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**HAWKSMOOR**  
FUND MANAGERS

**MI HAWKSMOOR GLOBAL  
OPPORTUNITIES FUND**

QUARTERLY REPORT  
Q3 2023



*For investors who are looking to achieve a high level of capital growth on their investments over the long term.*

## KEY POINTS THIS QUARTER

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- Global Opportunities returned +0.8%, outperforming the sector return of -0.1%
- We introduced six new holdings, and exited five positions
- Equities were increased
- Precious metals exposure was reduced

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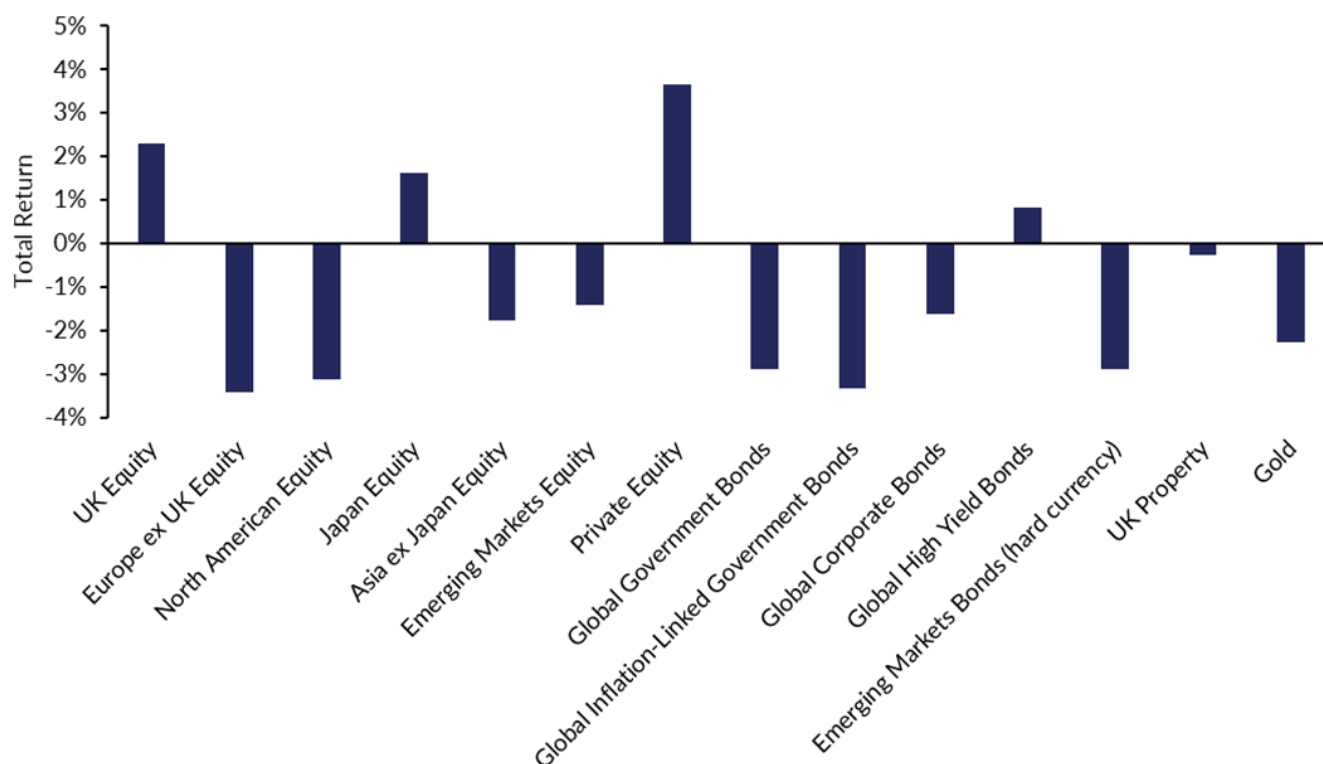
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# QUARTERLY MARKET PERFORMANCE



- Real and nominal government bond yields rose sharply during the quarter, most notably in the US. The US 10 year nominal yield rose from 3.8% to 4.6%, and the US 10 year real yield from 1.6% to 2.2%. This resulted in capital declines for most fixed income sectors and also gold (real yields represent the opportunity cost of holding gold, and there is typically an inverse relationship between real yields and the gold price).
- Higher bond yields in the US put pressure on US equities, which fell 3%. Most other equity markets fell too amid choppy summer trading.
- UK bond yields were flat during the quarter, helping UK equities to be among the best performing equity markets alongside Japan, with both markets delivering positive returns.

