



HAWKSMOOR
FUND MANAGERS

**MI HAWKSMOOR
DISTRIBUTION FUND**

QUARTERLY REPORT
Q4 2023



For investors who are looking to receive an attractive level of income, above that of a composite index of financial assets, whilst achieving capital growth on their investments over the medium to long term.

KEY POINTS THIS QUARTER

- Distribution returned +4.7%, compared to the sector return of +5.8%
- We introduced one new holding, and exited four positions
- Exposure to listed equity, private equity and sovereign bonds was increased
- Exposure to other bonds (including private credit) and cash was reduced

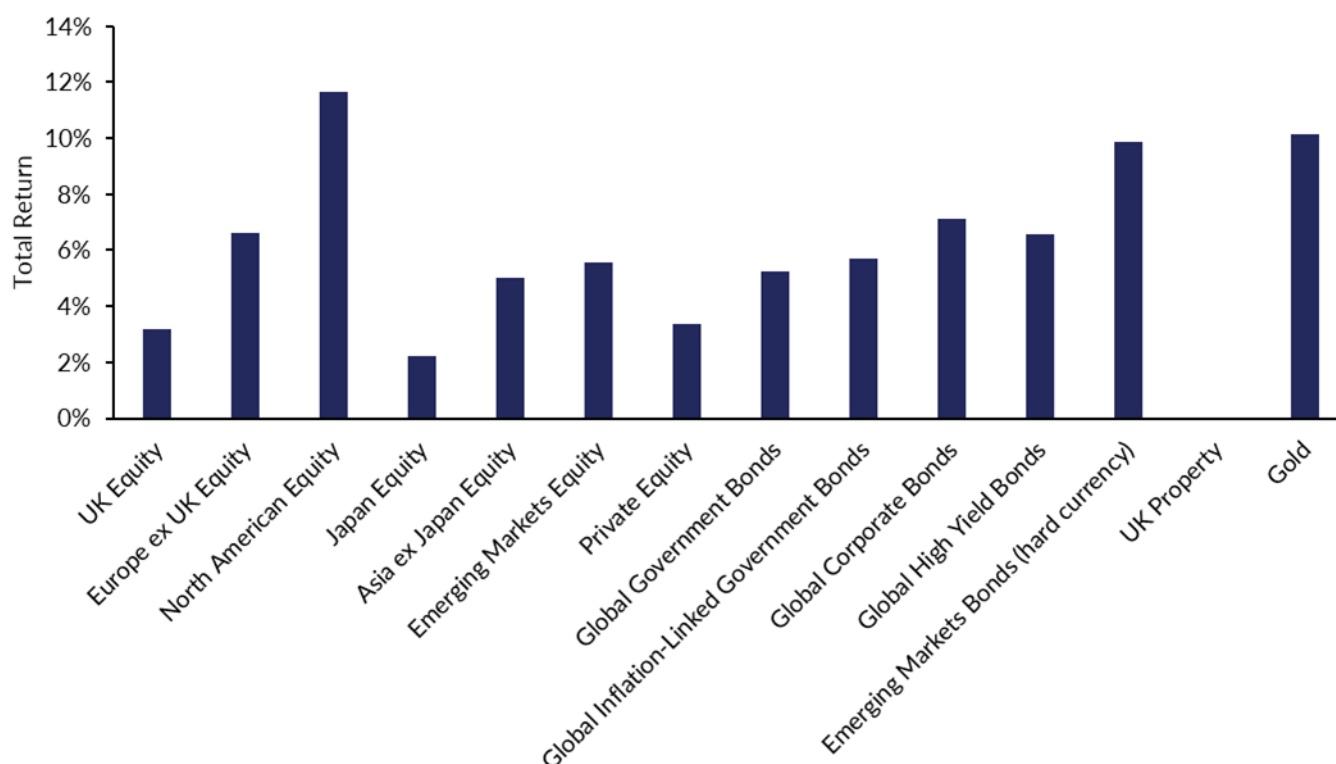
CONTENTS

Page

- 3: Quarterly Market Performance
- 4: Quarterly Fund Performance
- 5: Since Launch Fund Performance
- 6: Activity
- 7: Holdings and Outlook
- 8: Important Information



