



HAWKSMOOR
FUND MANAGERS

**MI HAWKSMOOR
VANBRUGH FUND**

QUARTERLY REPORT
Q3 2023



For investors who are looking to achieve both a positive return on their investments after inflation, and preserve capital over the medium term.

KEY POINTS THIS QUARTER

- Vanbrugh returned +0.3%, outperforming the sector return of -0.1%
- We introduced three new holdings, and made no full disposals
- Equity exposure was increased
- Cash and precious metal exposure were reduced

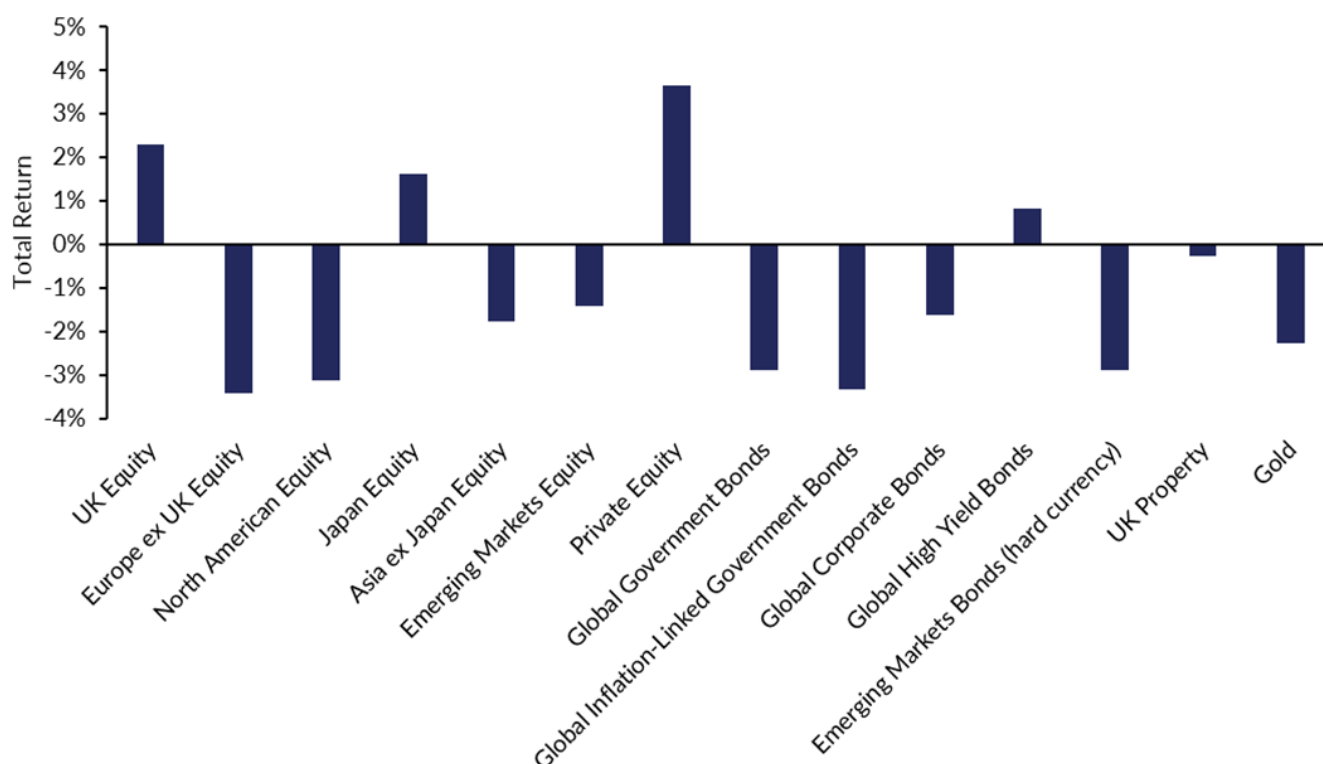
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QUARTERLY MARKET PERFORMANCE



- 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.