Data: UK Equity - MSCI United Kingdom All Cap; Europe ex UK Equity - MSCI Europe ex UK; North American Equity - MSCI North America; Japan Equity - MSCI Japan; Asia ex Japan Equity - MSCI AC Asia Pacific ex Japan; Emerging Markets Equity - MSCI Emerging Markets; Private Equity - IT Private Equity; Global Government Bonds - ICE BofA Global Government; Global Inflation-Linked Government Bonds - ICE BofA Global Inflation-Linked Government; Global Corporate Bonds - ICE BofA Global Government; Global High Yield Bonds - ICE BofA Global High Yield; Emerging Markets Bonds (hard currency) - ICE BofA US Emerging Markets External Sovereign; UK Property - IA UK Direct Property; Gold - WisdomTree Physical Gold USD.

Source: FE fundinfo local currency, 30/06/2023 to 30/09/2023. See MSCI and ICE disclaimers on final page.

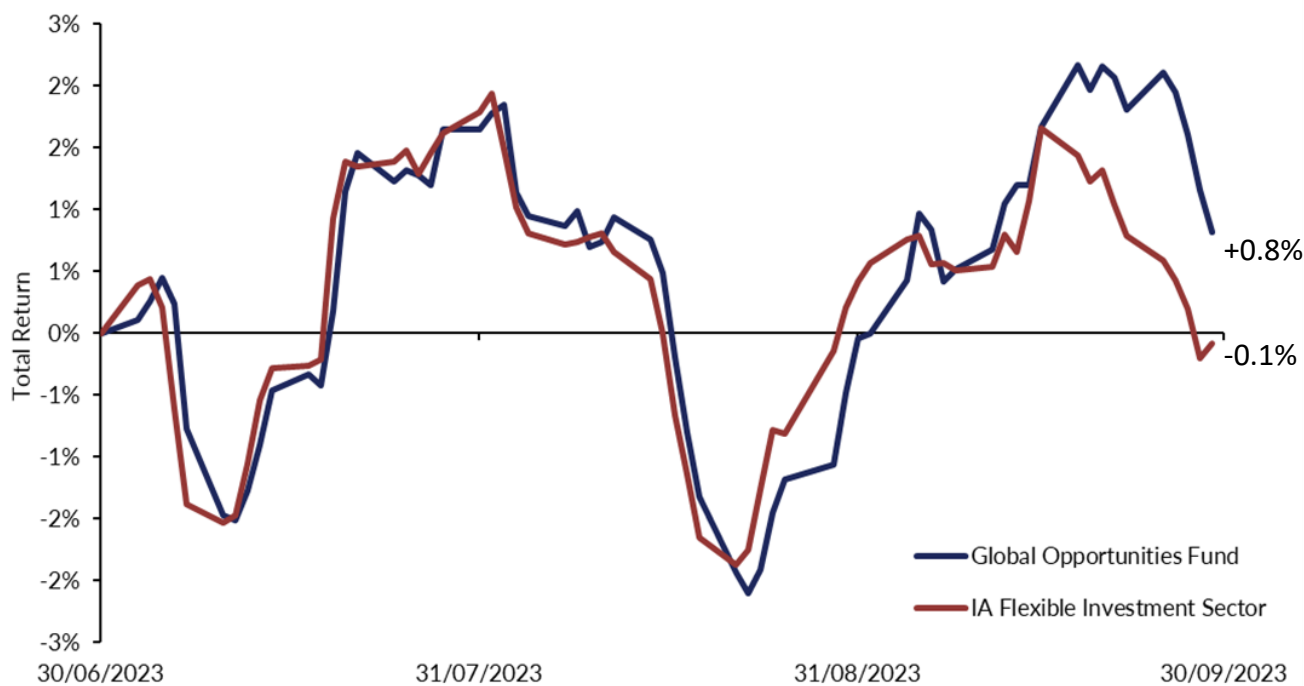
# QUARTERLY FUND PERFORMANCE

## Largest contributors:

- VT De Lisle America +0.60%
- Geiger Counter +0.42%
- Pantheon International +0.31%

