MI HAWKSMOOR DISTRIBUTION FUND

QUARTERLY REPORT
Q2 2026

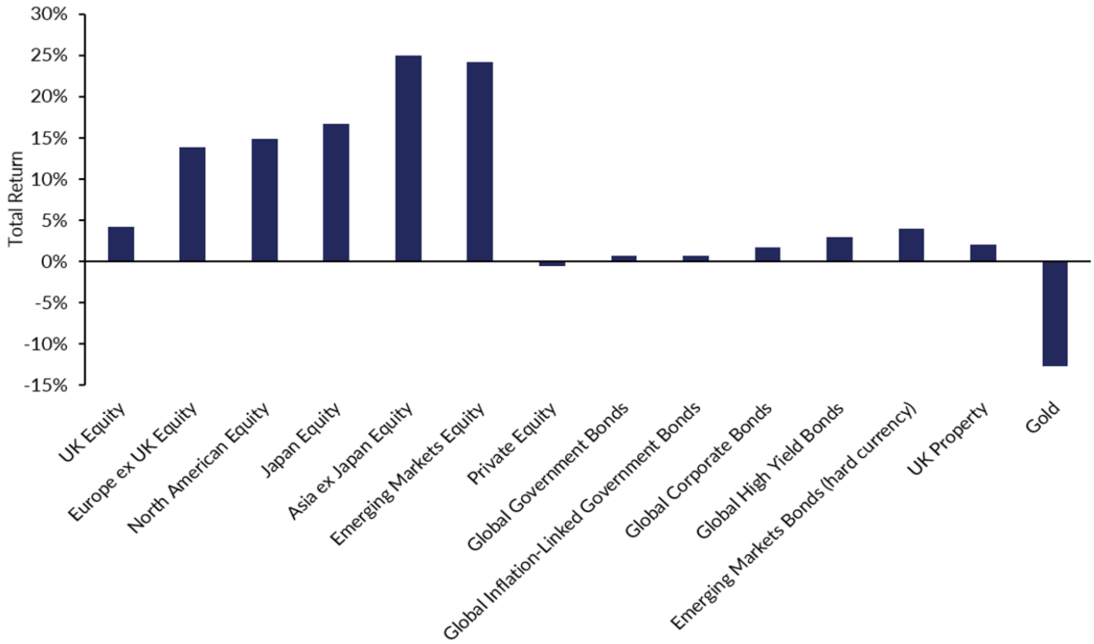
For investors who are looking to receive an attractive level of income, above that of a composite index of financial assets, whilst achieving capital growth on their investments over the medium to long term.

KEY POINTS THIS QUARTER

- Distribution returned +9.0%, compared to the sector return of +9.5%.
- We introduced two new holdings, and exited one position.
- Exposure to private equity was reduced.
- Exposure to bonds and real assets was increased.

CONTENTS

QUARTERLY MARKET PERFORMANCE



- Most equity markets performed strongly in the period, although returns were dominated by a relatively small cohort of stocks associated with the AI infrastructure buildout, semiconductors being the most notable example. This narrow breadth has exacerbated already high index concentration and also saw regional markets with low exposure to the theme, such as the UK, materially underperform. Equities received a further boost in June with US and Iran's Memorandum of Understanding (MOU) increasing the prospects of a lasting cessation of hostilities and improved transit volumes through the all-important Strait of Hormuz. June also saw marked rotation with the dominant Mag-7 in the US materially underperforming the broader market as investor worries over huge increases in AI related capex intensified.
- Government bond yields were modestly higher although eased back from their May peaks encouraged by positive developments in the Middle East which helped quell inflation concerns, something exacerbated in the US where Kevin Warsh struck a more hawkish tone in his first meeting as Fed Chair than many anticipated. In the UK, gilt yields were broadly unchanged with investors of the view that incoming PM Andy Burnham will adhere to the existing fiscal rules once in power.
- Gold was weak in the quarter hurt by diminishing geopolitical risk and signs that monetary policy in the US would be tighter than previously anticipated. Oil fell precipitously on news of the US and Iran MOU, ending the period lower than when the conflict started.

