MI HAWKSMOOR DISTRIBUTION FUND

QUARTERLY REPORT
Q2 2025

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 +7.6%, compared to the sector return of +3.9%
- We introduced one new holding, and exited three positions
- There were no meaningful asset allocation changes during the quarter, with equity exposure modestly increased and fixed income modestly decreased.

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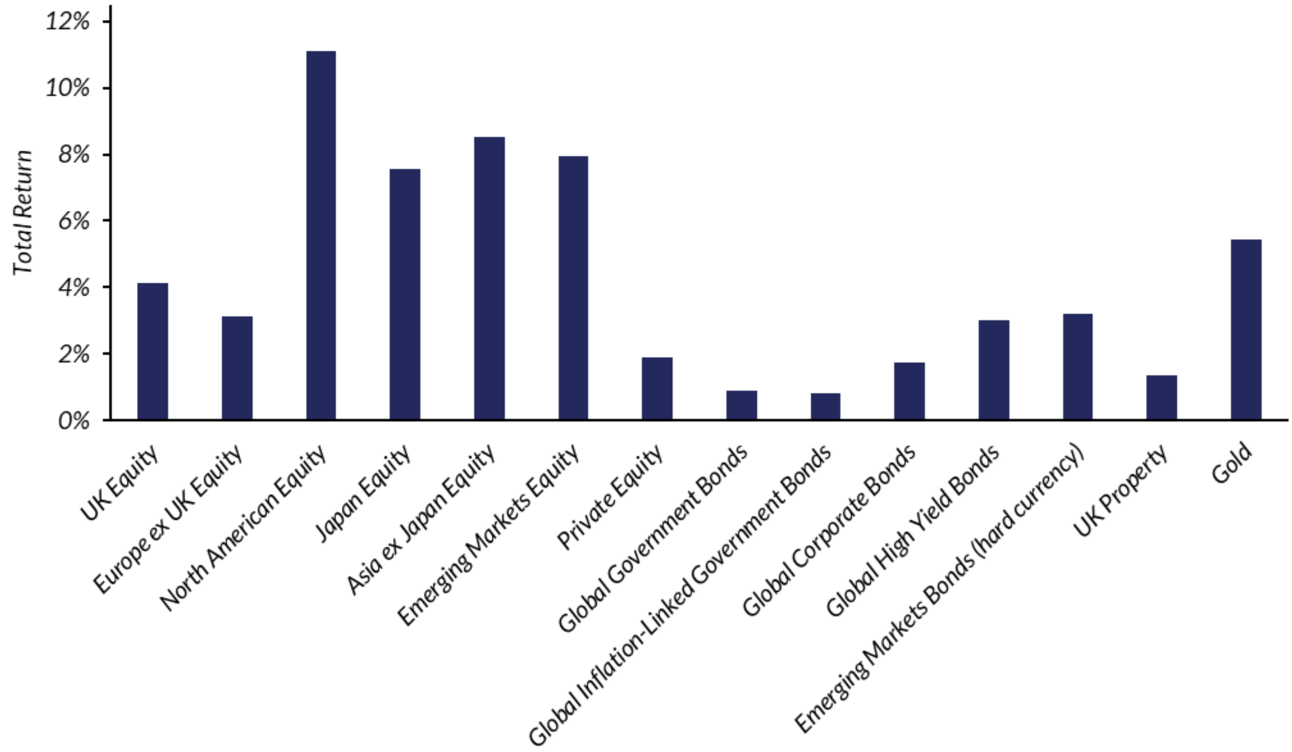
QUARTERLY MARKET PERFORMANCE



- Global equity markets staged a remarkable recovery from early April when US president Donald Trump shocked the world with his 'Liberation Day' tariffs. Even Israel's attack on Iran failed to have a lasting impact on investor sentiment with equities appreciating everywhere despite increased geopolitical risks and greater uncertainty regarding the trajectory of growth, inflation and monetary and fiscal policy. Despite being the focal point of these concerns, the US remarkably ended Q2 as the best performing major equity market in local currency terms. Returns for unhedged overseas investors were significantly diluted by dollar weakness, however, reflective perhaps of diminished confidence in US assets stemming from the Trump Administration's erratic policymaking. Other equity markets, particularly Asia and EM, enjoyed stellar quarterly returns whilst there was a marked rotation in UK equity market leadership where small and mid caps materially outperformed.
- Government bond yields moved modestly lower in most developed markets with the 10 year gilt yield ending the period 20bps lower at 4.5%. Credit spreads followed equity markets with the significant widening of early April fully reversed as risk sentiment improved.
- Gold had another strong quarter, benefitting from the weak dollar and heightened geopolitical risk.

