



HAWKSMOOR
FUND MANAGERS

**MI HAWKSMOOR
DISTRIBUTION FUND**

QUARTERLY REPORT
Q3 2024



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 +4.1%, compared to the sector return of +1.6%
- We introduced three new holdings, and exited three positions
- Exposure to real assets was increased
- Exposure to listed UK equities was reduced

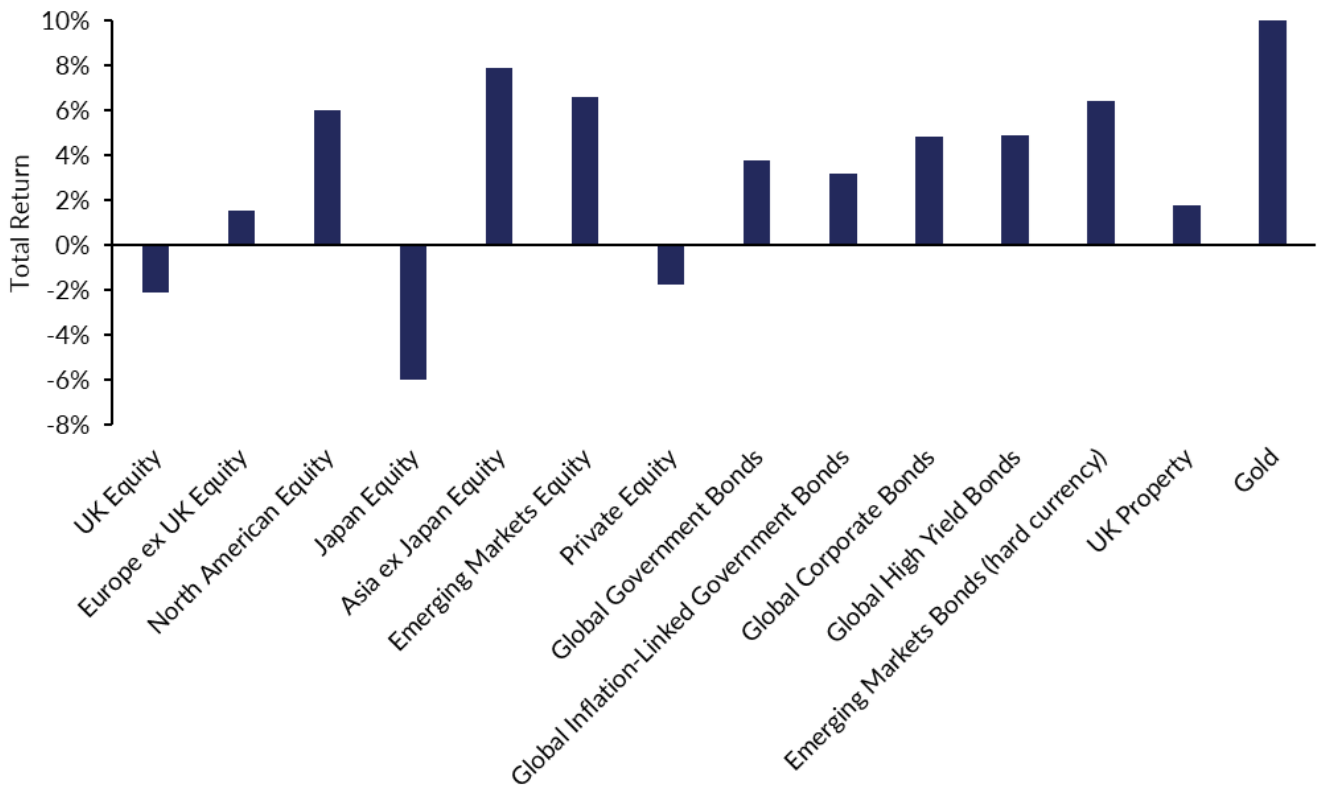
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QUARTERLY MARKET PERFORMANCE