QUARTERLY MARKET PERFORMANCE



Having risen significantly in the summer and early autumn, real and nominal government bond yields fell sharply during the quarter with the 10 year US Treasury yield moving from a peak of 5.0% in mid-October to 3.9% at year end. This reflected changes in the markets expectations regarding the future path of interest rates following softer inflation numbers and rhetoric from the Federal Reserve and other central banks that was interpreted as being markedly more dovish. Falling benchmark yields combined with continued credit spread tightening resulted in strongly positive returns for most fixed income sectors. Gold also benefitted from the falling yield environment (real yields represent the opportunity cost of holding gold).

Lower bond yields and perceptions of more conducive monetary policy also buoyed equities with longer duration growth stocks leading the way. The US market has significant exposure to these types of equities and was the stand out performer.

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, 30/09/2023 to 31/12/2023. See MSCI and ICE disclaimers on final page.

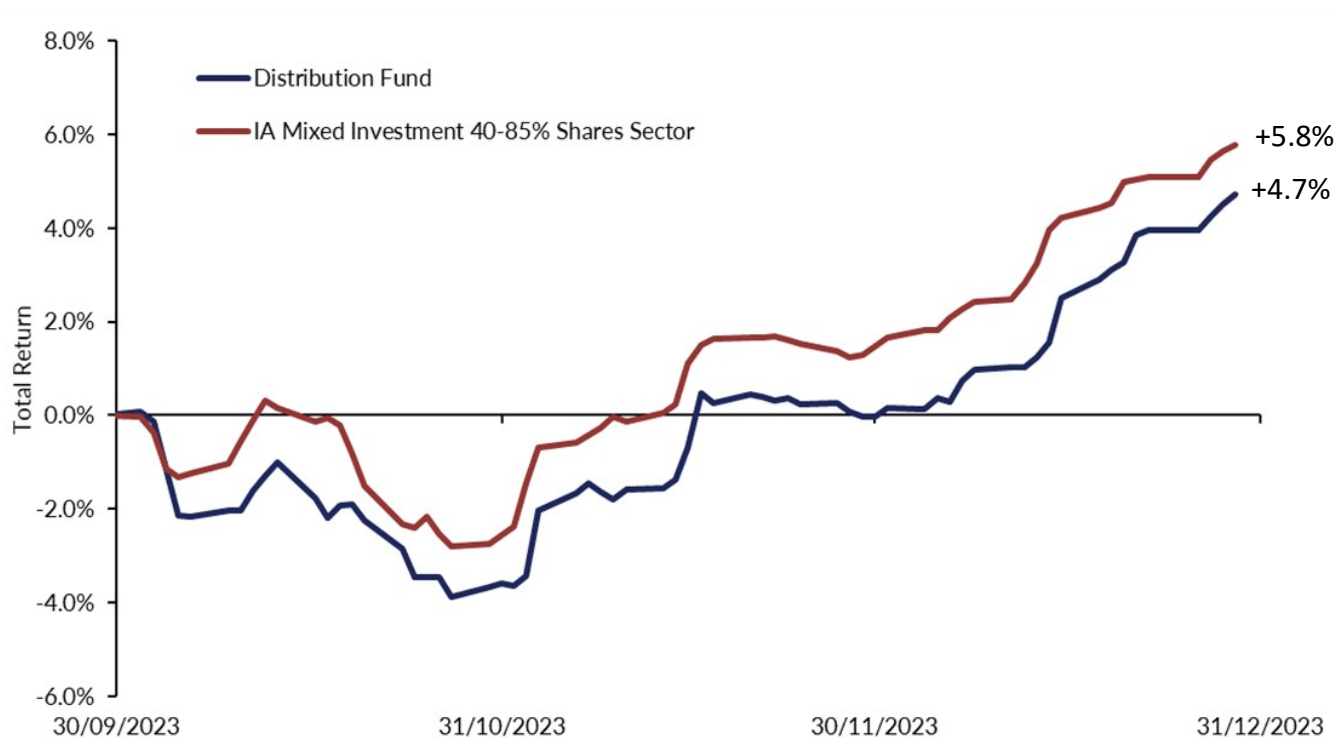
QUARTERLY FUND PERFORMANCE

Largest contributors:

- WS Gresham House UK Multi Cap Income +0.69%
- Man GLG Sterling Corporate Bond +0.44%
- Man GLG Income +0.43%

Largest detractors:

- Digital 9 Infrastructure -0.14%
- Hipgnosis Songs -0.14%
- Taylor Maritime -0.11%

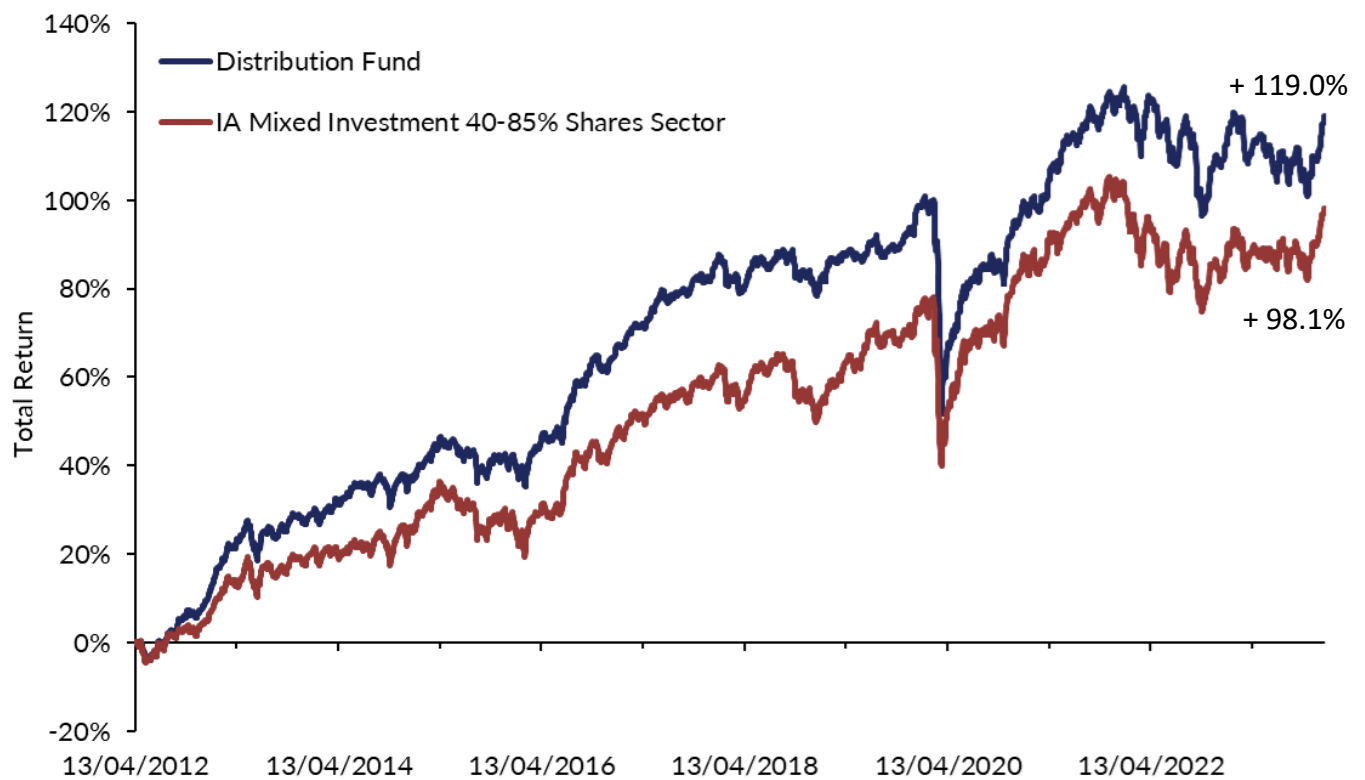


- WS Gresham House UK Multi Cap Income and Man GLG Income rose in line with the broader UK equity market.
- Man GLG Sterling Corporate Bond benefited from the decline in government bond yields, combined with tightening credit spreads.
- The Board of Hipgnosis Songs is undertaking a strategic review, with a new chair in place. During the quarter the dividend was suspended, but the interim results released were better than expected. The shares finished modestly lower.