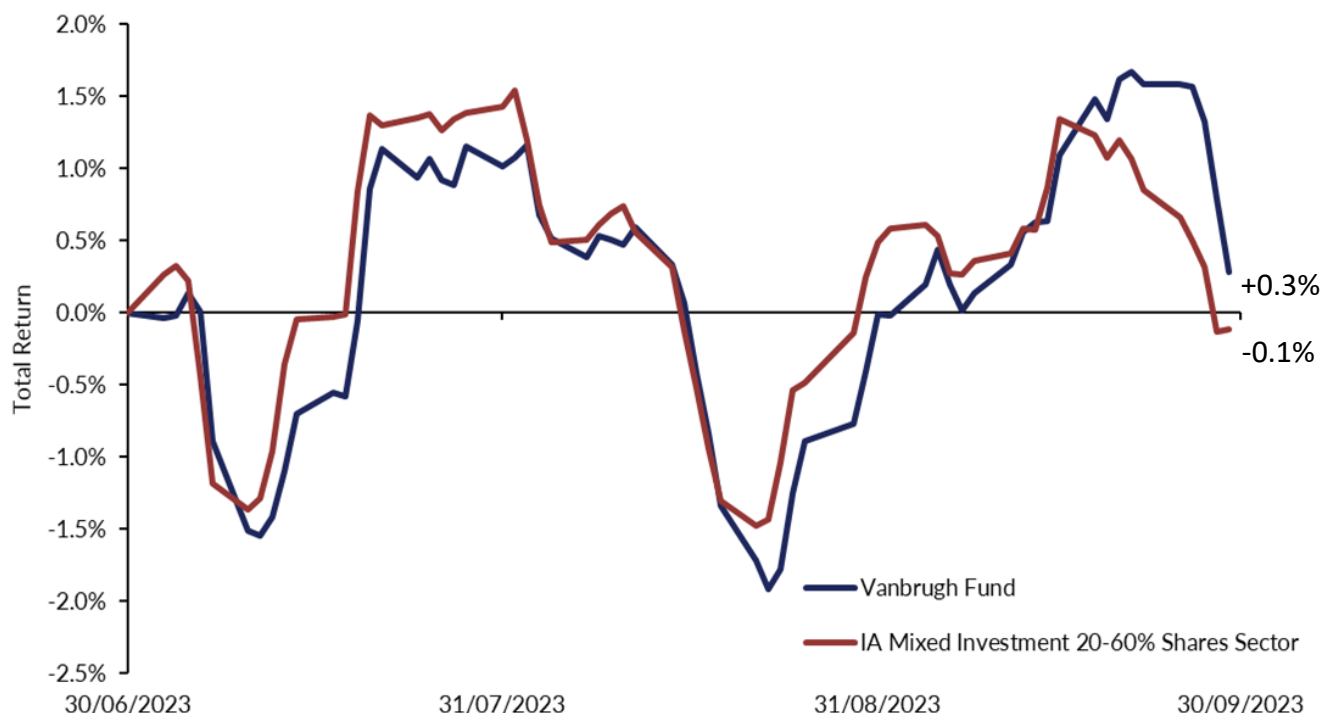
QUARTERLY FUND PERFORMANCE

Largest contributors:

- VT De Lisle America +0.25%
- Man GLG Sterling Corporate Bond +0.20%
- TwentyFour Monument Bond +0.19%

Largest detractors:

- Allianz Index-Linked Gilt -0.31%
- Digital 9 Infrastructure -0.27%
- Cordiant Digital Infrastructure -0.14%