Data: UK Equity - MSCI United Kingdom All Cap; Europe ex UK Equity - MSCI Europe ex UK; US Equity - MSCI USA; 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, 31/03/2026 to 30/06/2026. See MSCI and ICE disclaimers on final page.

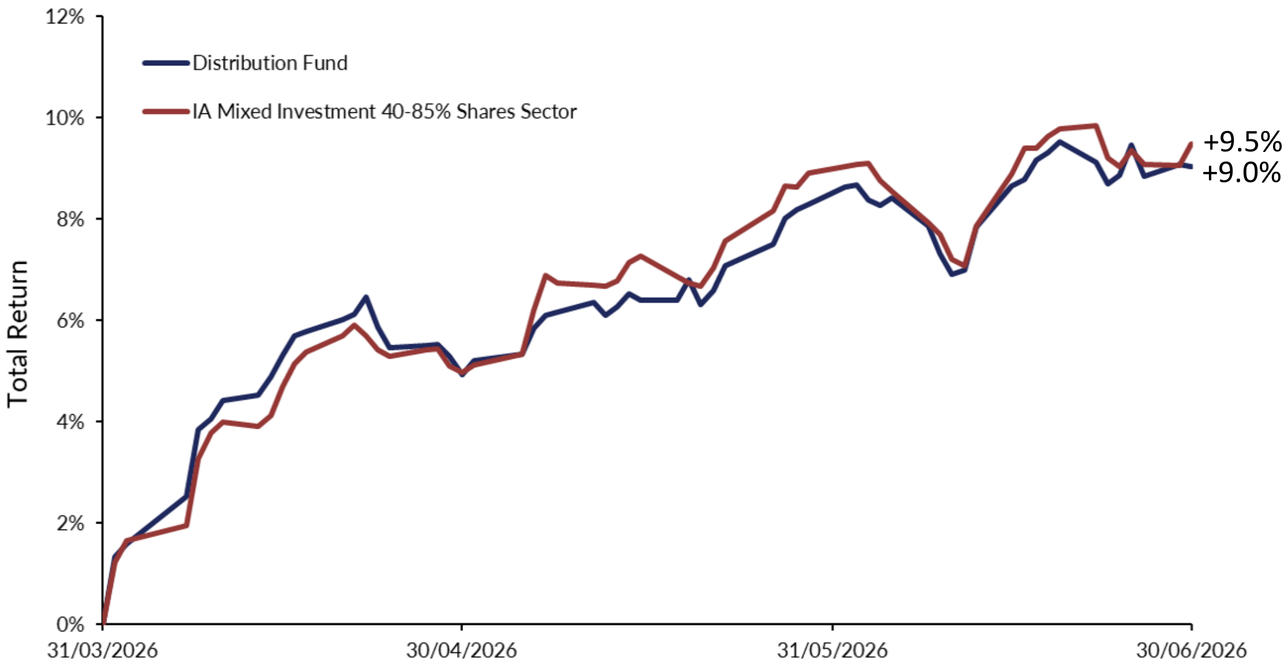
QUARTERLY FUND PERFORMANCE

Largest contributors:

- CC Japan Income & Growth +0.70%
- Cordiant Digital Infrastructure Limited +0.63%
- The European Smaller Companies Trust +0.47%

Largest detractors:

- Konwave Gold Equity −0.75%
- CIM Dividend Income −0.15%
- Taylor Maritime −0.05%

