

## INVESTORS' REPORT - 31<sup>st</sup> March 2024

The first quarter of 2024 proved to be yet another difficult period for UK equity investments, which have now endured 34 consecutive months of net selling. While we continue to attract healthy inflows into our AIM Service, redemptions by other UK funds are keeping an artificial lid on share prices. Looking through the short term gyrations though, there has been a degree of stabilisation: our portfolios are now broadly flat over the past 6 months and +11% higher than the low point at the end of October 2023 (*see overleaf for full performance statistics*).

The stats mask a vast spectrum of share price movements. Our biggest detractor in the quarter was **CVS Group**, one of the UK's largest vet groups. Shares fell over 40% year-to-date after the Competitions and Markets Authority (CMA) launched a formal investigation into the vet market. Fears that this meant price controls and lower profitability meant many investors fled.

We sold our position in **Inspiration Healthcare Group**, which regrettably has turned into a serial disappointment. In January it warned that delays to one single export order forced the company into uncomfortable conversations with the bank over its covenants. This has proven to be a far riskier stock than we were led to believe: when the facts change, the portfolio will too.

In positive news, **Mattioli Woods** shares were up over +30% by being the latest UK PLC to attract the attention of private equity buyers. If public markets undervalue these companies, private equity buyers will continue to pounce. Relatedly, **Marlowe** shares were up +25% after agreeing to sell its smaller division for £430m. The deal realises a profit of over £100m, repays all of Marlowe's debt (which had become rather too expensive) and will see the return of over £150m to shareholders.

Finally, defence contractor **Cohort** rose +20% in the quarter after winning multiple contracts, including a surveillance system for the Australian navy and a trainable decoy launcher system for the UK Ministry of Defence (MoD). The past two years have been a wake up call to NATO countries that we live in a volatile, unpredictable world, and defence budgets are non-discretionary. We introduce Cohort in our Company Focus, below.



### Company Focus | Cohort 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.



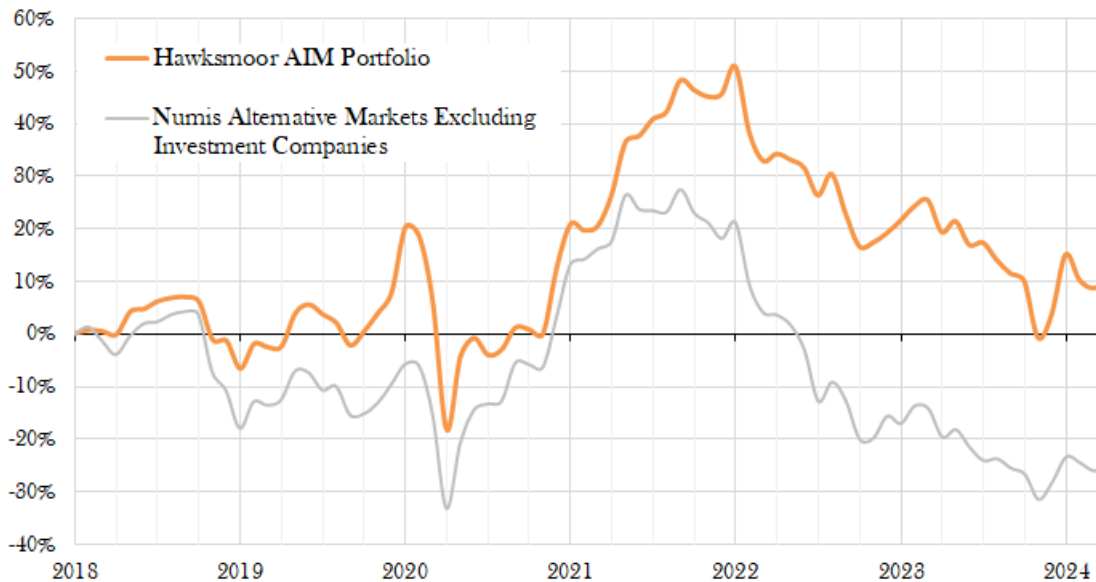
**Cohort PLC** is a defence and security engineering company with operations in the UK, Germany and Portugal. It provides defence products, software, training, and research particularly in communication systems, surveillance and electronic/digital warfare.

Security clearances, regulation, and specialist technology mean Cohort's markets have naturally high barriers to entry. Most of its revenue comes from the UK MoD, but it also has several orders from international customers, such as Italy and Australia.

This is a well-run business by a management duo with a 15 year tenure. Cash conversion is high, the balance sheet is in good shape, and valuation levels remain attractive.



## Performance of an illustrative Hawksmoor AIM Portfolio



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

Cumulative Performance	1 month	3 month	6 month	1 year	3 year	5 year
<b>Hawksmoor AIM Portfolio</b> <sup>1</sup>	1.1%	-4.5%	-0.2%	-8.0%	-13.2%	12.6%
AIM Benchmark <sup>2</sup>	1.3%	-2.2%	2.2%	-6.8%	-36.3%	-14.3%

### 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 3QJ.

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