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, 31/03/2025 to 30/06/2025. See MSCI and ICE disclaimers on final page.

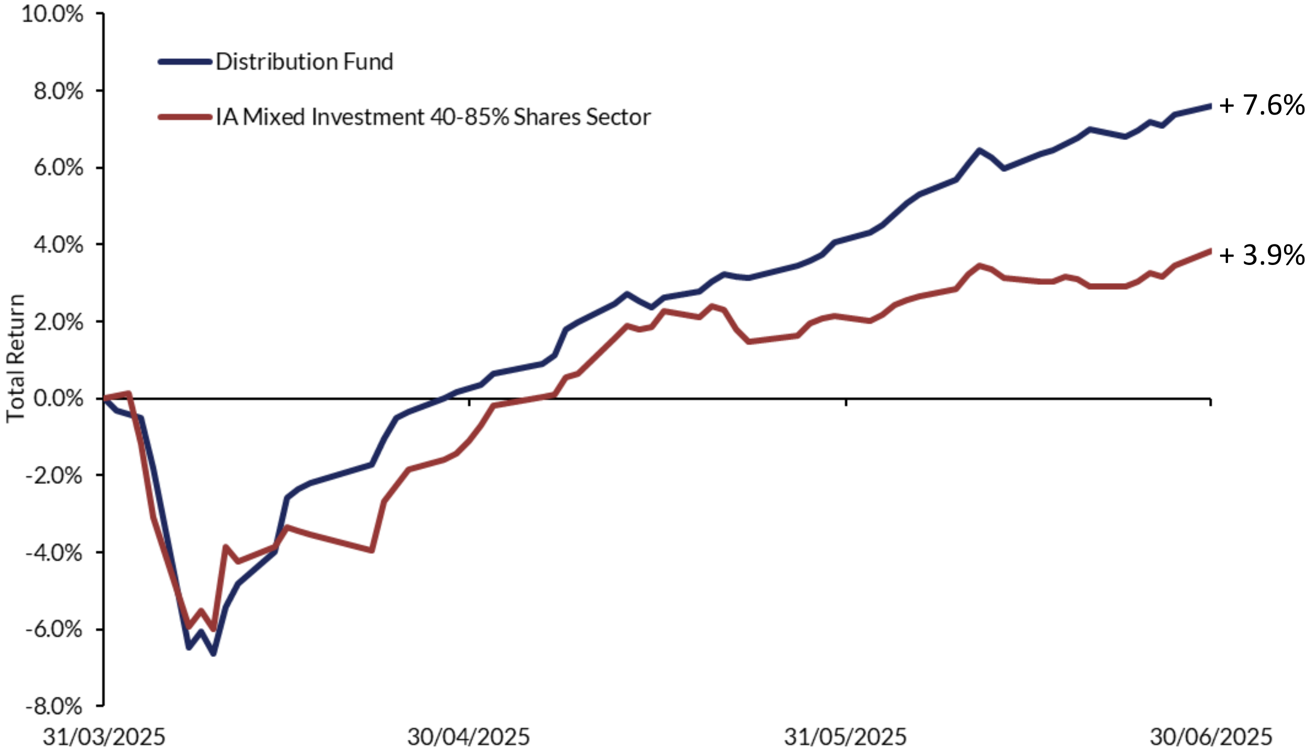
QUARTERLY FUND PERFORMANCE

Largest contributors:

- Konwave Gold Equity +0.70%
- Aberforth Smaller Companies Trust +0.67%
- Law Debenture Corp Plc +0.65%

Largest detractors:

- Smead US Value –0.13%
- Partners Group Private Equity –0.04%
- Schroder Capital Global Innovation Trust –0.03%

