Target Market Assessment

1. PRODUCT OR SERVICE NAME

1. **Product or Service Name:** MI Hawksmoor Distribution Fund

2. **Product or Service Description:** a sub-fund of the MI Hawksmoor Open-Ended Investment Company UCITS scheme, Distribution Fund is a multi-asset fund-of-funds.

3. **Product or Service features:** A daily dealing fund sitting in the IA Mixed Investment 40-85% Shares sector, aiming to deliver an attractive level of income, whilst also delivering capital growth over the medium to long term (defined as rolling periods of 3-5 years).

4. **Date of this assessment:** April 2024

2. THE GROUP OR GROUPS OF CUSTOMERS SHARING COMMON FEATURES WHOSE CHARACTERISTICS, NEEDS AND OBJECTIVES THE PRODUCT OR SERVICE IS OR WILL BE DESIGNED TO MEET

Our Funds, including the Distribution Fund, are distributed by and designed to be part of the investment portfolio of intermediaries such as qualified financial advisers and professional investment managers. In turn, we recognise that the underlying clients are ordinary savers. Our investment outcomes are written with those underlying clients in mind.

Distribution's primary aim is to deliver an attractive level of income, whilst also delivering capital growth over the medium to long term (defined as rolling periods of 3-5 years). In doing this the managers will aim to ensure the Fund's yield will always be at a premium to a composite index of financial asset classes (equities, bonds, property and cash). The intention is to increase the distribution alongside capital growth in order to maintain an attractive distribution yield for new and existing investors. In striving to achieve these targets, the managers invest in a variety of financial assets which can be volatile. They will seek to mitigate this volatility by ensuring a diversified portfolio of assets, each of which shares the common characteristics of a margin of safety and low intra-asset correlations.

Bearing this in mind, the Distribution Fund is suitable for customers with a minimum investment time horizon of 3-5 years. The Fund is not suitable for any customer with a shorter time horizon, or who cannot tolerate any volatility in their investments, or indeed any underperformance of similar funds over shorter time periods (less than 3-5 years). The Fund is daily-dealing and thus is not suitable for investors who require dealing frequency more than once per day. Finally, Distribution is a fund-of-funds: it is therefore not suitable for customers who desire the very lowest cost investment.

3. CHARACTERISTICS OF THE PRODUCT OR SERVICE

3.1	In what asset classes will the product invest?	Our Funds, including the Distribution Fund, will consist primarily of a diversified range of open and closed ended funds. Through its investments in these collectives, the portfolio will be exposed to a range of asset classes (such as equities, bonds, property and commodities), underlying currencies, geographic spread and funds managed by a variety of fund management groups and style of investment manager.

3.2	How will assets be traded and priced?	Open-ended funds are priced once per day. Closed ended funds price in the same way equities do – continuously during market hours.
3.3	What is the liquidity profile of the product?	The Fund prices and deals once per day.
3.4	What is the liquidity profile of the underlying assets?	The open-ended funds price once per day. The Fund is a UCITS scheme, therefore, it cannot own more than 25% of any underlying open-ended fund. This increases the liquidity profile of the Fund's investments in open-ended funds as it decreases the probability of the manager refusing to honour the Fund's redemption request. The liquidity of closed ended funds is less good. They trade like Equities, so in theory, there is liquidity during market hours. In practice, it is not possible to guarantee optimal liquidity at the desired market price, so positions in closed-ended funds are sized accordingly.
3.5	To what extent will the product invest in derivatives?	The Fund will not invest in derivatives.
3.6	What are the key risks of this product?	From an investment point of view: - Underperformance of similar funds - Not meeting the investment objective - Higher than expected volatility Other risks: - Injury or death to the fund managers - Dealing errors of a magnitude that would jeopardise the existence of the firm - Failure of our Authorised Corporate Director – Maitland Institutional Service Limited – or any of their service providers
3.7	What are the potential benefits?	Excellent investment performance from a portfolio of investments that is unlike the vast majority of the peer group.
3.8	Any conduct risks associated to this product? Negative target market, vulnerable clients, fee structure, etc..	See 2.
3.9	How many share classes will there be? A question for a UCITS fund products only.	9

