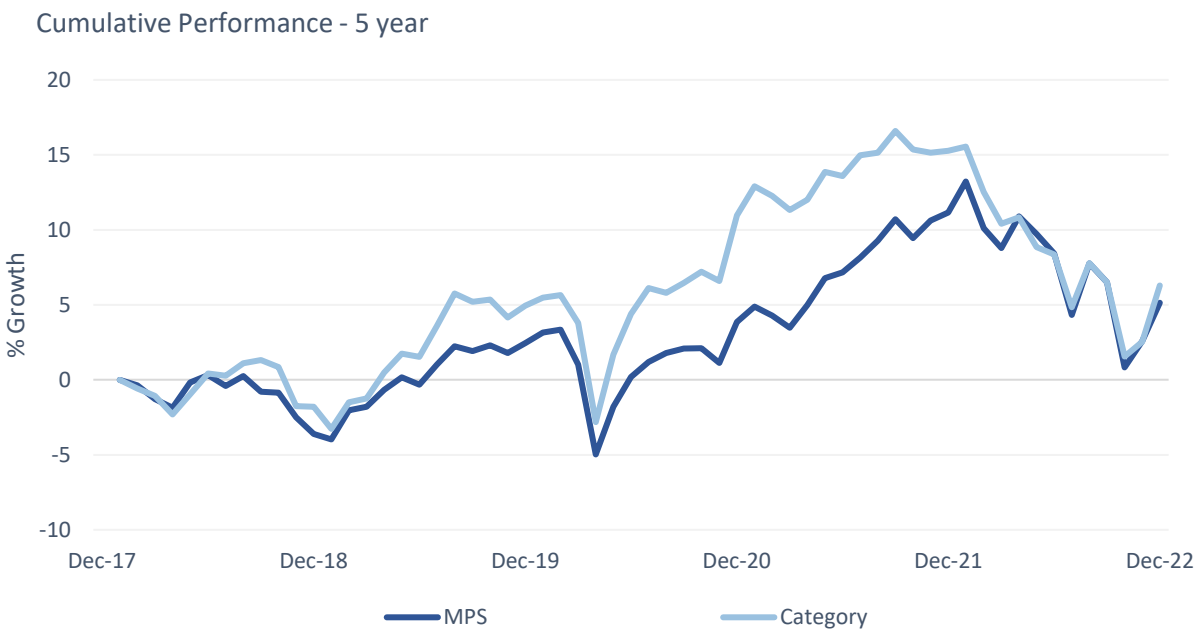
## Top 10 holdings

Assets in Top 10 Holdings (%) 56

| Name  | Asset type             | % of assets |
|---|------------------------|-------------|
| Schroder Strategic Credit                         | Global Fixed Income    | 7           |
| Guinness Global Equity Income                     | Global Equity          | 7           |
| M&G UK Inflation Linked Corporate Bond            | Global IL Fixed Income | 6           |
| FTF Martin Currie UK Equity Income                | UK Equity              | 6           |
| L&G International Index Trust                     | Global Equity          | 6           |
| IFSL Church House Investment Grade Fixed Interest | UK Fixed Income        | 5           |
| Fortem Capital Progressive Growth                 | Alternatives           | 5           |
| VT RM Alternative Income                          | Alternatives           | 5           |
| MAN GLG Sterling Corporate Bond                   | UK Fixed Income        | 5           |
| Aviva Strategic Bond                              | Global Fixed Income    | 4           |

Source, Hawksmoor, March 2023

# Performance



# Risk

Risk vs Return- 5 year



Source, Morningstar, 31/12/2022

# Drawdown

|                 |        |
|-----------------|--------|
| Last 60 Months  |        |
| Max Drawdown    | -10.9% |
| Positive Months | 34     |
| Negative Months | 26     |
| Worst Month     | -5.9%  |

Source, Morningstar, 31/12/2022

# Liquidity

| Days to liquidate holdings | % of portfolio |
|----------------------------|----------------|
| 1 - 7 days                 | 100            |
| 8 - 30 days                | -              |
| 31 - 180 days              | -              |
| 181 - 365 days             | -              |
| 365+ days                  | -              |

Source, Hawksmoor, May 2022

100% on the basis that all funds in the portfolio have daily dealing.





## Philosophy

The acquisition by Hurst Point Group and addition of CIO Richard Philbin has not changed the central investment philosophy of the portfolios.

While the takeover has strengthened the team, there is a preference to maintain a smaller more tight-knit team. They believe that this leads to higher conviction.