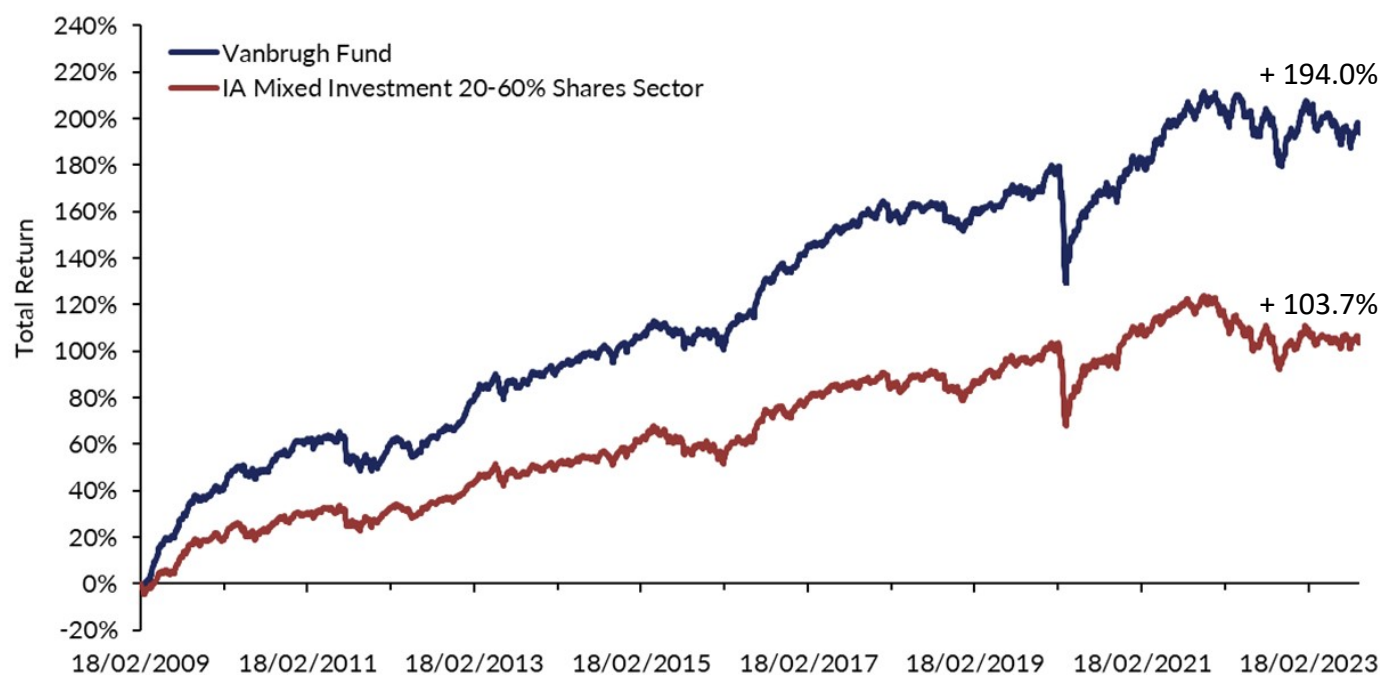


- TwentyFour Monument Bond performed well as the high starting yield continued to anchor returns. Low US rate sensitivity combined with a high starting yield meant Man GLG Sterling Corporate Bond continued its strong performance this year (up over 11% YTD).
- VT De Lisle America bucked the trend of falling US equities, as its differentiated small cap value focus came into favour during the quarter with the fund rising around 8%.