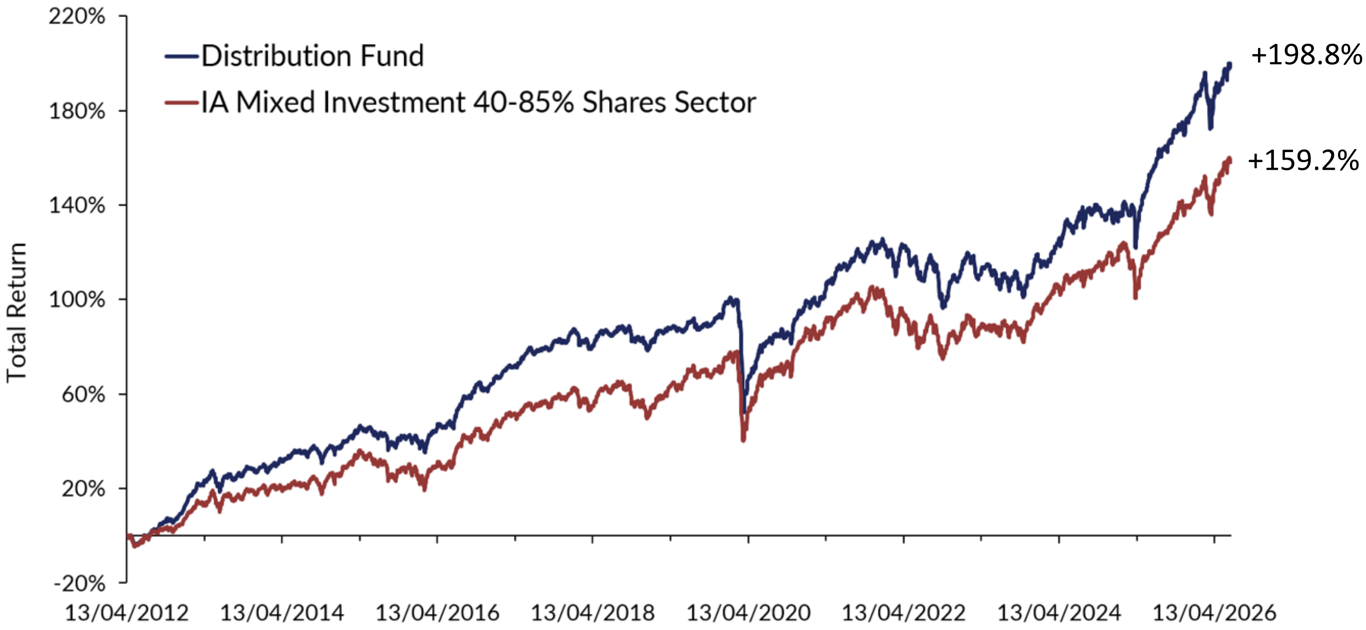


- CC Japan Income & Growth and The European Smaller Companies Trust both benefited from a sharp recovery in their respective markets from the end of March in response to the signing of a peace deal between Iran and the US.
- Cordiant Digital Infrastructure performed well with a 24% total return in the quarter driven by a positive set of results and a narrowing of the discount to NAV.
- The weakness of the gold complex that began in March continued in the second quarter with diminishing geopolitical risk acting as a headwind. Gold is often seen as a hedge to lax fiscal and monetary policy and responded poorly to Kevin Warsh's first meeting as Fed Chair where he communicated a more hawkish stance than many anticipated. Gold miners, often regarded as a geared play on the gold price were understandably weak against this backdrop.
- CIM Dividend Income struggled in an Asian market that is dominated by the mega cap semi-conductor companies benefiting from the AI capex boom.