- The beginning of August saw extreme equity market volatility with Japan bearing the brunt, down a remarkable 21% in just 3 trading sessions. Yen strength and an unwinding of carry trades were cited as some of the reasons for the sell-off, although these were soon forgotten as markets quickly rebounded. A 0.50% cut to US interest rates provided further impetus to the US equity rally. The period ended with more extraordinary market action with Chinese and Hong Kong Markets rallying off the back of government stimulus.
- Sovereign bond yields fell sharply in the US as the market moved to price in a more aggressive path of interest rate cuts which seems somewhat at odds with the 'soft landing' scenario baked onto US equity valuations. Investment grade credit spreads were stable over the period but high yield continued to tighten to trade well inside long term averages. UK interest rates were cut by 0.25% in August but expectations of further cuts were pared back as inflation remains elevated.
- Gold bullion was up strongly against a backdrop of lower real yields and an escalation of the situation in the Middle East.

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, 30/06/2024 to 30/09/2024. See MSCI and ICE disclaimers on final page.

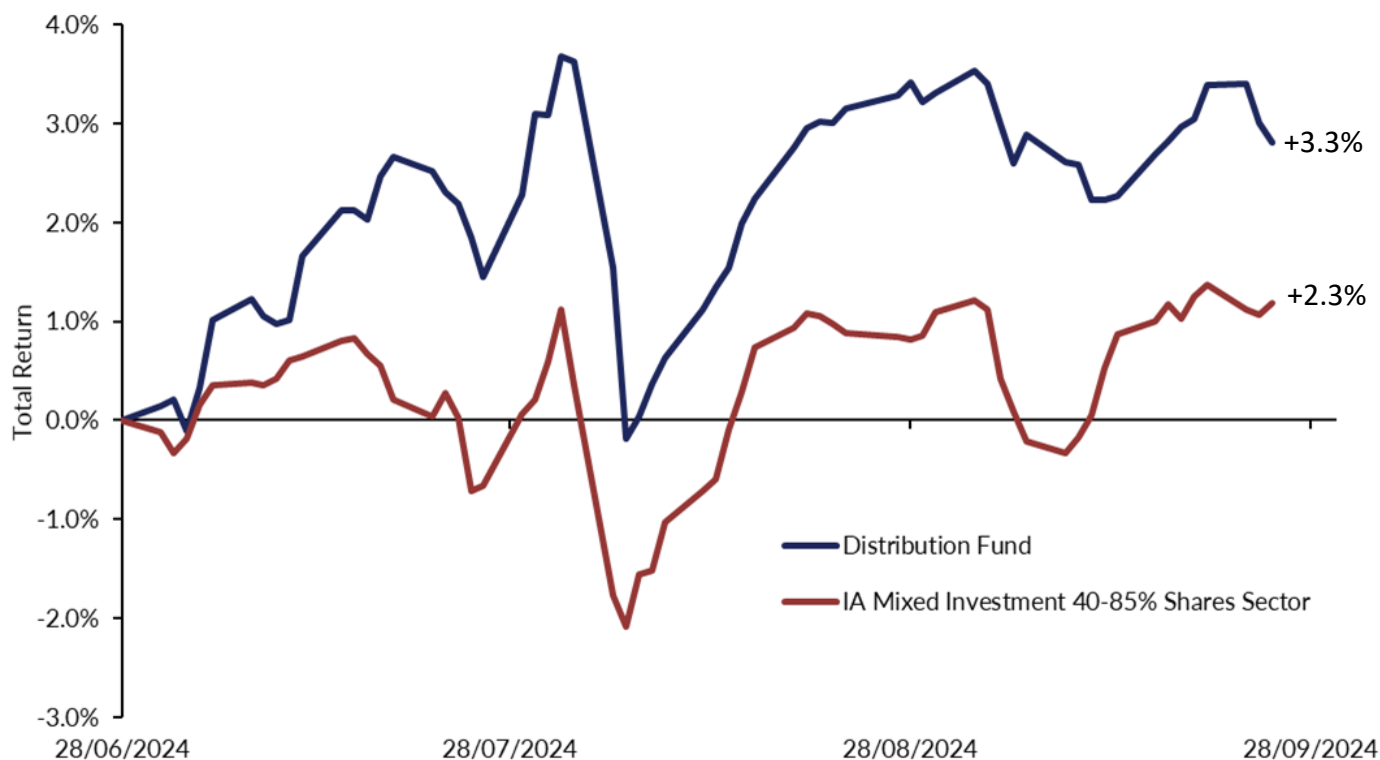
QUARTERLY FUND PERFORMANCE

Largest contributors:

- Ninety One Global Gold +0.55%
- Prusik Asian Equity Income +0.36%
- Man GLG Income +0.31%

Largest detractors:

- Partners Group Private Equity -0.20%
- Taylor Maritime -0.07%
- RM Infrastructure Income -0.04%

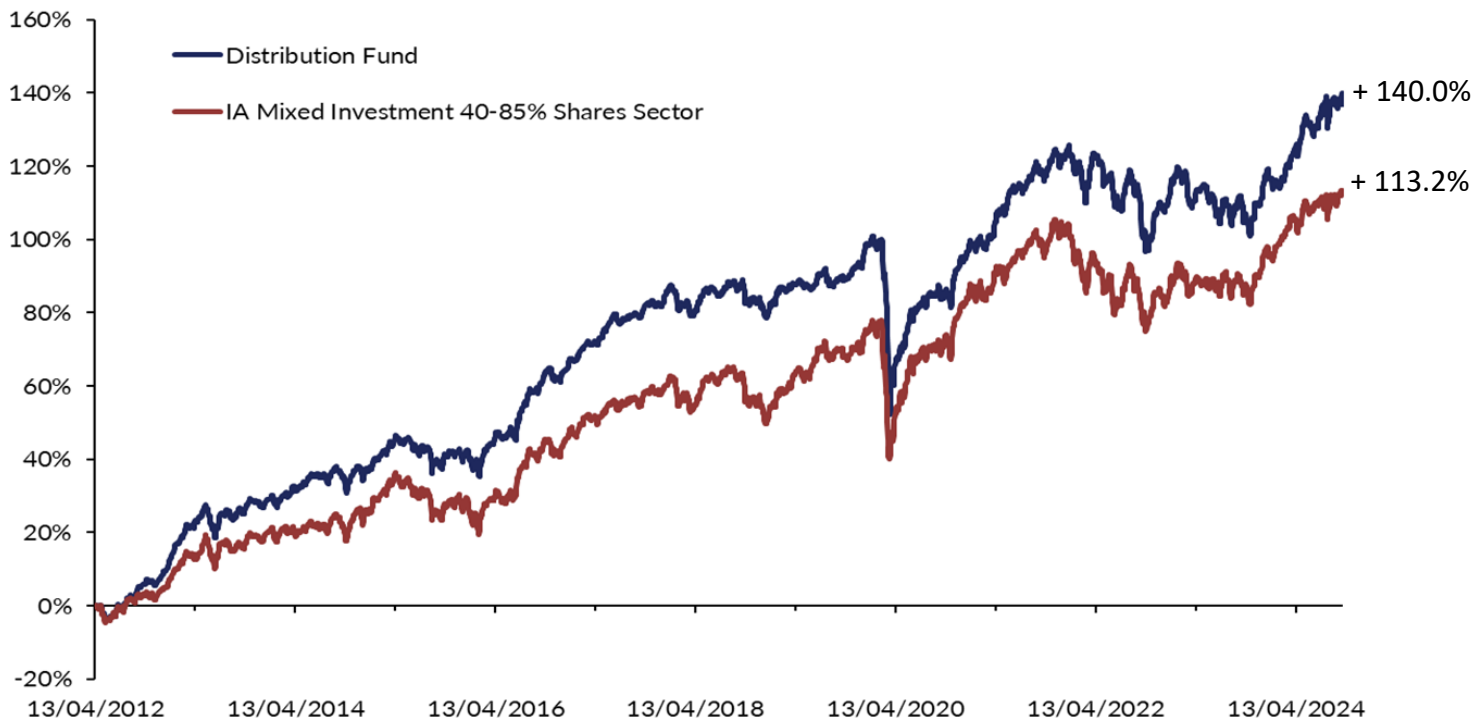


- The vast majority of positions generated positive returns over the quarter. Gold miners were the best contributors as lower real rates and escalation of the Middle East conflict provided support for the gold price. Gold mining companies typically act as a geared play on the gold price and were boosted by good earnings reports from the majors.
- Man GLG Income performed well during the period as large cap UK equities outperformed smaller companies which struggled on fears that Labour's upcoming budget may remove some tax advantages for AIM-listed companies.