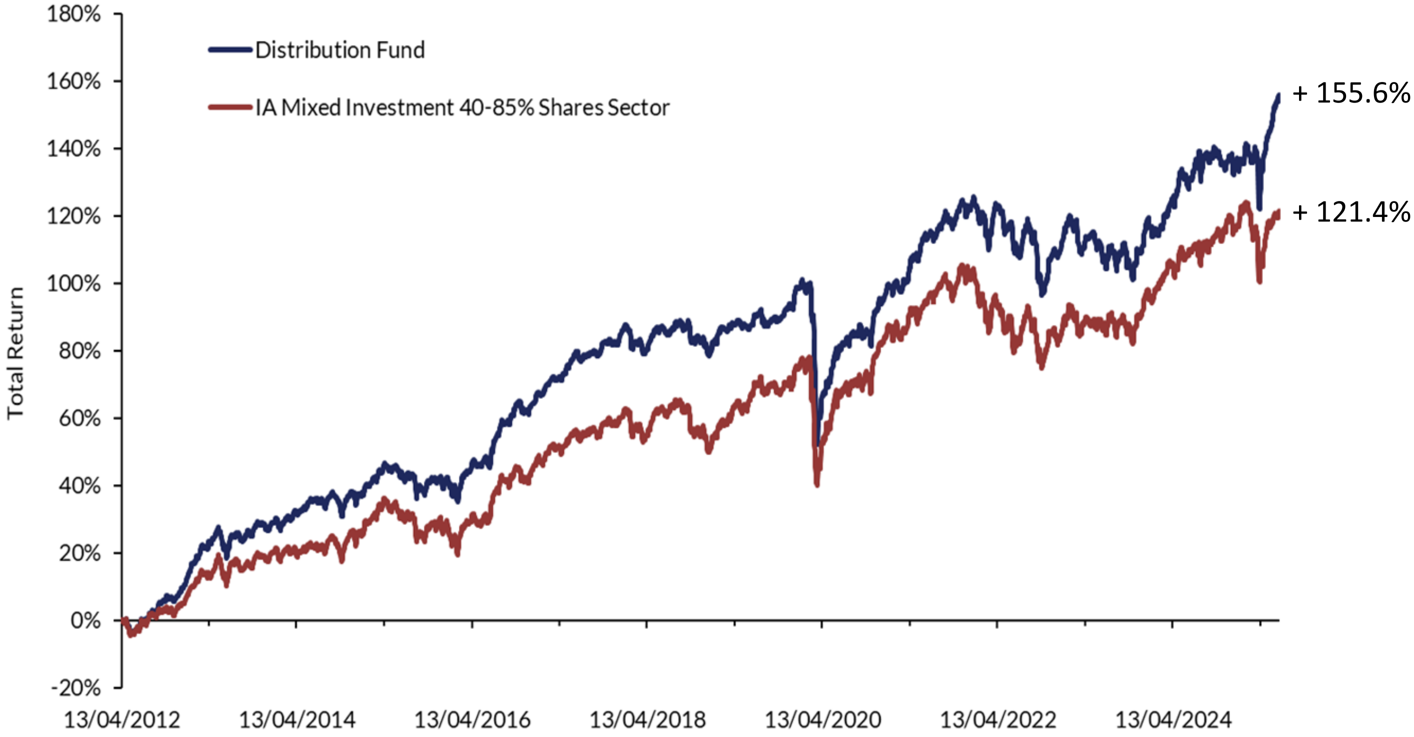


- Strong performance from physical gold translated through to strong performance for gold mining equities with Konwave Gold Equity the strongest contributor to returns with the fund rallying over 50% in the first half of the year.
- UK equities had another good period, with both Law Debenture (large caps) and Aberforth Smaller Companies Trust (small caps) rallying sharply from the April lows. Small and mid caps caught up from the first quarter underperformance versus large caps, turbo-charging returns from this part of the portfolio.
- Smead US Value underperformed the US equity market, failing to keep up in the sharp rally from the market lows which was initially led by large cap growth stocks to which the value oriented portfolio is lowly exposed. The significant depreciation of the US dollar versus sterling also contributed to it being the biggest detractor to returns in the quarter.

