

INVESTORS' REPORT | GROWTH

The second quarter was positive for our AIM growth portfolios, especially in April and May. For the 3 months our portfolios were up 5.9% on average, so 2.6% better than the wider AIM benchmark. A degree of market stability we reported on three months ago has built into upward momentum, such that our growth portfolios are now almost 20% ahead of their low points back in October.

IG Design was our best performer in the quarter at +8.5%: a huge price jump, especially as its only news was an in-line-with-expectations update. Elsewhere, **Keywords Studios** soared following a takeover bid at a price 73% higher than the public market was prepared to pay. Valuations on AIM have been extremely low, as these two examples validate.

Our goal is to find wonderful businesses and own them forever: this is not a trading portfolio. Yet when facts change, portfolios will too. We were more active than usual this quarter to reduce risk and best position portfolios. We sold out of **CVS Group** on concern that the ongoing regulatory investigation into the vet market could affect its sales of pet medicines, which account for a significant portion of practice profitability. Any impact here would be aggravated by the group's £160m debt pile. We also bought into **NIOX plc**, a manufacturer of asthma diagnostic devices (see *Company Focus*).

Yet public markets often behave like my almost-two-year-old daughter, who will throw herself to the ground screaming if I cut her toast at the wrong angle. **Tracsis** suffered the toddler tantrum this quarter after admitting the general election had pushed government spending decisions and thus revenues into its next fiscal year (incidentally, any impact would have been unnoticeable if Tracsis had a December year-end rather than a July). For its obstinance on calendrical norms, its shares fell 20%. From our perspective this is clearly a timing issue: its technology, driving efficiency within the rail industry, will be in demand whichever colour of government.

On that point, we're encouraged that the incoming Labour government clearly recognises the importance of the UK's capital markets, as laid out in its [paper on financial services](#). Both politicians and regulators appear open to positive reform to reinvigorate our markets and thereby attract investment and improve liquidity, which is very welcome.

Overall our sense is that there is a spring of positivity coming back into this market, and we're already having early discussions around upcoming IPOs. It's never a straight road upwards, but all of the foundations are in place for this recovery to continue: this is a portfolio of high quality companies in sound financial health, with good growth prospects and attractive valuations.



Company Focus | NIOX 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.



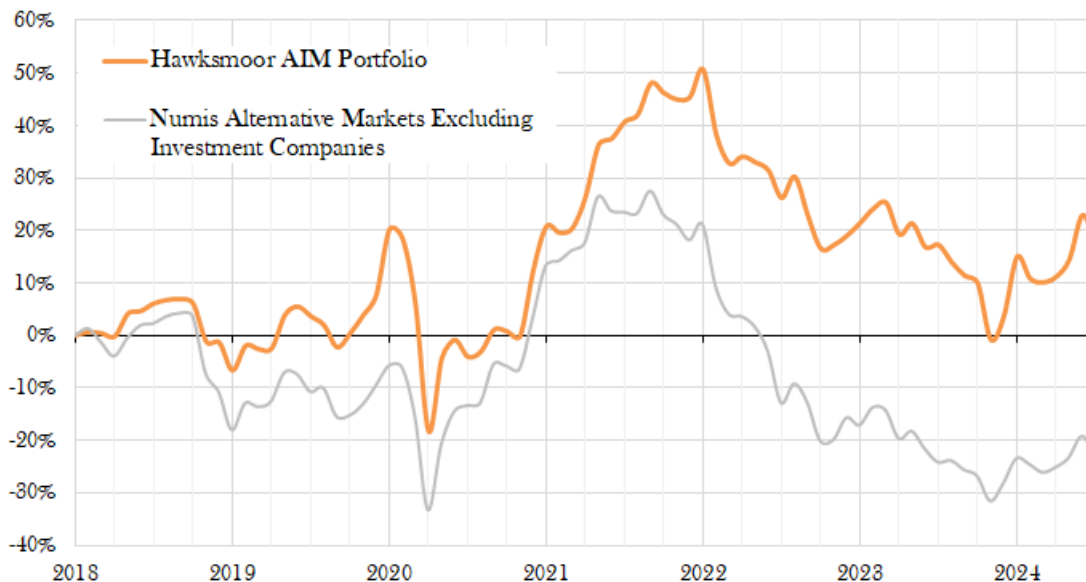
NIOX designs and develops medical devices for diagnosing asthma, one of the biggest healthcare problems in the world with over 340 million sufferers and the cause of 1,000 deaths every day.

NIOX is the market leader in the use of FeNO-based asthma testing with an estimated 80-90% market share outside of China. This method is proven to produce better diagnoses, and is therefore expanding in use. It is currently available in over 50 countries.

From an investment perspective, its asset-light business model produces high returns on capital, fast growth and excellent cash generation. It has a healthy balance sheets and multiple growth drivers from further regulatory clearances in new markets, expansion in the primary care market, and potential for home-testing kits in the future too.



Performance of an illustrative Hawksmoor AIM Portfolio



Discrete Calendar Years	2018	2019	2020	2021	2022	2023
Hawksmoor AIM Portfolio ¹	-6.8%	28.7%	0.5%	24.9%	-19.6%	-5.5%
AIM Benchmark ²	-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
Hawksmoor AIM Portfolio ¹	-4.2%	5.9%	2.5%	0.4%	-16.3%	13.7%
AIM Benchmark ²	-4.3%	3.3%	1.0%	1.9%	-37.3%	-13.3%

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 3Q5.

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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.