- Prusik Asian Equity Income gained as Chinese listed companies were boosted by the Government's stimulus package announced towards the end of the quarter.
- Despite the volatility in Japanese equities and negative returns at the index level, the Fund's Japan holdings managed to generate positive returns in the period.
- Partners Group Private Equity, Taylor Maritime and RM Infrastructure Income drifted slightly lower on no news.

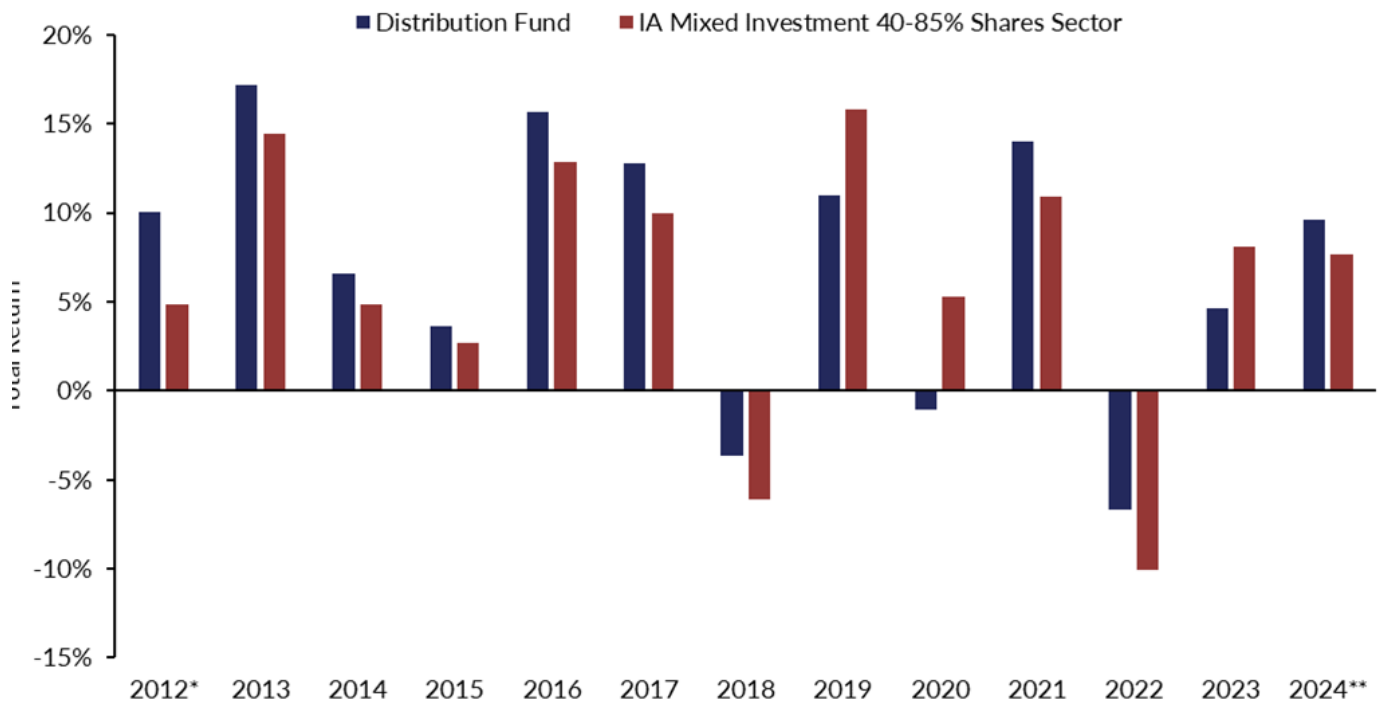
Source: FE fundinfo and internal, 30/06/2024 to 30/09/2024, must be held for entire period and uses month end weighting (text). FE fundinfo, 30/06/2024 to 30/09/2024 (chart).