3.1	What are the minimum and maximum investments?	A GBP Inc/Acc: closed to new investment B GBP Inc/Acc share class: £5,000 B EUR Acc share class: €5,000 C GBP Inc/Acc share class: £2,000,000 (or waived on platforms) D GBP Inc/Acc share class: £30,000,000
3.11	What are the entry and/or exit fees, if any?	There are no entry/exit fees.
3.12	What market timing or arbitrage risks exist and how will they be mitigated?	Minimal. We only invest in daily-dealing open-ended funds and closed ended funds. In practice there are no arbitrage opportunities available from buying or selling units in the Fund.
3.13	How have you satisfied yourself that the product will deliver fair outcomes to customers?	We monitor investment performance on a daily basis and judge ourselves relative to our investment objectives and peer group. Our ACD provides additional oversight in this regard. We also monitor the performance of our ACD, in terms of the services they provide us, which may in turn have an in impact on our customers and receive regular reports from them.
3.14	How is it ensured that effective due diligence is conducted on every investment opportunity? How is this balanced with the desire to invest proceeds quickly when opportunities present themselves?	We have 4 dedicated fund managers across the range of 3 sub-Funds (including Distribution). We all extensively research each investment opportunity. We also research other investments which we do not think are an opportunity today but be so in the future. Occasionally not all 4 fund managers will be able to conduct the same level of due diligence, but at least 2 or 3 fund managers will. Our due diligence of closed-ended funds extends to the Board as well as the investment adviser/manager. Since we are always researching ideas, including those we do not intend to invest in immediately, we are ready to invest if the opportunity presents itself in the future.
3.15	How have you pre-empted potential regulatory challenge and mitigated the possibility of product intervention?	We have a strong common sense overlay on everything we do. We prefer to adhere to the spirit as well as the letter of the rules and regulations. Where there is any potential for interpretation or “regulatory arbitrage”, we take a conservative view. Our outsourced ACD model ensures a healthy arms-length relationship.

4. HAWKSMOOR’S ROLE:

☐ Manufacturer
☒ Co-Manufacturer
☐ Neither

Maitland Institutional Services Limited, as the Fund’s ACD, is a co-manufacturer.

5. WILL THIS PRODUCT BE DISTRIBUTED AND, IF SO, HOW?

HAWKSMOOR
INVESTMENT MANAGEMENT

Our Funds are distributed by and designed to be part of the investment portfolio of intermediaries such as qualified financial advisers and professional investment managers. We market our Funds via intermediaries such as financial advisers because we believe they are best equipped to understand our own investment process and the charges we incur in the execution of our investment process. We do not claim to be able to perform strongly in all market environments and so we believe financial advisers are best placed to explain this to clients and if necessary, blend our Funds with other funds that may perform differently. Our Funds are available on almost all the platforms used by financial advisers in the United Kingdom.

In addition, our Funds are available on direct-to-consumer platforms, such as Hargreaves Lansdown.

6. CHARGING STRUCTURE:

B GBP: 1%, B EUR: 0.75%; C GBP 0.75%, D GBP: 0.50%.

7. RISK PROFILE, COMPLEXITY AND NATURE OF THE PRODUCT OR SERVICE

Investor Type suitability (specify to which type of client the product is targeted).	☒	Retail	**Additional Remarks**
	☒	Professional	
	☒	Eligible Counterparties	
Knowledge and Experience of the target market.	☒	**Basic** – Typically, these investors have one, or more, of the following characteristics: ○ limited ability to understand relevant complicated financial instruments ○ limited or no investment holdings ○ infrequent or no trading/investment activity ○ no financial industry experience, interest, or knowledge	**Additional Remarks**
	☒	**Informed** – Typically, these investors have one, or more, of the following characteristics: ○ average ability to understand relevant complicated financial products ○ understands derivatives ○ a number of investment holdings ○ fairly frequent trading activity ○ some financial industry experience and interest	
	☒	**Advanced** – Typically, these investors have one, or more, of the following characteristics: ○ robust ability to understand a wide range of complicated financial products and transactions ○ a large number of diverse investment holdings	

		○ frequent trading activity, previous exposure to high-risk or complex investments ○ strong financial industry experience, interest, and knowledge	
Investor financial situation, with a focus on their ability to bear losses ***Seeking to understand groups of customers where the needs, characteristics and objectives of the product are not compatible and where they might suffer harm***	☐	Investors with no tolerance for loss in their investment or initial amount	**Additional Remarks**
	☐	Investors who can tolerate a limited capital loss in their investment or initial amount	
	☒	Investors who can tolerate a potential capital loss in their investment or initial amount	
	☒	Investors who can tolerate significant losses in their investment or initial amount	
Target Market Investor Objectives and Needs ***Seeking to understand groups of customers where the needs, characteristics and objectives of the product are not compatible and where they might suffer harm***	**Description of Portfolio Objectives:** The investment objective of the Fund is to provide income with the prospect of capital growth. The Fund's primary aim is to deliver an attractive level of income, whilst also delivering capital growth over the medium to long term (defined as rolling periods of 3-5 years). In doing this the managers will aim to ensure the Fund's yield will always be at a premium to a composite index of financial asset classes (equities, bonds, property and cash). The intention is to increase the distribution alongside capital growth in order to maintain an attractive distribution yield for new and existing investors. In striving to achieve these targets, the managers invest in a variety of financial assets which can be volatile. They will seek to mitigate this volatility by ensuring a diversified portfolio of assets, each of which shares the common characteristics of a margin of safety and low intra-asset correlations		
	Term of Investment: ☐ Maturity Date (if available) ☒ Short Term (0-5 years) ☒ Medium Term (5-10 years) ☒ Long Term (10 years +)		**Additional Remarks**
	Investment Objective: ☐ Capital protection ☒ Capital growth ☒ Income ☐ Limited capital loss		**Additional Remarks**
Appropriateness of fee charging model given the target customer group For example, the inclusion of high fixed minimum fees in its adviser charging model means that the target market should be refined to exclude customers with very small investment amounts.	**Term of Investment:** ☒ Investment between £0 and £100k ☒ Investment between £100k to £200k ☒ Investment between £200k to £500k ☒ Investment over £500k ☐ Annual reviews ☐ More than one review per year **N/A**		**Additional Remarks**