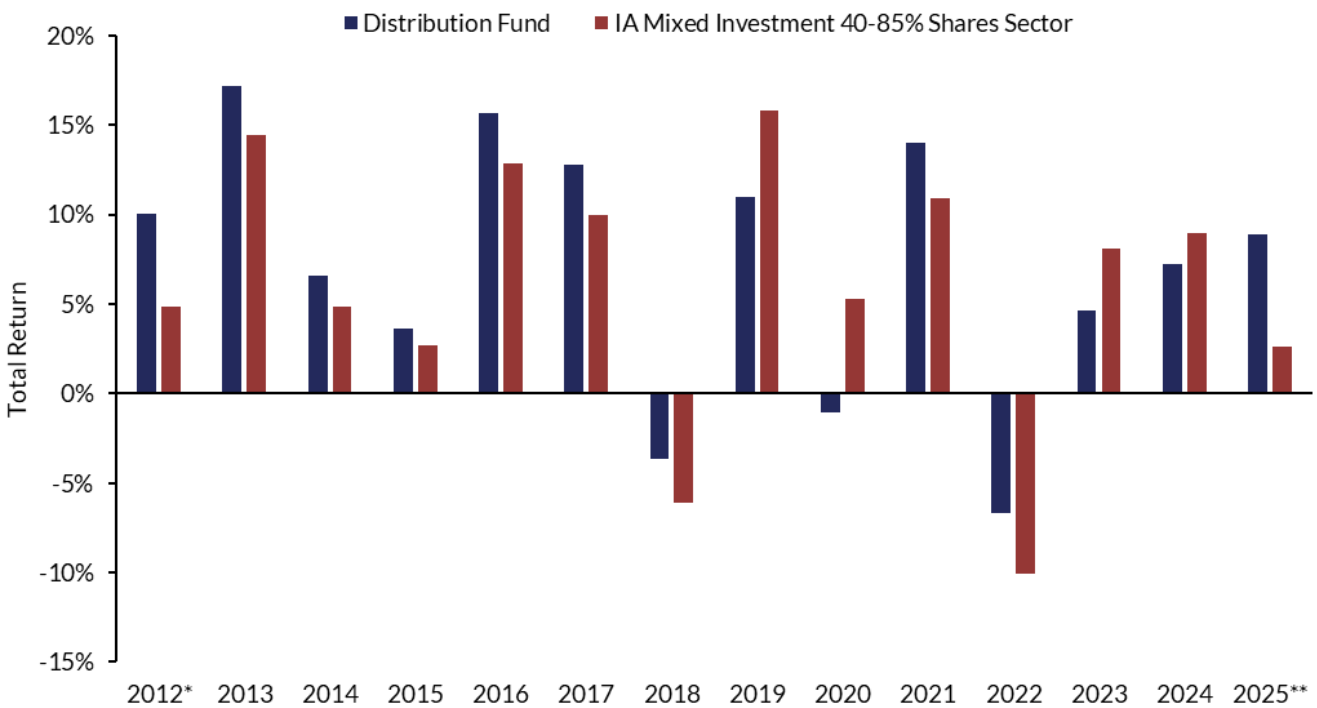
Source: FE fundinfo and internal, 31/03/2025 to 30/06/2025, must be held for entire period and uses month end weighting (text). FE fundinfo, 31/03/2025 to 30/06/2025 (chart).