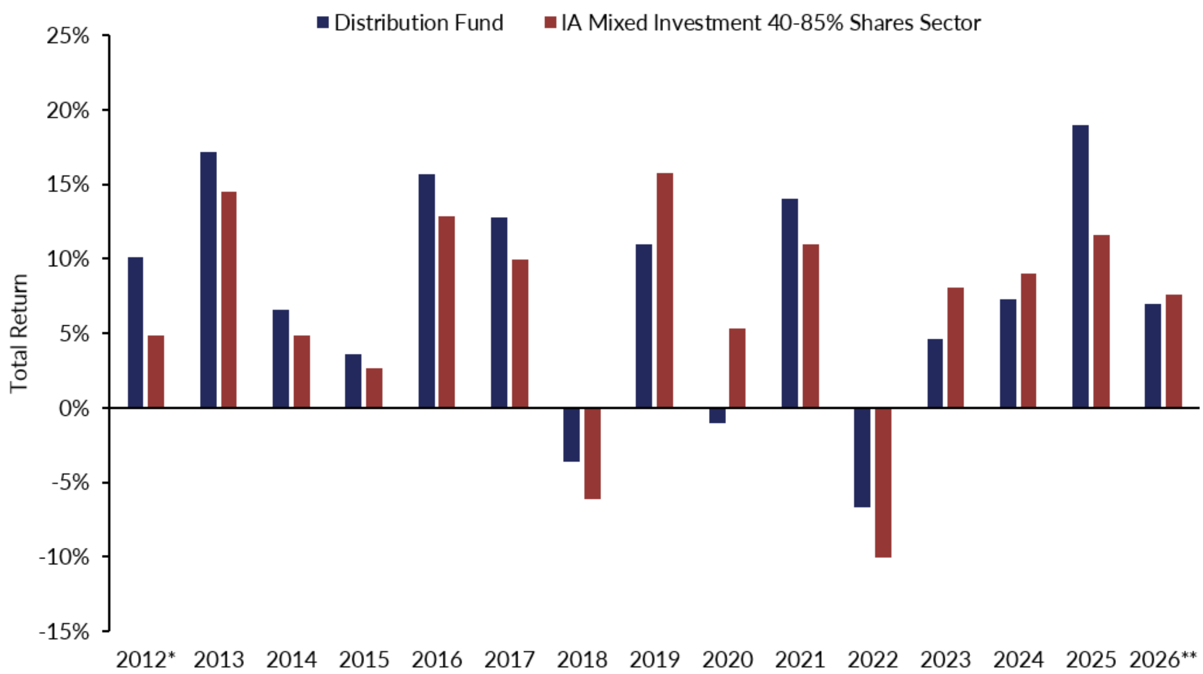
Source: FE fundinfo and Hawksmoor Investment Management, 31/03/2026 to 30/06/2026, must be held for entire period and uses quarter end weightings (text). FE fundinfo, 31/03/2026 to 30/06/2026 (chart).

SINCE LAUNCH FUND PERFORMANCE

Cumulative performance

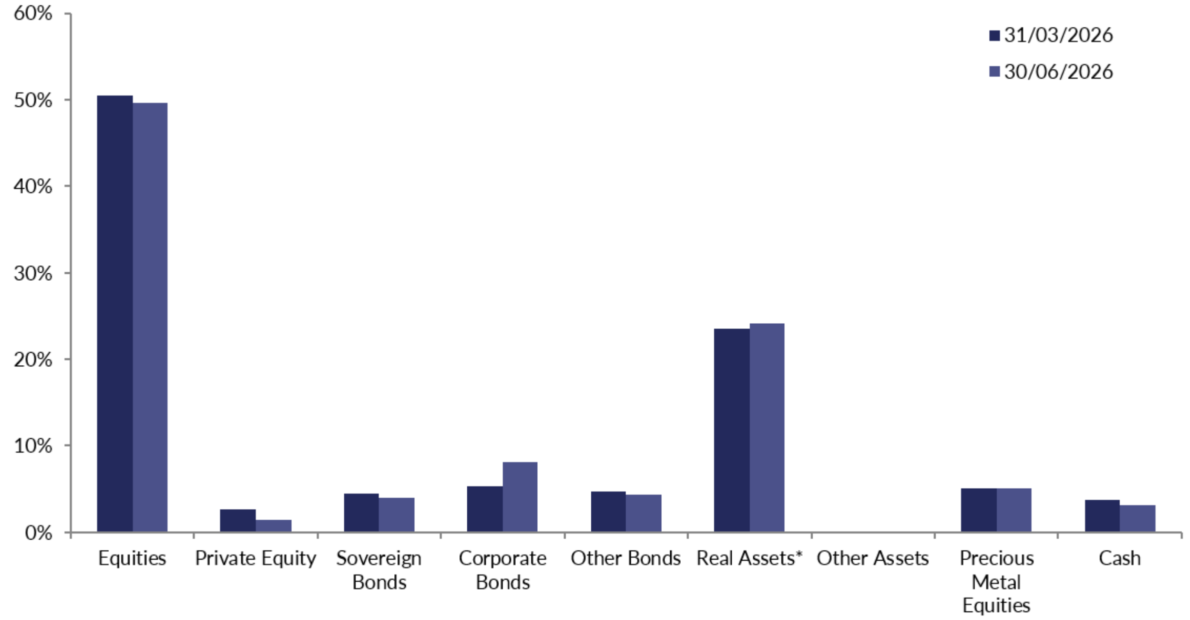


Discrete calendar year performance



Source: FE fundinfo, 13/04/2012 to 30/06/2026 (top). *From launch on 13/04/2012 (bottom). ** 31/12/2025 to 30/06/2026.

