

INVESTORS' REPORT - 31st December 2023

The concluding quarter of 2023 was wild. October saw a market fire sale, while in December our average portfolio was up by almost +11%—volatility we haven't seen since the early COVID days. The context is that UK equity managers in aggregate have seen average monthly outflows of over £1 billion, making them forced sellers just to meet redemptions. The result is a very cheap market—as evidenced by the recent £1.3 billion takeover bid for **Smart Metering Systems**.

Economies turned out to be far more resilient in 2023 than initially feared: the promised UK recession failed to show, inflation is coming down, and the question now is how *many* rate cuts we're gifted in 2024. Growth in general though remains anaemic, geopolitics is a minefield, and a lot of households are rolling mortgages on to eye-watering rates. We continue to prefer defensive business models, structural growth markets, and prudent debt levels.

Helpfully, supply chains are generally functioning again—albeit now impacted by tensions in the Red Sea. Ironically we're therefore now in a *destocking* cycle as companies no longer feel they need to hoard inventory. For many that will boost cash flows, while for suppliers it's a short-term hit to revenues. Similar dynamics have led to a sharp fall in used car prices. In the quarter we sold out of **Vertu Motors**. We took profits earlier in the year following a stellar share price run; with trading now likely to be tough in the medium term, we took the chance to exit in full.

We all know doom and gloom headlines sell newspapers, but there's a lot of good going on too. For one, we're in a Golden Age of medicine research led by the breakthrough mRNA technology used in the COVID-19 vaccine hunt, coupled with the use of AI. We are close to a treatment for Alzheimer's disease—in our portfolio, **Bioventix** is researching biomarkers for new diagnostic blood tests. And we're seeing major breakthroughs in clean energy from nuclear power: our exposure to that theme is primarily via **Avingtrans**, an engineering business and supplier to that industry.

We have now endured two consecutive negative years on AIM (and we can't help but note this market has never seen three). More than historical precedent, our optimism for 2024 stems from the financial health of our companies, their prospects for growth, and their incredibly low valuations. It's too early to call a definite turn, but December was a glimpse of the recovery.

Happy New Year.

GROWTH
INVESTOR
2023 | AWARDS
FINALIST
BEST AIM
PORTFOLIO
SERVICE

GROWTH
INVESTOR
2022 | AWARDS
WINNER
BEST AIM
PORTFOLIO
SERVICE

GROWTH
INVESTOR
2021 | AWARDS
RUNNER UP
BEST AIM
PORTFOLIO
SERVICE



Company Focus | Oxford Metrics 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.



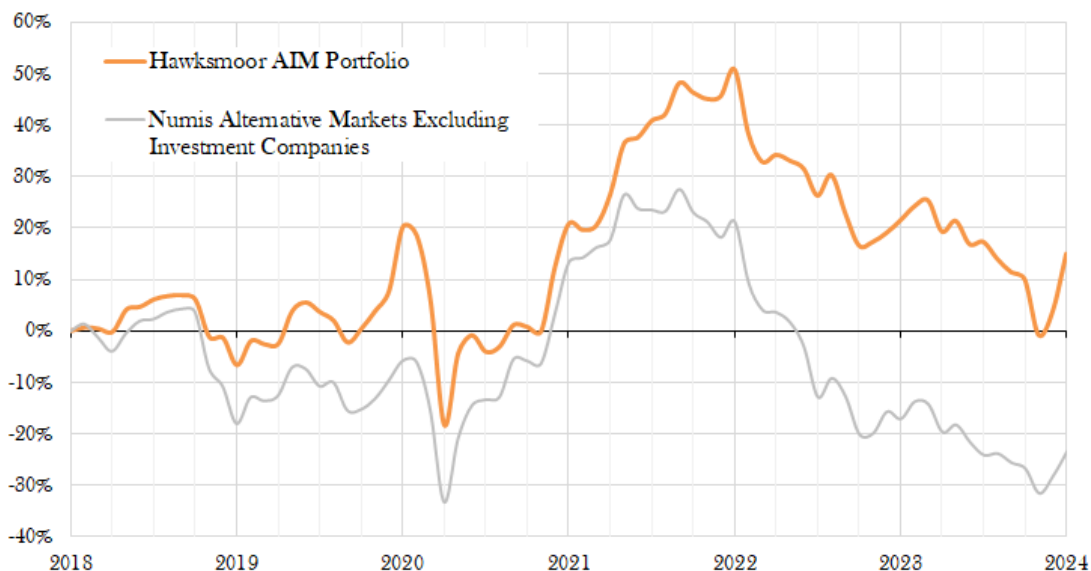
Oxford Metrics owns Vicon, the global market leader in motion measurement, which is used to create visual effects in films and video games, to help athletes analyse their performance, in virtual reality experiences, and in many other applications.

Having seen strong growth in recent years, the group has an ambition to double profits again in the coming five years. It is now expanding into smart manufacturing by applying motion measurement and machine vision to quality control in production processes.

This is a relatively small AIM stock, comes with a rich intellectual property portfolio, a strong market position and, we believe, a highly promising future.



Performance of an illustrative Hawksmoor AIM Portfolio



<i>Discrete Calendar Years</i>	2018	2019	2020	2021	2022	2023
Hawksmoor AIM Portfolio ¹	-6.7%	28.8%	0.5%	24.9%	-19.5%	-5.3%
AIM Benchmark ²	-17.9%	14.8%	20.1%	7.0%	-31.5%	-7.6%

<i>Cumulative Performance</i>	1 month	3 month	6 month	1 year	3 year	5 year
Hawksmoor AIM Portfolio ¹	10.9%	4.6%	-2.0%	-5.3%	-4.8%	23.2%
AIM Benchmark ²	6.5%	4.5%	0.9%	-7.6%	-32.3%	-6.6%

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.

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¹ *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.

² Deutsche Numis Alternative Markets Excluding Investment Companies Index, quoted on a total return basis.