## Largest detractors:

- Digital 9 Infrastructure -0.30%
- TM Crux UK Special Situations -0.18%
- Phoenix Spree Deutschland -0.18%

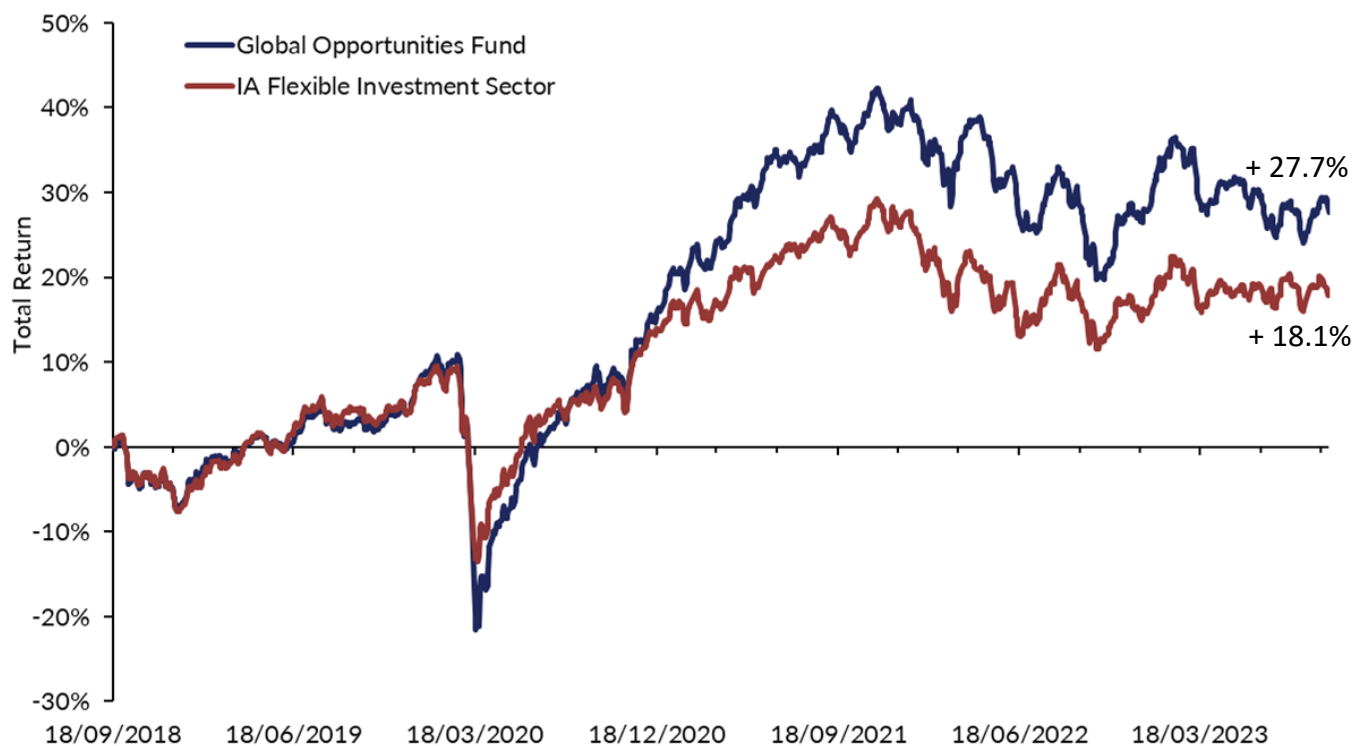


- VT De Lisle America bucked the trend of falling US equities, as its differentiated small cap value focus came into favour during the quarter with the fund rising around 8%.
- Geiger Counter (uranium mining stocks) rose sharply as uranium prices hit 12 year highs on increasing demand from governments combined with a coup in Niger which produces about 4% of annual global uranium supply.
- Digital 9 Infrastructure released a poor trading update including a surprise dividend suspension which saw the shares sharply lower as the trust continues work on selling an asset to free up capital to repay debt.
- Phoenix Spree Deutschland drifted lower on no specific news during the quarter.
- UK mid and small caps lagged UK large caps, resulting in weak performance from TM Crux UK Special Situations.