- Digital 9 Infrastructure announced the sale of a large asset, but the share price fell as the market had hoped for better terms for the transaction.
- Taylor Maritime released a lower NAV during the quarter, but guided that much of the reduction had been unwound post period end as the handysize bulker market where the portfolio is concentrated enjoyed sharply rising charter rates. The shares drifted lower and continue to trade on an attractive discount to NAV.

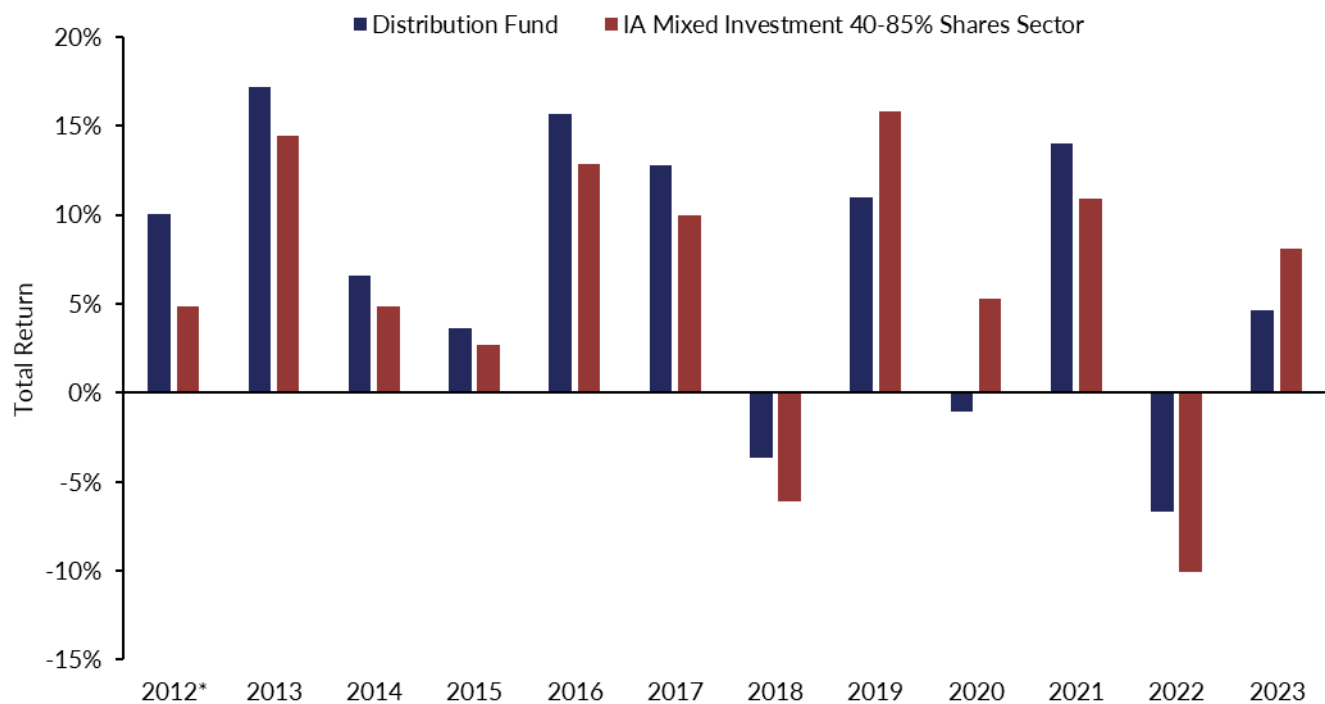
Source: FE fundinfo and internal, 30/09/2023 to 31/12/2023, must be held for entire period and uses month end weighting (text). FE fundinfo, 30/09/2023 to 31/12/2023 (chart).