- Higher real yields resulted in negative performance from Allianz Index-Linked Gilt.
- Digital Infrastructure trusts were weak. 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.

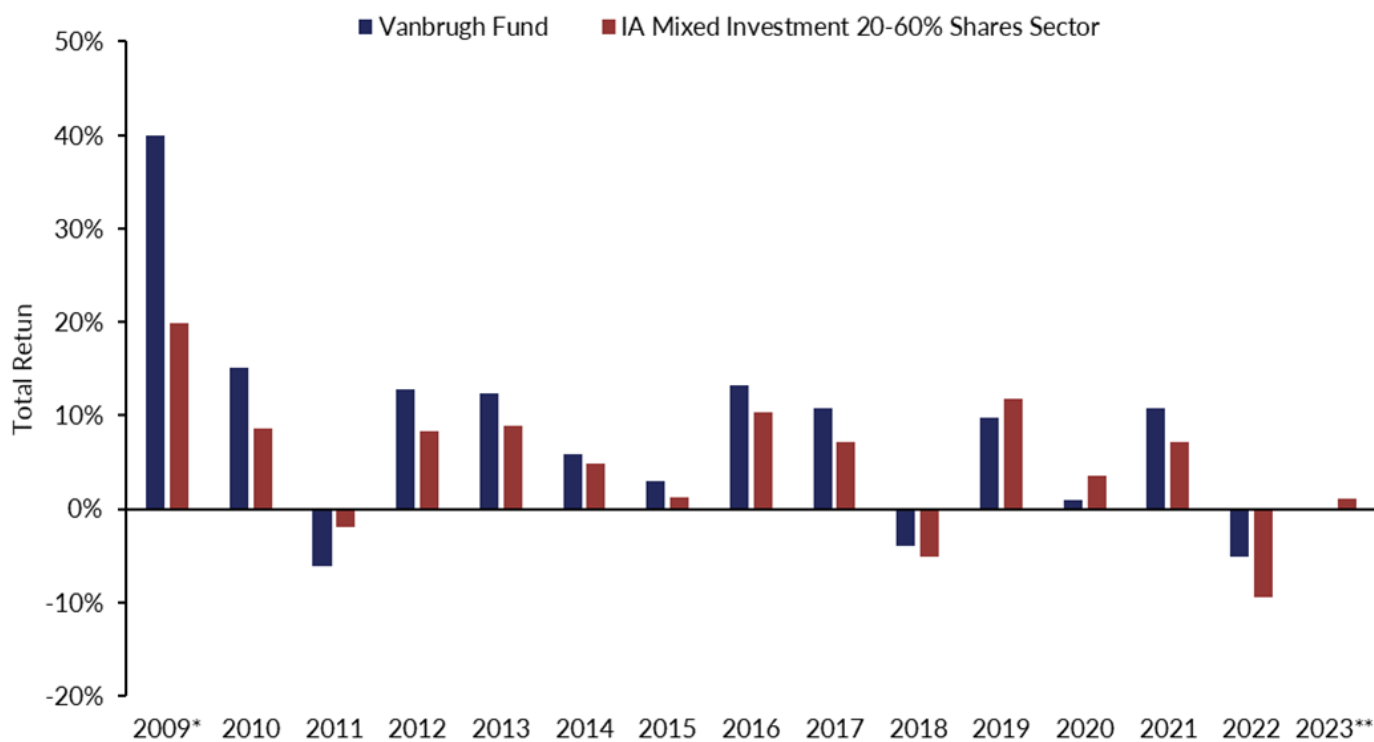
Source: FE fundinfo and internal, 30/06/2023 to 30/09/2023, must be held for entire period and uses month end weighting (text). FE fundinfo, 30/06/2023 to 30/09/2023 (chart).