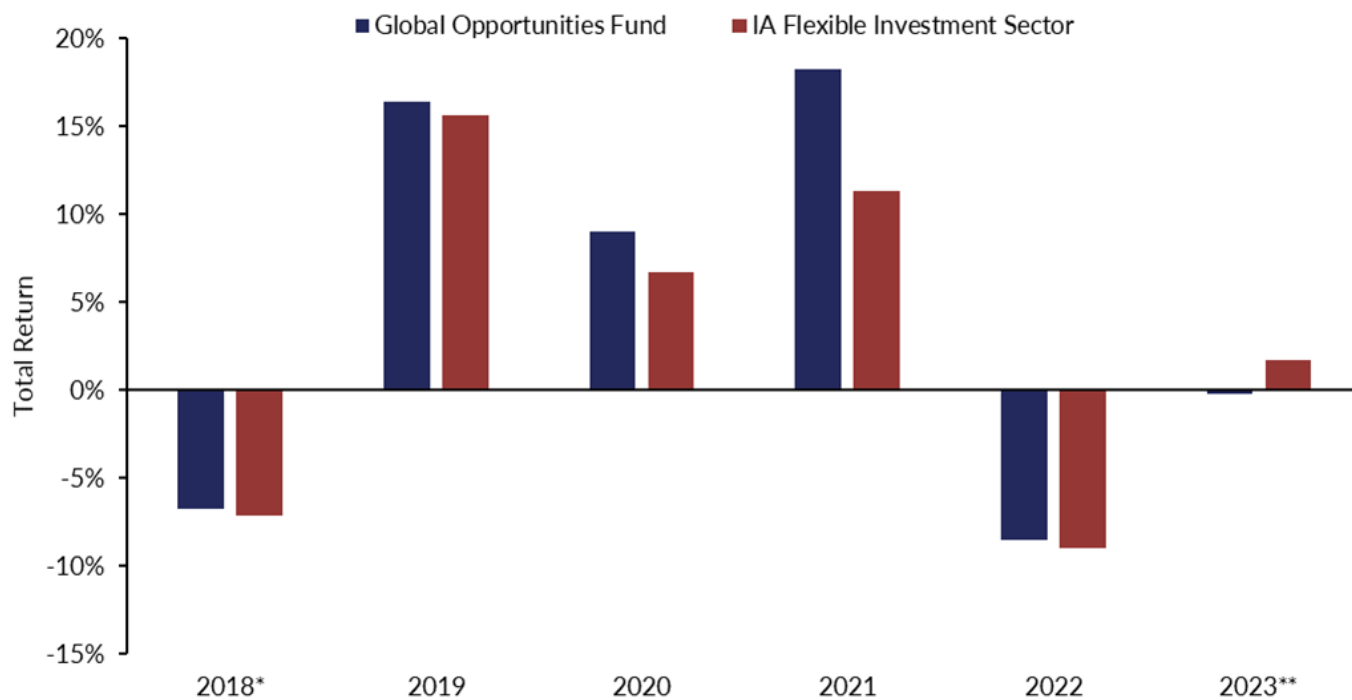
Source: FE fundinfo and internal 30/06/2023 to 30/09/2023, must be held for entire period and uses month end weighting (text). FE fundinfo, 30/06/2023 to 30/09/2023 (chart).