Operating a bottom-up approach, Hawksmoor favour active management and in the main remain fully invested.

Taking a pragmatic view when considering index trackers, if active management cannot add considerable value in some markets a cheaper, tracker fund is a sensible alternative. Occasionally restricted by what is available on platforms.

There is a deliberate bias towards smaller funds and new funds are considered seriously. They feel that being a significant supporter leads to a stronger long-term relationship. They also believe that their size also means that investment in smaller funds is an avenue that is not, practically, open to bigger DFM businesses.

They attempt to run high conviction portfolios with a relatively small number of holdings, although not at the expense of sensible diversification. As assets have grown over the last few years, so has the number of holdings in the portfolios.

Hawksmoor prefer open-ended funds, with no exposure to closed-ended. Currency hedging is minimal.

## People

**Richard Philbin.** Chief Investment Officer, Investment Solutions. Richard has taken over as lead portfolio manager of the MPS ranges. Prior to Hawksmoor and Wellian's merger, he was AXA Architas Multi Manager's Chief Investment Officer where he chaired the investment committee and helped the company go from a startup business to a top 5 player in the multi manager space in the UK with responsibility for assets of over £7bn. Previously, Richard was Head of Multi Manager at F&C Investments. Whilst at F&C he launched the successful LifeStyle range of funds. Assets grew from £100m to over £1bn during his tenure.

**Kishan Raja.** Assistant Portfolio Manager. Kishan started working for Hawksmoor in October 2018 as a Trainee Investment Manager and holds the CISI Level 6 Certificate in Private Client Investment Advice & Management. In January 2022, he joined the Hawksmoor Investment Solutions team to help manage the Hawksmoor Model Portfolio Service and additional Segregated Mandates.

Richard Pike has recently come on board as Head of Investment Management and it is he who is responsible overall for the Hawksmoor investment process. It is this investment process and resultant buy list which guides the Hawksmoor MPS that is managed by Richard Philbin and Kishan Raja.

The Executive Board of Hawksmoor are Sarah Soar, Chief Executive. Leighton Dunkley, Chief Financial Officer. Ben Conway, Head of Fund Management and Jess De Alwis, Head of Compliance.

## MPS portfolio managers

**Richard Philbin.** Chief Investment Officer, Investment Solutions.



**Kishan Raja.** Assistant Portfolio Manager.



## Process

Hawksmoor operate a collegiate approach to investment. They believe the relatively small tight-knit team gives them an advantage.

While quantitative analysis is undertaken, this is primarily used to bring the investible universe down to a manageable size. The emphasis is on qualitative analysis, with up to 600 manager meetings per year. This approach has been strengthened with Richard Philbin and Kishan Raja being based in London.

The MPS management team operate 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 the Funds team is a separate team, all notes and research produced by them are available to the MPS team, as well as all research undertaken by the Hawksmoor Investment Management Research Team.

Hawksmoor, where possible, and because of their size are able to include smaller 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 relationship with the underlying 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 meeting or call.

The thrust of these meetings is, on a fundamental basis, to understand the style of investment and to get a clear view of the manager motivation, which essentially engenders trust in the underlying fund manager.

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

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
- Do the fund managers operate a philosophy and process that chimes with their own?

ESG is integrated into the investment process, with each new fund that makes it on to the Hawksmoor buy list awarded not only a fundamental risk score but also a sustainability score.

The sustainability score measures the application of exclusion policies and Environmental, Social & Governance criteria (ESG). There are a number of underlying holdings that are common to both the sustainable range and the core and high income ranges.

## Risk management

The main thrust of the risk management is a rigorous peer review process. Any funds selected will undergo a number of fund manager review meetings, before addition to the buy list.

All assets invested in receive a risk score (from 1 to 10), which is regularly reviewed. This focuses on a number of elements including: Liquidity, transparency, correlation and credit worthiness. All new funds that are added to the Hawksmoor buy list will also receive an ESG score, indicating any possible longer term risks to the funds, from an ESG perspective.

With a small close-knit team, peer review forms a significant element of risk assessment.

Portcullis software is used to assess contributions of funds and effects on portfolio, such as volatility breaches, asset class weightings, asset class diversification, exposure to passives, performance, income and attribution analysis. Alerts are given if any of the defined parameters are breaching.