SINCE LAUNCH FUND PERFORMANCE

Cumulative performance

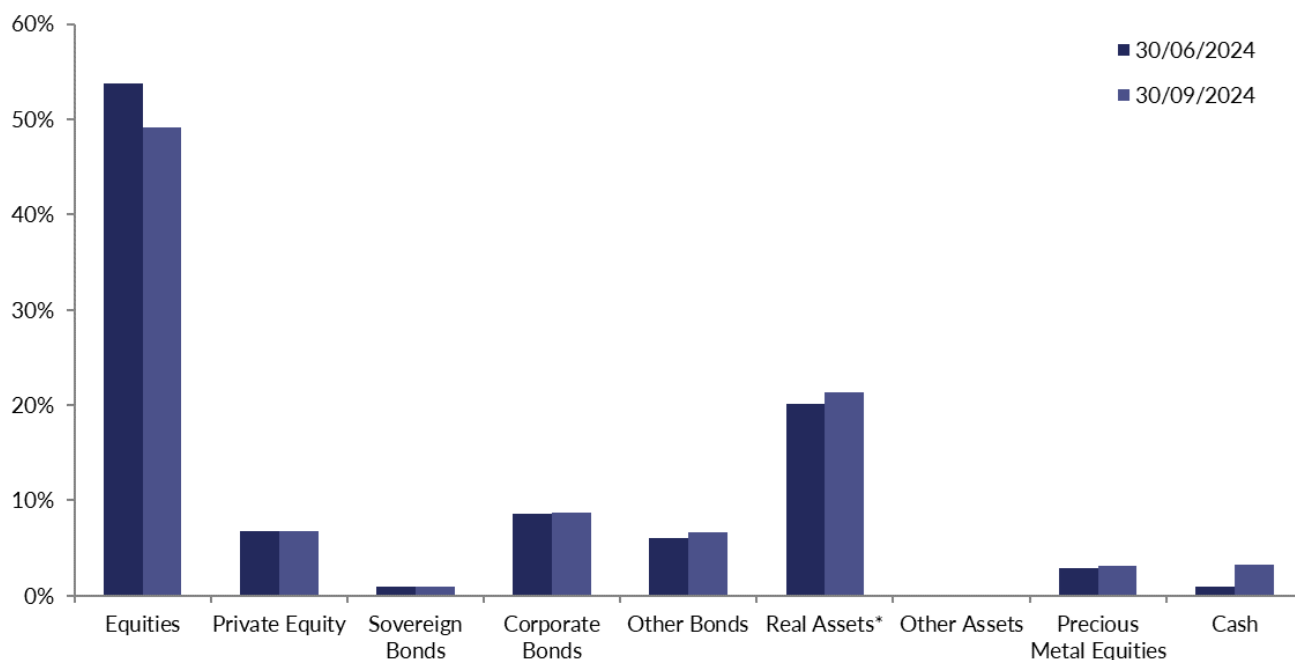


Discrete calendar year performance



Source: FE fundinfo, 13/04/2012 to 30/09/2024 (top). *From launch on 13/04/2012 and **to 30/09/2024

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:

- 3i Infrastructure
- Impact Healthcare REIT
- TR Property Investment Trust

Disposals:

- Aberforth Split Level Income Trust
- Bluebox Global Technology
- LondonMetric Property Plc

Summary:

- The general theme of the quarter's dealing activity was to gently increase exposure to investment trusts while their discounts remain wider than their historic average. Exposure to investment trusts at the end of the quarter had risen to 35.0% compared to 32.4% at the start.
- BlueBox Global Technology was sold after a very strong period of performance and UK equity funds including Gresham House UK Multi Cap Income were reduced to help finance increases to existing infrastructure positions such as Cordiant Digital Infrastructure and a new position in 3i Infrastructure.
- In addition, the property allocation was adjusted by the sale of LondonMetric Property which trades at par to net asset value, with the proceeds invested in new positions Impact Healthcare REIT and TR Property,
- Not only is the average discount of the portfolio wider as a result of these changes, the yield pick-up is notable as Distribution's projected yield is now 4.8% compared to 4.6% at the end of June 2024,
- After a strong run in performance since November 2023, we took profits across a number of UK equity funds and added to the real assets exposure

Source: Internal, 30/09/2024, *including Precious Metal Bullion.