# SINCE LAUNCH FUND PERFORMANCE

## Cumulative performance

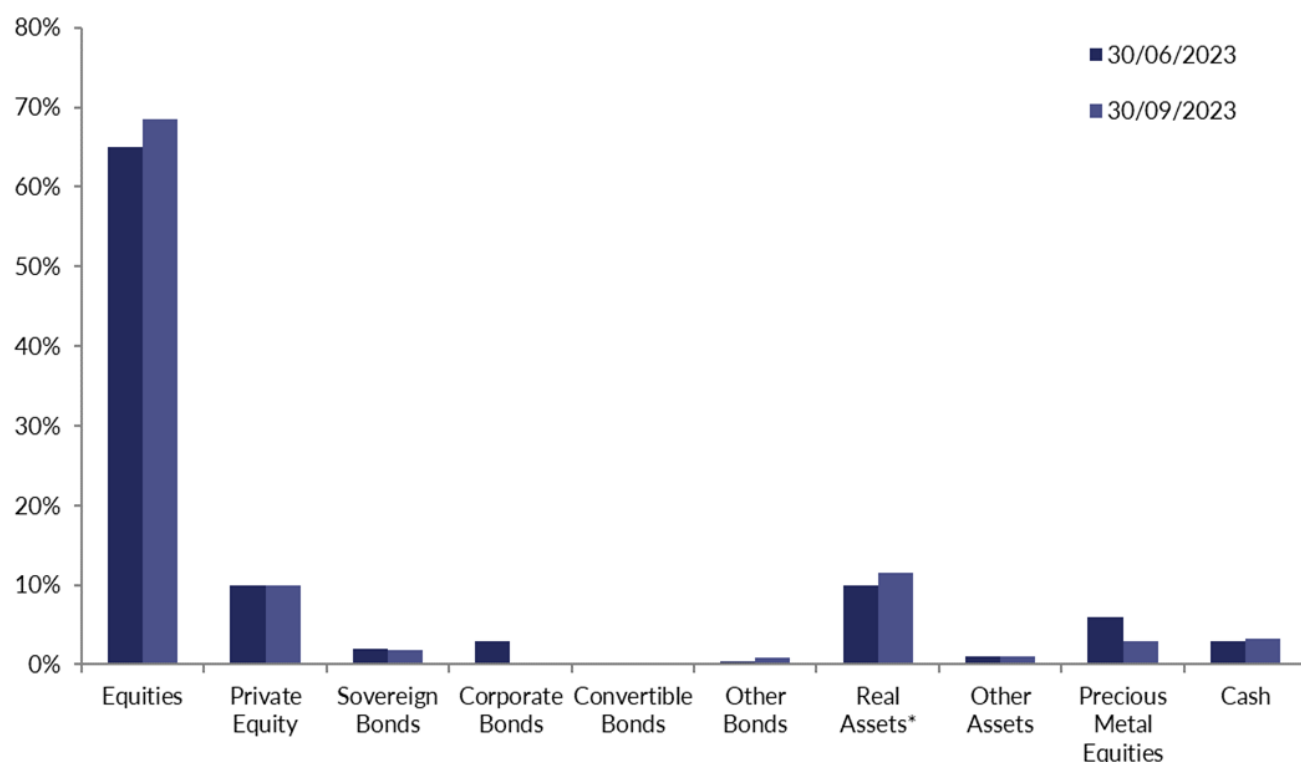


## Discrete calendar year performance



Source: FE fundinfo, 18/09/2018 to 30/09/2023 (top). \*From launch on 18/09/2018, \*\*to 30/09/2023 (bottom).

## ACTIVITY



This chart calculates the asset breakdown on a look through basis of the underlying holdings, therefore there may be differences in the breakdown shown here and on page 7.

### Purchases:

- Arcus Japan
- Artemis UK Select
- BioPharma Credit
- Chikara Indian Subcontinent
- Strategic Equity Capital
- Pantheon International

### Disposals:

- CT Private Equity Trust
- ES River & Mercantile European
- Fiera Atlas Global Companies
- KLS Corinium Emerging Markets Equity
- Man GLG High Yield Opportunities

### Summary:

We recalibrated the equity exposure in the Fund, increasing UK and Japanese equity exposure through Artemis UK Select, Arcus Japan and Strategic Equity Capital at the expense of global and European equity funds. Chikara Indian Subcontinent was added with the portfolio having substantially de-rated in recent years. We also sold a toehold position (c.50bps) in KLS Corinium Emerging Markets Equity after the fund failed to meet our expectations and with strong competition for capital have rotated capital into higher conviction ideas. We introduced BioPharma Credit as a special situation opportunity on a very wide discount driven by an issue with one of the loans which we expect to resolve in the short to medium term that will enable the board to re-establish buybacks and narrow the discount. We sold CT Private Equity, replacing with Pantheon International with the latter committing to a significant buyback programme that will be highly NAV accretive, and may help to narrow the current very wide discount. Man GLG High Yield Opportunities was exited as high yield spreads narrowed reducing return prospects.