SINCE LAUNCH FUND PERFORMANCE

Cumulative performance

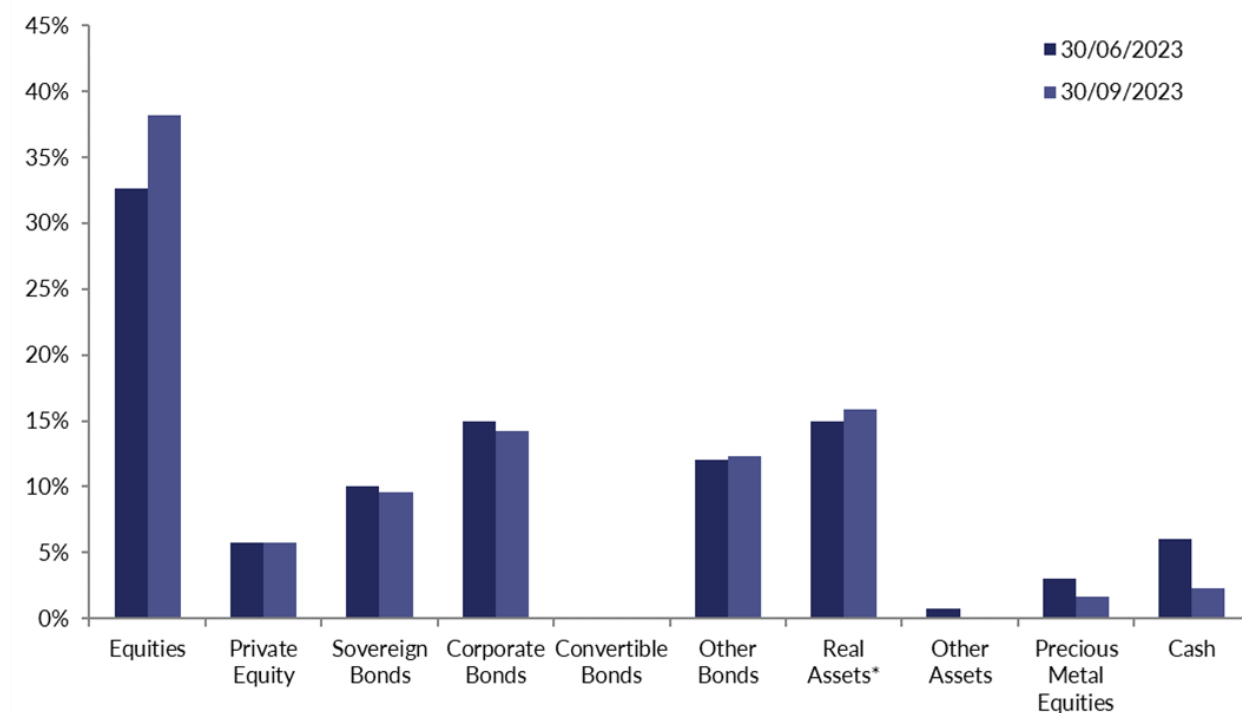


Discrete calendar year performance



Source: FE fundinfo, 18/02/2009 to 30/09/2023 (top). *From launch on 18/02/2009, **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
- BlueBox Global Technology
- Chikara Indian Subcontinent
- Strategic Equity Capital

Summary:

During the quarter we increased exposure to Japanese equities with the introduction of Arcus Japan. Despite the strong performance of the Japanese equity market this year, the valuation of the fund remains extremely compelling, and the fund complements our small cap bias within Japanese equities given the mid to large cap focus. Artemis UK Select was introduced with the portfolio very attractively valued relative to history (around 8x price to earnings with a 4% dividend yield). Historically, when UK equity valuations have been as depressed as they are today, subsequent average annualised returns have been close to 15% over the medium to long term. Strategic Equity Capital (UK equities) was also introduced. We introduced a position in BlueBox Global Technology. We have followed the fund for several years and believe the differentiated focus on technology enablers sets the fund up well to perform well over the long term and generate significant alpha through the market cycle. Chikara Indian Subcontinent was added with the portfolio having substantially de-rated in recent years. No full disposals were made during the quarter, though we reduced precious metals, credit and Asian equities to fund the above introductions.

Source: Internal, 30/09/2023, *including Precious Metal Bullion.

HOLDINGS

Equities 47%

Aberforth UK Small Companies
Arcus Japan
Artemis UK Select
Augmentum Fintech
Bluebox Global Technologies
Chikara Indian Subcontinent
Chrysalis Investments
CIM Dividend Income
CT Private Equity Trust
Federated Hermes Asia ex Japan Equity
ICG Enterprise Trust
Jupiter Gold & Silver
M&G Japan Smaller Companies
Morgan Stanley Emerging Markets Debt Opportunities
Ninety One Global Gold
Nippon Active Value
Oakley Capital Investments
Odyssean Investment Trust
Pacific North of South EM Income Opportunities
Polar Capital Global Insurance
Polar Capital Japan Value
Polar Capital UK Value Opportunities
Prusik Asian Equity Income
Schroder Capital Global Innovation Trust
Slater Growth
Strategic Equity Capital
TM Crux UK Special Situations
VT De Lisle America
VT Teviot UK Smaller Companies
WF Gresham House UK Multi Cap Income

Cash 2%

Bonds 35%

Allianz Index-Linked Gilt
Artemis Corporate Bond
BioPharma Credit
CG Dollar
Close Sustainable Select Fixed Income
Man GLG High Yield Opportunities
Man GLG Sterling Corporate Bond
RM Infrastructure Income
Schroder Strategic Credit
TwentyFour Income
TwentyFour Monument Bond

Real Assets 16%

Alternative Income REIT
Cordiant Digital Infrastructure
Digital 9 Infrastructure
Greencoat UK Wind
Gresham House Energy Storage
Harmony Energy Income
Hipgnosis Songs
Life Science REIT
LXi REIT
Phoenix Spree Deutschland
Taylor Maritime
Tufton Oceanic Assets
WisdomTree Core Physical Gold

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 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 are able to get access to actively managed funds offering significant yield pick up versus passive bond options, with yield to maturities ranging from 7.5% for AA rated RMBS to over 10% for BBB rated sterling corporate bonds. For context, over the very long term equities tend to do 7-8% annualised nominal returns. We can now get that from investment grade bonds. We have been increasing 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 are key to realising value over the coming 12-18 months. The weighted average discount in the portfolios is 28%, far wider than the trust sector as a whole at 17%.

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IMPORTANT INFORMATION

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Please read the Prospectus and the relevant version of the Key Investor Information Document ("KIID") which can be found on our website www.hawksmoorim.co.uk before making an investment. All information referred herein is at 30/09/2023 for the C Acc share class unless otherwise stated. C Acc share class launched 14/03/2014 so performance history extended to first share class launch date.

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