SINCE LAUNCH FUND PERFORMANCE

Cumulative performance

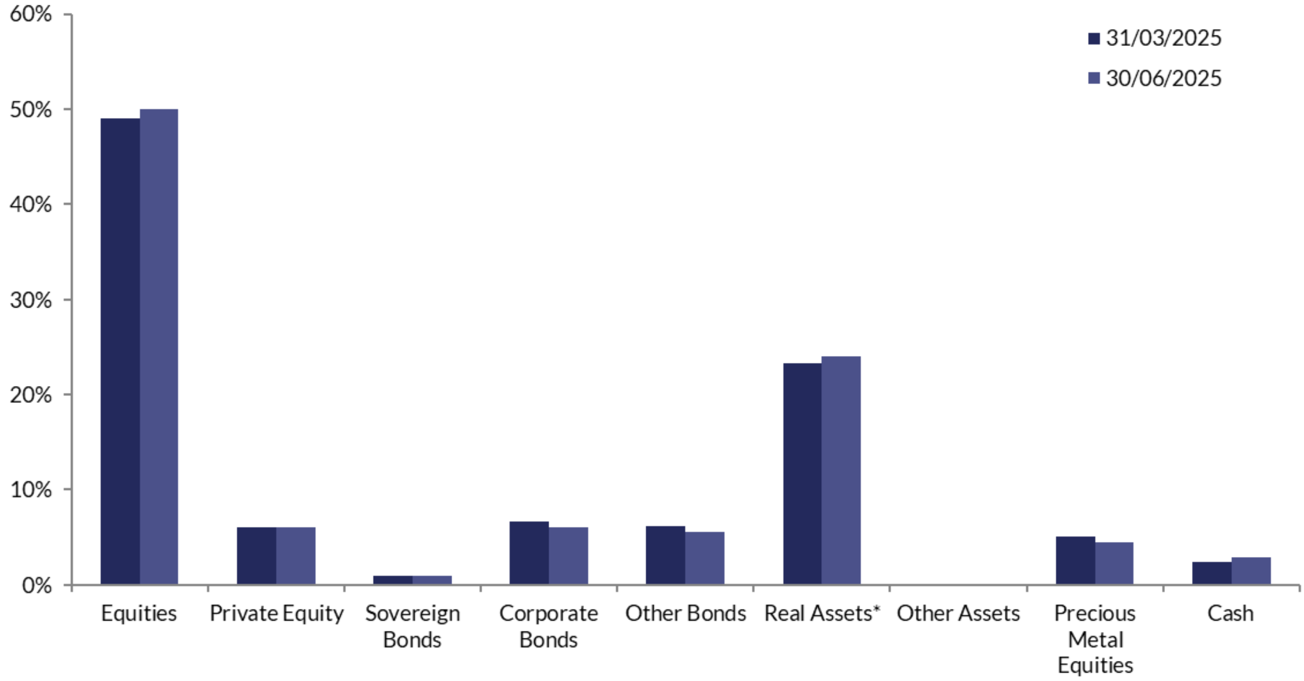


Discrete calendar year performance



Source: FE fundinfo, 13/04/2012 to 30/06/2025 (top). *From launch on 13/04/2012 (bottom).** *from 31/12/2024 to 30/06/2025.*

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:

- Foresight Solar Fund

Disposals:

- Aegon European ABS
- Downing Renewables & Infrastructure Trust
- Urban Logistics REIT

Summary:

- Dealing activity was elevated during April. In the initial market fall out from Trump's 'Liberation Day' tariff announcements, investment trust discounts widened. The team took the opportunity to reduce open ended fund exposure to top up investment trusts. Aegon European ABS a defensive fixed income fund, held up well in the initial declines and was exited to provide firepower to top up existing equity focused investment trusts.
- Urban Logistics REIT was exited following the bid by London Metric, with the trust up over 50% year to date at the time of sale. Downing Renewables & Infrastructure Trust was also subject to a bid from a private fund, and the team took the opportunity to exit on the last day of the quarter, with the proceeds reinvested post period end into a new position in Polar Capital Global Insurance.
- Foresight Solar was introduced on a wide discount and offering an attractive starting dividend yield of c.10% with potential for dividend growth.

Source: Internal, 30/06/2025, *including Precious Metal Bullion.

HOLDINGS

Equities 61%
Aberforth Smaller Companies Trust
CC Japan Income & Growth
Chikara Indian Subcontinent
Chrysalis Investments
CIM Dividend Income
CT Private Equity Trust
Foresight Solar Fund
Konwave Gold Equity
Law Debenture Corp PLC
M&G Japan Smaller Companies
Man Income
Oakley Capital Investments
Pacific North of South EM Income Opportunities
Partners Group Private Equity
Prusik Asian Equity Income
Schroder Capital Global Innovation Trust
Smead US Value
Temple Bar Investment Trust
VT De Lisle America
VT Downing Small & Mid Cap Income
WS Gresham House UK Multi Cap Income
WS Lightman European

Cash 5%

Bonds 13%
BioPharma Credit
GCP Infrastructure
Man High Yield Opportunities
Man Sterling Corporate Bond
Morgan Stanley Emerging Markets Debt Opportunities
RM Infrastructure Income
TwentyFour Income

Real Assets 21%
3i Infrastructure
Achilles Investment Company
Cordiant Digital Infrastructure
FGEN Environmental Assets Group Ltd
Greencoat UK Wind
HICL Infrastructure
International Public Partnerships
Life Science REIT
Phoenix Spree Deutschland
Taylor Maritime
The Renewables Infrastructure Group
TR Property Investment Trust
Tufton Oceanic Assets

OUTLOOK

The dominant performance of index heavy, expensive US mega-cap growth stocks is coming under pressure from a change in narrative around the US market. The actions of President Donald Trump have been extraordinary: introducing penal tariffs on imports, disputing lawmakers, questioning the independence of the Federal Reserve, and significantly increasing the future debt burden of the nation with the introduction of his ‘big, beautiful bill’. Our investment process is not reliant on trying to predict what will happen next in global politics, what the next inflation print will be, or the reaction function of central banks. Instead, we are focused on making sure Distribution is well diversified, invested in portfolios of assets with attractive starting valuations and dividend yields that should underpin good long term returns for investors regardless of the short term gyrations in financial markets.

Concerns around US financial assets, which have dominated global capital markets over the past 15 years, may result in capital flowing into areas that have been left behind and where valuations are compelling: UK, European, and Asian equities, alternative asset classes like renewable and core infrastructure and property, plus exposure to the precious metals complex. These form a material part of Distribution’s portfolio.

In addition, the opportunity for idiosyncratic returns not dependent on the daily-changing mind of the US president are elevated. Discounts across the investment trust universe remain at wide levels, activism from shareholders to unlock that value is rising, and investment trust Boards in aggregate are increasingly focused on returning capital to shareholders through rising dividends and buybacks, as well as more extreme measures including tenders and winding vehicles up.

Source: Internal, 30/06/2025. 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.

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IMPORTANT INFORMATION

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