# HOLDINGS

## **Equities 83%**

Aberforth Split Level Income  
Aberforth UK Small Companies  
Arcus Japan  
Artemis UK Select  
Augmentum Fintech  
BlueBox Global Technology  
Chikara Indian Subcontinent  
Chrysalis Investments  
CIM Dividend Income  
Federated Hermes Asia ex Japan Equity  
Geiger Counter  
Golden Prospect  
ICG Enterprise Trust  
Jupiter Gold & Silver  
LF Gresham House UK Multi Cap Income  
M&G Japan Smaller Companies  
Ninety One Global Gold  
Nippon Active Value  
Oakley Capital Investments  
Odyssean Investment Trust  
Pacific North of South EM Income Opportunities  
Panthéon International  
Polar Capital Biotechnology  
Polar Capital Japan Value  
Polar Capital UK Value Opportunities

Prusik Asian Equity Income (Unhedged)  
River & Mercantile UK Micro Cap  
Schroder Capital Global Innovation Trust  
Slater Growth  
Strategic Equity Capital  
TM Crux UK Special Situations  
VT De Lisle America  
VT Teviot UK Smaller Companies

## **Cash 2%**

## **Real Assets 12%**

Alternative Income REIT  
Cordiant Digital Infrastructure  
Digital 9 Infrastructure  
Gresham House Energy Storage  
Harmony Energy Income  
Hypnosis Songs  
Life Science REIT  
Phoenix Spree Deutschland  
Taylor Maritime  
Tufton Oceanic Assets

## **Bonds 3%**

Allianz Index-Linked Gilt  
BioPharma Credit

# OUTLOOK

Our equities exposure is highly differentiated compared to passive index options and many other actively managed funds. We have very little exposure to large cap US equities which trade on close to all-time high valuations and therefore offer close to all-time low prospective returns. Instead, our exposure is focused on attractively valued portfolios managed by experienced, highly active fund managers able to take advantage of huge valuation dispersion to build portfolios with attractive return prospects without having to take on significant balance sheet or cyclical risks. Areas where we identify excellent opportunities include UK equities (across the market cap spectrum), which trade at historically low valuations. Japanese equities, where corporate governance improvements are helping to unlock the significant value in the market and with the potential benefits of the yen exposure (which is historically cheap vs other currencies) in weaker market conditions. Many areas of Asian and emerging market equities are also historically cheap, offering very high starting yields (6-10%) underpinning future return prospects.

Our bond exposure in Global Opportunities is low, reflecting the excellent long term opportunities we are finding in equities and real assets/investment trusts. Where we have exposure, it is biased towards higher quality credit and government bonds as we believe credit spreads in high yield bonds are not compensating investors for rising default risk. We have exposure to inflation linked government bonds which we would expect to perform well should the economic outlook darken, bringing significant portfolio diversification benefits. The shift higher in real yields from the deeply negative levels that have prevailed over the last decade means it's possible to harvest a positive return on these hedges for the first time in years.

Our investment trust exposure is skewed towards deeply discounted alternative assets such as digital infrastructure, shipping, private equity and song royalties where engagement and corporate events (such as upcoming continuation votes) are key to realising value over the coming 12-18 months, and where we have confidence in the underlying net asset values over the medium to long term. The weighted average discount in the portfolios is 28%, far wider than the trust sector as a whole at 17% reflecting our targeted approach to the sector.

Source: Internal, 30/09/2023. Each fund has been allocated to an asset class for this breakdown, therefore there may be differences in the breakdown shown here and on the asset breakdown chart on page 6.

## CONTACT US

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## IMPORTANT INFORMATION

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