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:

- Aegon European ABS
- Polar Capital Biotechnology

Disposals:

- Chrysalis Investments

Summary:

- Aegon European ABS was introduced during the quarter in order to make the portfolio more defensive in a risk off environment. Profits had been taken across selected equity and investment trust positions and the Aegon fund provides a good home for those sale proceeds as we expect it to outperform cash.

- The small position in Chrysalis was sold as we viewed the risk of the managed wind down strategy with such a concentrated portfolio had increased in a difficult private equity environment. The proceeds were reinvested in Polar Capital Biotechnology where we have greater confidence in the outlook.

Source: Hawksmoor Investment Management, 30/06/2026, *including Precious Metal Bullion.

HOLDINGS

Equities 56%

Aberforth Smaller Companies Trust
CC Japan Income & Growth
Chikara Indian Subcontinent
CIM Dividend Income
CT Private Equity Trust
Konwave Gold Equity
Law Debenture Corp PLC
M&G Japan Smaller Companies
Murray Income Trust PLC
Nippon Active Value
Oakley Capital Investments
Pacific North of South EM Income Opportunities
Polar Capital Biotechnology
Polar Capital Global Insurance
Smead US Value
Temple Bar Investment Trust
The European Smaller Companies Trust
VT Castlebay UK Equity
VT De Lisle America
WS Gresham House UK Multi Cap Income
WS Lightman European

Cash 3%

Bonds 17%

Aegon European ABS
BioPharma Credit
GCP Infrastructure
iShares UK Gilts 0-5yr UCITS ETF
Man High Yield Opportunities
Man Sterling Corporate Bond
Morgan Stanley Emerging Markets Debt Opportunities
TwentyFour Income

Real Assets 24%

3i Infrastructure
Achilles Investment Company
Cordiant Digital Infrastructure Limited
Foresight Environmental Infrastructure
Foresight Solar Fund
Greencoat UK Wind
HICL Infrastructure
International Public Partnerships
Phoenix Spree Deutschland
Primary Health Properties
Taylor Maritime
The Renewables Infrastructure Group
TR Property Investment Trust
Tufton Assets Ltd

OUTLOOK

It is concerning that global equity market returns have been dominated by a relatively small cohort of stocks associated with the AI infrastructure buildout, such as semiconductors. The oversubscribed IPO of SpaceX and popularity of leveraged ETFs to the AI theme are further reasons to be worried about the sustainability of the stock market rally. Towards the end of June and early July there are signs of this theme peaking with the share prices of Asian AI leaders like Samsung and SK Hynix down as much as 25% in a relatively short period of time. That said, there are plenty of reasons for optimism as this flow of capital to a small number of companies is creating lots of opportunities as sectors and regions less exposed to the AI theme are ignored. Smaller companies in particular look attractive in absolute terms and relative to large caps.

Within fixed income markets, credit spreads remain at very tight levels for both investment grade and high yield, with better value to be found in sovereign bonds (both nominal and inflation linked). There remains dispersion below the surface of credit markets, allowing active investors to build portfolios offering more attractive yield profiles than passive equivalents.

Despite some discount narrowing within the infrastructure investment trust sector, there remains a great opportunity for idiosyncratic returns across the sector. Discounts in general remain wider than the historic average and dividend yields are attractive relative to history and relative to corporate bonds.

Notwithstanding the concerns at the aggregate level for equities and corporate bonds, we believe that Distribution's portfolio is exposed to a range of attractively valued assets across equities, fixed income and alternatives. The environment for active managers to add value in such an environment is as healthy as ever. In addition, the introduction of the Aegon European ABS fund this quarter should improve the robustness of the portfolio in risk off environments while also contributing to the fund's yield target.

Source: Hawksmoor Investment Management, 30/06/2026. 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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