

## INVESTORS' REPORT - 30th September 2023

A catalyst to improve sentiment towards UK public companies remains elusive. This was regrettably yet another weak quarter for AIM, such that year-to-date our portfolios are on average now down 9.5%, or 2.1% ahead of our benchmark (*full statistics overleaf*). AIM peaked roughly two years ago: since then we've endured the worst market conditions since the 2008/09 financial crisis. In that time the wider AIM market is down -40.4%, our portfolios on average by -24.9%.

We don't know exactly what will change that misery sentiment, though the recent data revisions that prove the UK is less of an economic straggler than previously thought should help. The interest rate and inflation story, which has so upset markets, also seems to be concluding: rate rises have now been paused in both the UK and US, and the inflation beast is calming. In time that too should foster a more benign investing environment.

We are further encouraged by the Chancellor's Mansion House reforms, an agreement announced in July with the UK's largest institutional pension funds to allocate more of the wealth under their stewardship to smaller UK companies. This has the potential to unlock up to £50 billion of investment into UK smaller companies by 2030, which would be hugely helpful.

Our best performer in the quarter was **Instem** (*not necessarily held in all portfolios*), which has been bid for by a private equity group at a 41% price premium. We highlighted Instem in our [recent article on AI](#)—it is a beneficiary of that theme via its computational toxicology software. If public markets fail to value these cutting-edge tech companies appropriately, private equity buyers are waiting to swoop in.

Companies too have some levers to pull, and share buy backs are becoming a regular feature of conversations. In cases where shares are trading at such heavy discounts to intrinsic worth, buy backs make a lot of sense—provided they are not at the expense of long-term investment in the business. Dividend yields are also attractive and we have a growing cohort of clients seeking an income tilt. The UK is home to some world class companies that are simply too cheap. Indeed, Morgan Stanley this month described UK smaller companies as “the cheapest asset class in the world” - and value will out in the end.

Finally, we are delighted to be a finalist at this year's *Growth Investor Awards*, where we will be aiming to defend our title as running the Best AIM Portfolio Service in late November.



### Company Focus | Argentex 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.



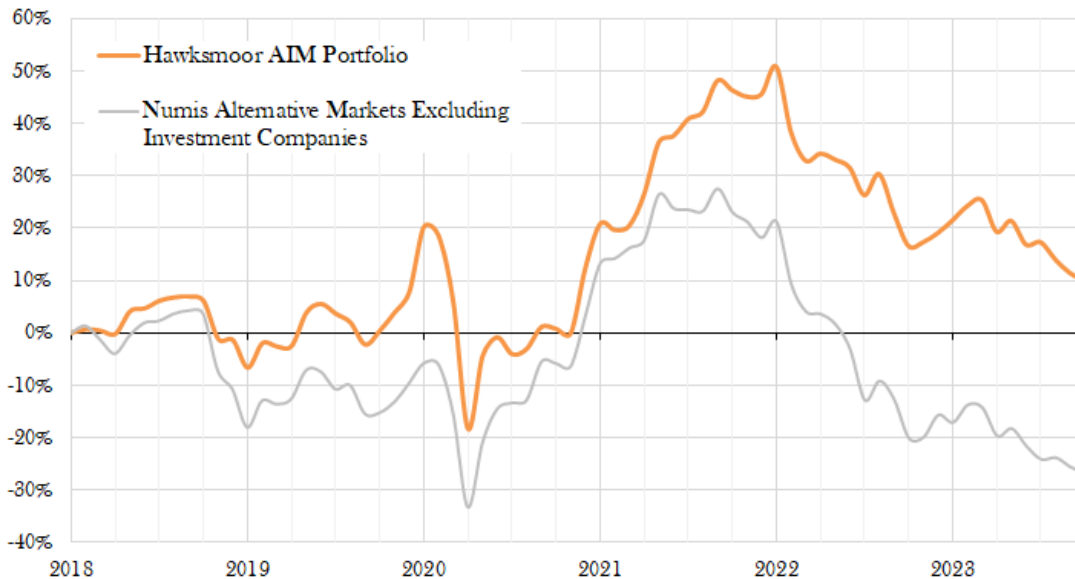
**Argentex** provides foreign currency exchange services for corporates that have a specific business transactional need—such as buying capital equipment in dollars or euros. This includes immediate delivery and forward contracts.

Foreign exchange is a market that has been dominated by the major banks, and who still have a c.85% market share. Newcomers, like Argentex, are rapidly taking market share by offering better pricing and better service.

On financials, Argentex is a growth stock: it is forecast to grow at around 30% p.a. over the coming three years, and it makes a 30%+ profit margin. Yet at a market cap of £115 million, it is trading on just 11x next year's earnings.



## Performance of an illustrative Hawksmoor AIM Portfolio



Discrete Calendar Years	2018	2019	2020	2021	2022	YTD
<b>Hawksmoor AIM Portfolio</b> <sup>1</sup>	-6.7%	28.8%	0.5%	24.9%	-19.5%	-9.5%
Numis Alternative Markets <sup>2</sup>	-17.9%	14.8%	20.1%	7.0%	-31.5%	-11.6%

Cumulative Performance	1 month	3 month	6 month	1 year	3 year	5 year
<b>Hawksmoor AIM Portfolio</b> <sup>1</sup>	-1.3%	-6.3%	-7.8%	-5.7%	9.1%	3.7%
Numis Alternative Markets <sup>2</sup>	-1.6%	-3.5%	-8.8%	-8.3%	-22.1%	-29.3%

### PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE.

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.



## Meet the team



**Ian Woolley, CFA**  
*Head of AIM Services*

Ian joined Hawksmoor in 2013 having previously worked as an investment analyst and business consultant. He has a First Class degree in Mathematics from the University of Bath and is a Chartered Financial Analyst (CFA) charter holder.



**Tinzar Minmin**  
*Investment Manager*

Tinzar qualified as an Investment Manager in 2021. She has a BSc in *Actuarial Mathematics* and a Masters in *Actuarial Finance* from the University of Leeds. She was included in Citywire's 2023 'Top 30 Under 30' list of rising investment stars.

### Important Information

Hawksmoor Investment Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in England No. 6307442. Registered office: 2nd Floor, Stratus House, Emperors Way, Exeter Business Park EX1 3QS.

This document should not be interpreted as investment advice for which you should consult your financial adviser. The information and opinions it contains have been compiled or arrived at from sources believed to be reliable at the time and are given in good faith, but no representation is made as to their accuracy, completeness or correctness. Any opinion expressed, whether in general or both on the performance of individual securities and in a wider economic context, represents the views of Hawksmoor at the time of preparation, they may be subject to change. The value of an investment can fall as well as rise and you may not get back the amount originally invested. Investments in AIM carry an above-average level of risk – please see **Guide to the AIM Portfolio Service** for full details, which can be found on our website [www.hawksmoorim.co.uk](http://www.hawksmoorim.co.uk).

<sup>1</sup> *Methodology and source:* Hawksmoor, as at the date of this report. Performance is quoted a total return basis after all charges and taxes, excluding any external adviser fees facilitated by Hawksmoor, calculated based on the average actual performance of all clients in the Hawksmoor AIM Portfolio Service.

<sup>2</sup> Numis Alternative Markets Excluding Investment Companies, quoted on a total return basis.