SINCE LAUNCH FUND PERFORMANCE

Cumulative performance

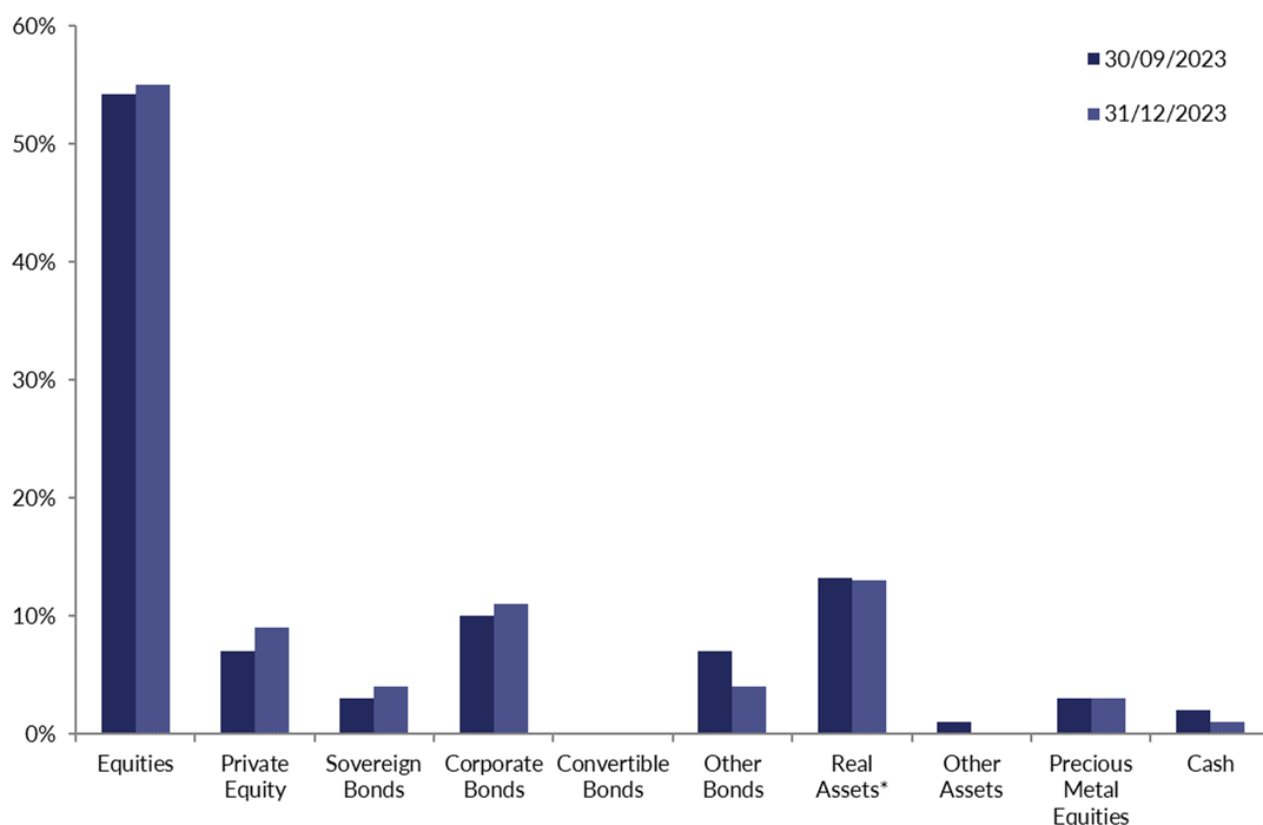


Discrete calendar year performance



Source: FE fundinfo, 13/04/2012 to 31/12/2023 (top). *From launch on 13/04/2012 (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:

- Pantheon International

Disposals:

- Alternative Income REIT
- Harmony Energy Income Trust
- Jupiter Gold & Silver
- TwentyFour Monument Bond

Summary:

Dealing during the quarter was focused on exiting lower conviction positions, with proceeds used to top up existing holdings where we have greater confidence in future return prospects. Jupiter Gold & Silver was sold, with proceeds reinvested into the existing position in Ninety One Global Gold. The former provides exposure to gold and silver bullion and equities, while the latter is purely focused on gold equities. Gold equities are very attractively valued and we are taking the opportunity to increase dedicated exposure. The small remaining position in Alternative Income REIT was exited, with our preference for well established, larger, more liquid peers offering similar return prospects such as LXI REIT catalysing the full sale. Harmony Energy Income Trust was sold on growing concerns that falling battery revenues combined with project completion delays would impact medium term dividend cover. We introduced a new position in private equity trust Pantheon International. The Board has committed to significantly improve corporate governance which should help the wide discount to narrow in time, whilst the underlying portfolio is attractive.

HOLDINGS

Equities 67%

Aberforth Split Level Income
Aberforth UK Small Companies
Arcus Japan
Artemis UK Select
BlueBox Global Technology
Chikara Indian Subcontinent
Chrysalis Investments
CIM Dividend Income
CT Private Equity Trust
Federated Hermes Asia ex Japan Equity
ICG Enterprise Trust
Jupiter Japan Income
M&G Japan Smaller Companies
Man GLG Income
Ninety One Global Gold
Oakley Capital Investments
Pacific North of South EM Income Opportunities
Pantheon International
Polar Capital Japan Value
Prusik Asian Equity Income
Schroder Capital Global Innovation Trust
Strategic Equity Capital
VT De Lisle America
VT Downing Small & Mid Cap Income
VT Teviot UK Smaller Companies
WS Gresham House UK Multi Cap Income

Cash 1%

Bonds 19%

Allianz Index-Linked Gilt
Artemis Corporate Bond
BioPharma Credit
Close Sustainable Select Fixed Income
Man GLG High Yield Opportunities
Man GLG Sterling Corporate Bond
Morgan Stanley Emerging Markets Debt Opportunities
RM Infrastructure Income
Schroder Strategic Credit
TwentyFour Income

Real Assets 13%

Cordiant Digital Infrastructure
Digital 9 Infrastructure
Greencoat UK Wind
Gresham House Energy Storage
Hipgnosis Songs
Life Science REIT
LXi REIT
Phoenix Spree Deutschland
Taylor Maritime
Tufton Oceanic Assets

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 adequately 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 8% 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 get similar returns 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 -24%, far wider than the trust sector as a whole at -9%.

Source: Internal, 31/12/2023. 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



David Chapman
Business Development Manager
david.chapman@hawksmoorfm.co.uk
07384 114953

www.hawksmoorim.co.uk

IMPORTANT INFORMATION

This document is issued by Hawksmoor Fund Managers which is a trading name of Hawksmoor Investment Management ("Hawksmoor"), the investment manager of the MI Hawksmoor Distribution Fund ("Fund"). Hawksmoor is authorised and regulated by the Financial Conduct Authority. Hawksmoor's registered office is 2nd Floor Stratus House, Emperor Way, Exeter Business Park, Exeter, Devon EX1 3QS. Company Number: 6307442. The Fund's Authorised Corporate Director, Apex Fundrock Ltd ("Apex Fundrock") is also authorised and regulated by the Financial Conduct Authority. This document does not constitute an offer or invitation to any person, nor should its content be interpreted as investment or tax advice for which you should consult your financial adviser and/or accountant. 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. Hawksmoor, its directors, officers, employees and their associates may have a holding in the Fund. Any opinion expressed in this document, 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 and may be subject to change. Past performance is not a guide to future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations. You may not get back the amount you originally invested. FPC2423.

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 31/12/2023 for the C Acc share class unless otherwise stated. C Acc share class launched 05/03/2014 so performance history extended to first share class launch date.

Source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

The index data referenced herein is the property of ICE Data Indices, LLC, its affiliates ("ICE Data") and/or its Third Party Suppliers and has been licensed for use by Hawksmoor Investment Management Limited. ICE Data and its Third Party Suppliers accept no liability in connection with its use. See <https://www.hawksmoorim.co.uk/ice-data-indices-disclaimer/> for a full copy of the Disclaimer.