HOLDINGS

Equities 60%

Aberforth UK Small Companies
Arcus Japan
Artemis UK Select
Chikara Indian Subcontinent
Chrysalis Investments
CIM Dividend Income
CT Private Equity Trust
M&G Japan Smaller Companies
Man GLG Income
Ninety One Global Gold
Oakley Capital Investments
Pacific North of South EM Income Opportunities
Partners Group Private Equity
Polar Capital Japan Value
Prusik Asian Equity Income
Schroder Capital Global Innovation Trust
VT De Lisle America
VT Downing Small & Mid Cap Income
VT Teviot UK Smaller Companies
WS Gresham House UK Multi Cap Income
WS Lightman European

Cash 3%

Bonds 16%

BioPharma Credit
GCP Infrastructure
Man GLG High Yield Opportunities
Man GLG Sterling Corporate Bond
Morgan Stanley Emerging Markets Debt Opportunities
RM Infrastructure Income
TwentyFour Income
TwentyFour Monument Bond

Real Assets 21%

3i Infrastructure
BBGI Global Infrastructure
Cordiant Digital Infrastructure
Greencoat UK Wind
HICL Infrastructure
Impact Healthcare REIT
International Public Partnerships
Life Science REIT
Phoenix Spree Deutschland
Taylor Maritime
The Renewables Infrastructure Group
TR Property Investment Trust
Tufton Oceanic Assets
Urban Logistics REIT

OUTLOOK

Our equities exposure is highly differentiated compared to passive index options and many other actively managed funds. We have very little exposure to large cap US equities which trade on close to all-time high valuations and therefore offer close to all-time low prospective returns over the long-term. Instead, our exposure is focused on attractively valued portfolios managed by experienced, highly active fund managers able to take advantage of huge valuation dispersion to build portfolios with attractive return prospects without having to take on significant balance sheet or cyclical risks. Areas where we identify excellent opportunities include UK equities (across the market cap spectrum), which trade at historically low valuations. Japanese equities, where corporate governance improvements are helping to unlock the significant value in the market and with the potential benefits of the yen exposure (which is historically cheap vs other currencies) in weaker market conditions. Many areas of Asian and emerging market equities are also historically cheap, offering very high starting yields (6-8%) underpinning future return prospects.

Our bond exposure is biased towards higher quality credit and government bonds as we believe credit spreads in high yield bonds are not adequately compensating investors for rising default risk in aggregate. Valuation dispersion remains high, and we are able to access actively managed funds offering significant yield pickup versus passive bond options.

Our investment trust exposure is spread across deeply discounted alternative assets such as infrastructure, shipping, private equity and property but has recently expanded to include conventional equity trusts on wider than average discounts. Investment trust exposure is likely to increase as the cost disclosure reforms become a tailwind given trusts will no longer be aggregated in portfolio Ongoing Charge Figures, thus attracting buyers that have fled or shunned the sector over recent years.

Source: Internal, 30/09/2024. 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.

CONTACT US



David Chapman
Account Director
david.chapman@hawksmoorfm.co.uk
07384 114953

www.hawksmoorim.co.uk

IMPORTANT INFORMATION

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Please read the Prospectus and the relevant version of the Key Investor Information Document (“KIID”) which can be found on our website www.hawksmoorim.co.uk before making an investment. All information referred herein is at 30/09/2024 for the C Acc share class unless otherwise stated. C Acc share class launched 05/03/2014 so performance history extended to first share class launch date.

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