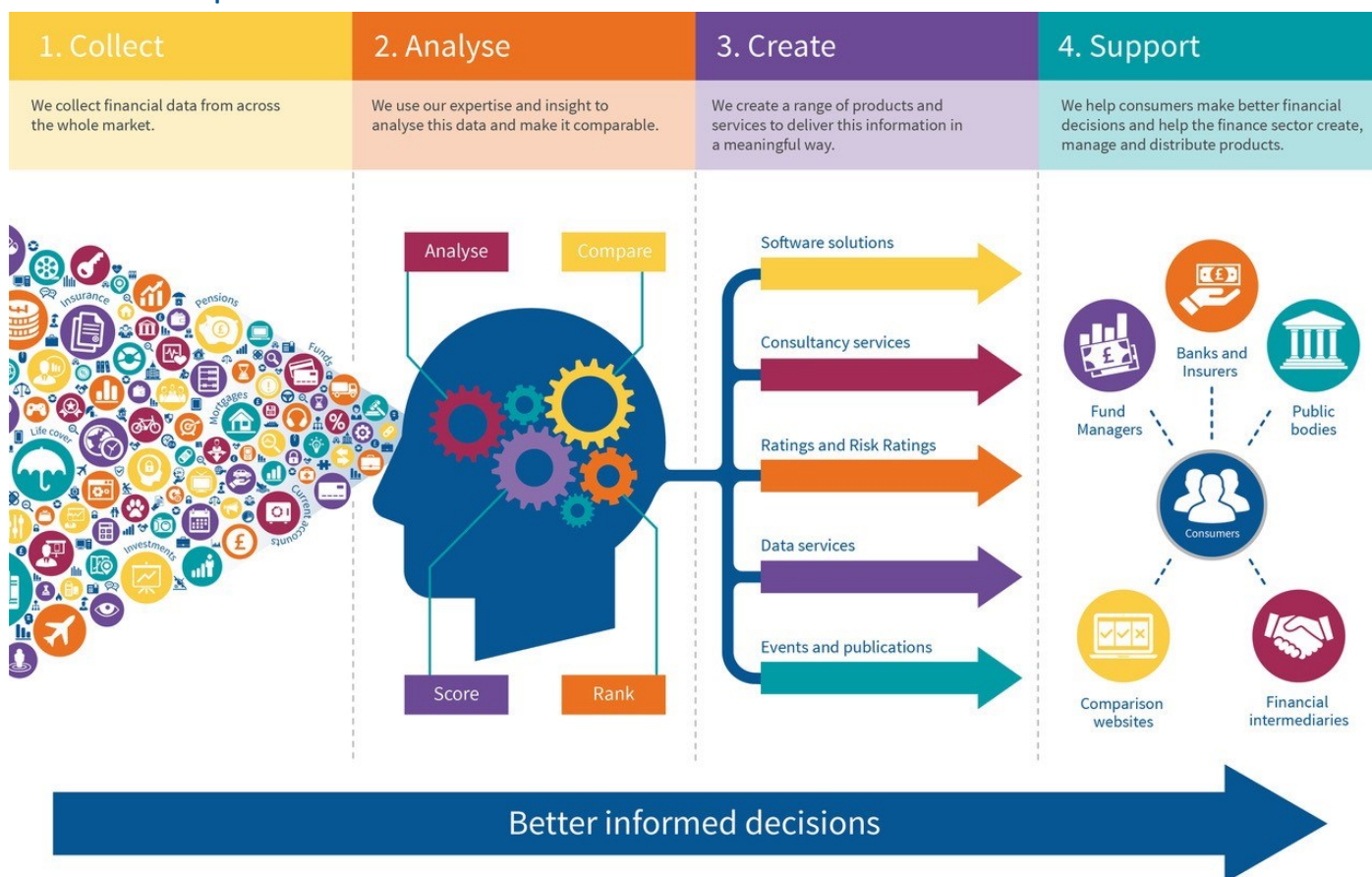
Hawksmoor have a live look through on all holdings in underlying funds which helps pinpoint any risks in portfolios and ensures funds are sticking to their mandate.

To maintain adherence to the mandate, simulations are run using FinXL. This looks at income, volatility, number of holdings, correlation, degree of diversification and changes to holdings.

There is a degree of skepticism on the reliability of risk models, so all outputs are also examined with a 'common sense' element and subject to discussion.

All notes and analysis of funds go into a central research library which can be accessed by all.

## 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.

If you would like more information, please contact [sales@defaqto.com](mailto:sales@defaqto.com) or call us on 0808 1000 804.

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