8. PERFORMANCE SCENARIOS

The business must assess the risks of poor outcomes for end clients posed by the product and in which circumstances those outcomes may occur. They must assess the product under negative conditions covering what would happen if:

i. **the market environment deteriorated;**
ii. **the manufacturer or a third party involved in manufacturing and or functioning of the product experiences financial difficulties or other counterparty risk materialises;**
iii. **the product fails to become commercially viable; or**
iv. **demand for the product is much higher than anticipated, putting a strain on the Company's resources and/or on the market of the underlying instrument.**

i) If the market environment deteriorated, the Fund's primary aim of delivering an attractive level of income, whilst also delivering capital growth may not be achieved within the minimum recommended holding period of 3-5 years.

ii) our ACD may run into financial difficulties necessitating a new ACD to be put in place. There is a risk this may cause disruption of service to our customers. In addition, the fund manager's employer may cease to be able to employ the fund managers causing them to leave the company.

iii) The Fund may become so small that the company decides to stop offering it to investors causing potential disruption to the remaining customers.

iv) The team is very adequately resourced with 4 fund managers, a business development manager and an adviser. Nonetheless, in theory, we could become inundated with requests for meetings. The range of Funds, of which Distribution is one, has a capacity of c. £1bn. As we neared this level, we would simply refuse to conduct further marketing meetings in the interests of protecting existing unit holders.

9. CONSIDERATION OF FORESEEABLE HARM

While our investment process is designed to deliver, and ideally exceed our intended investment outcomes, there may be times when we risk disappointing our investors. There are three reasons why this might occur.

1) We may make errors of judgement. These can take the form of incorrect position sizing or a break in our investment thesis. We have a very well-resourced team and every investment has four sets of eyes and brains over-seeing it. Inevitably, however, we will make mistakes. This type of poor performance should be regarded as unexpected.

2) Another reason for disappointing performance could be due to factors outside our control. The onset of the Coronavirus pandemic in Spring 2020 was one such example.

3) The final reason for "disappointing" performance could simply be that our disciplined process dictates that this be the case (hence the inverted commas!). Our process is extremely valuation focused. Experience dictates that most of the time we will outperform our peers during weaker markets. The protection that buying cheaply affords should mean somewhat limited downside. The diversification of our Funds' portfolios also brings downside protection in this regard. However, on some occasions we may underperform our peers during weaker markets. Typically this occurs at the end of bear markets when cheap assets become cheaper. The other time our process leads to underperformance of our peers is at the end of bull markets. Markets have a tendency to overshoot to the downside and upside. At the end of bull markets, expensive assets may get even more expensive and we will eschew investment in these areas leading to our performance lagging. Unfortunately, we cannot time market tops and bottoms.

When introducing clients to our Funds, we stress that these periods of performance will occur, and we try to help them understand when those might be so that they may potentially blend our Funds with others that are run by managers with a different investment process.

We are relating "disappointing" performance here to our peers. It may be that we meet our investment outcomes despite underperforming our peers – e.g. at the end of bull markets. On the other hand, underperformance during weaker markets might be more distressing as the absolute falls in value of our Funds may cause underlying clients distress and they may doubt whether we will be able to meet our intended investment outcomes. We stress, however, that this is a necessary part of our investment process and should lead to stronger performance in future periods. Indeed, evidence to date demonstrates this to be the case.

How we deal with "Harm"

Ideally, we are in touch with our clients continuously. Ideally, we do not disappoint our investors or cause harm. But it is inevitable that there will periods when our performance either disappoints expectedly or unexpectedly and increases the risk of harm being caused. In both cases, we make efforts to communicate with our investors. When performance disappoints unexpectedly, we try to proactively contact investors and explain why it has occurred and what we are doing about it. When it occurs expectedly, we seek to reassure and sooth any investor concerns that may arise. We do not change our investment process – discipline and the willingness to tolerate periods of underperformance are often the key to longer-term excellent results. If we note that unexpected bad performance is recurring – especially due to errors of judgement, we will seek to analyse and learn from these mistakes, and lean on internal resource (for example the General Investment Committee).