MI HAWKSMOOR VANBRUGH FUND

QUARTERLY REPORT
Q3 2024

For investors who are looking to achieve both a positive return on their investments after inflation, and preserve capital over the medium term.

KEY POINTS THIS QUARTER

- Vanbrugh returned +3.3%, compared to the sector return of +2.3%
- We introduced four new holdings, and we exited four positions
- We increased exposure to US Inflation-Linked Bonds and Real Assets
- We reduced exposure to private equity and UK listed equities

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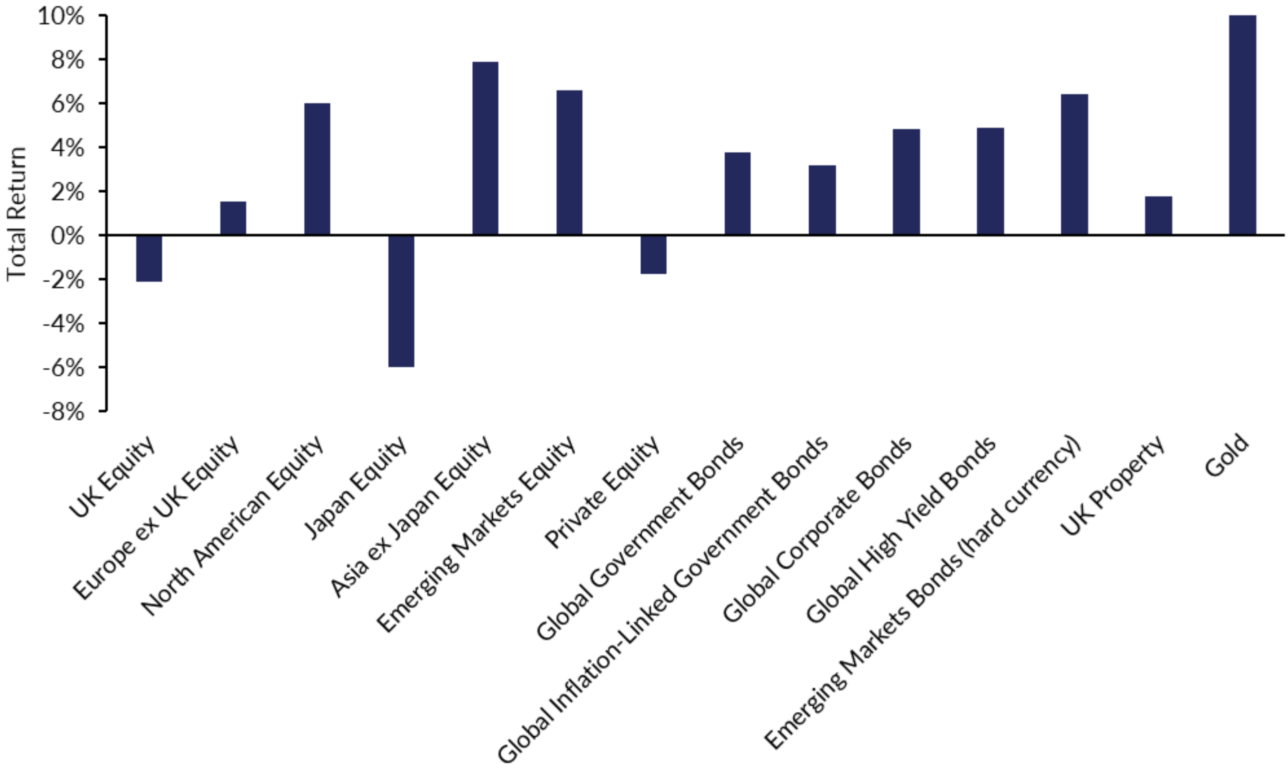
QUARTERLY MARKET PERFORMANCE



- 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.

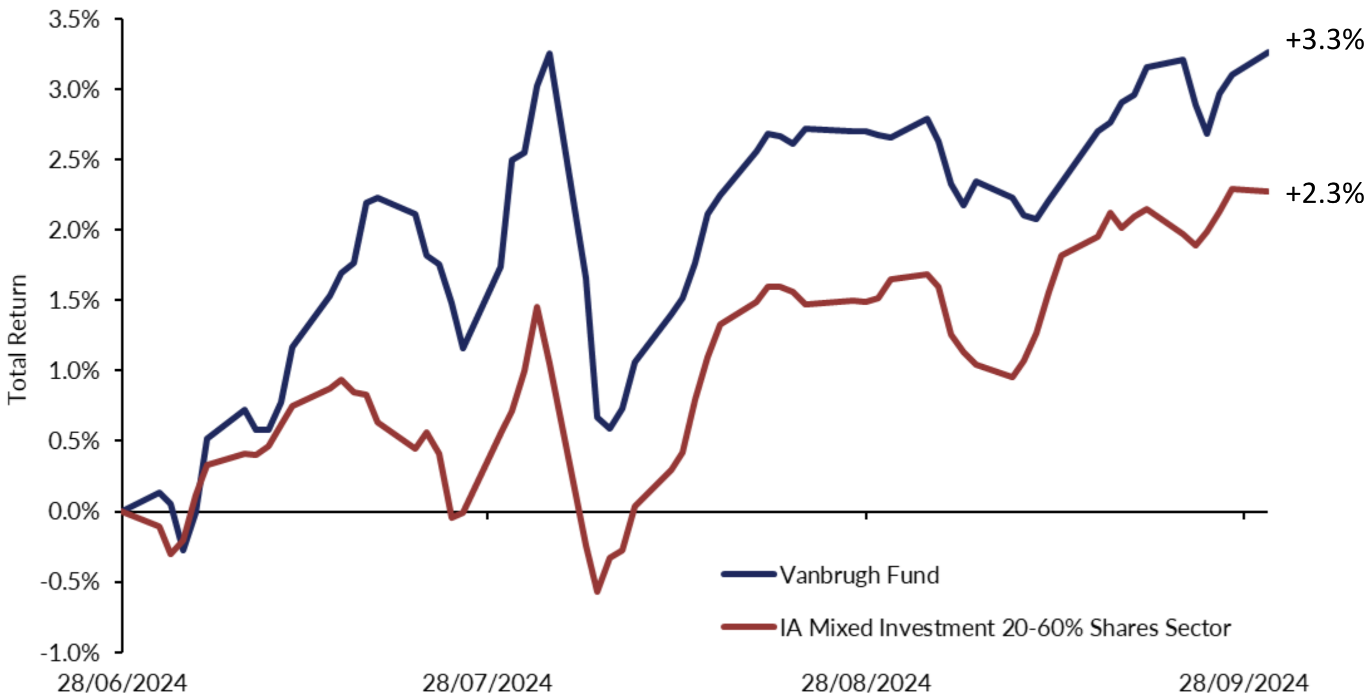
QUARTERLY FUND PERFORMANCE

Largest contributors:

- Ninety One Global Gold +0.54%
- WisdomTree Core Physical Gold +0.40%
- Artemis UK Select +0.24%

Largest detractors:

- CG Dollar –0.13%
- Augmentum Fintech –0.09%
- Strategic Equity Capital –0.07%

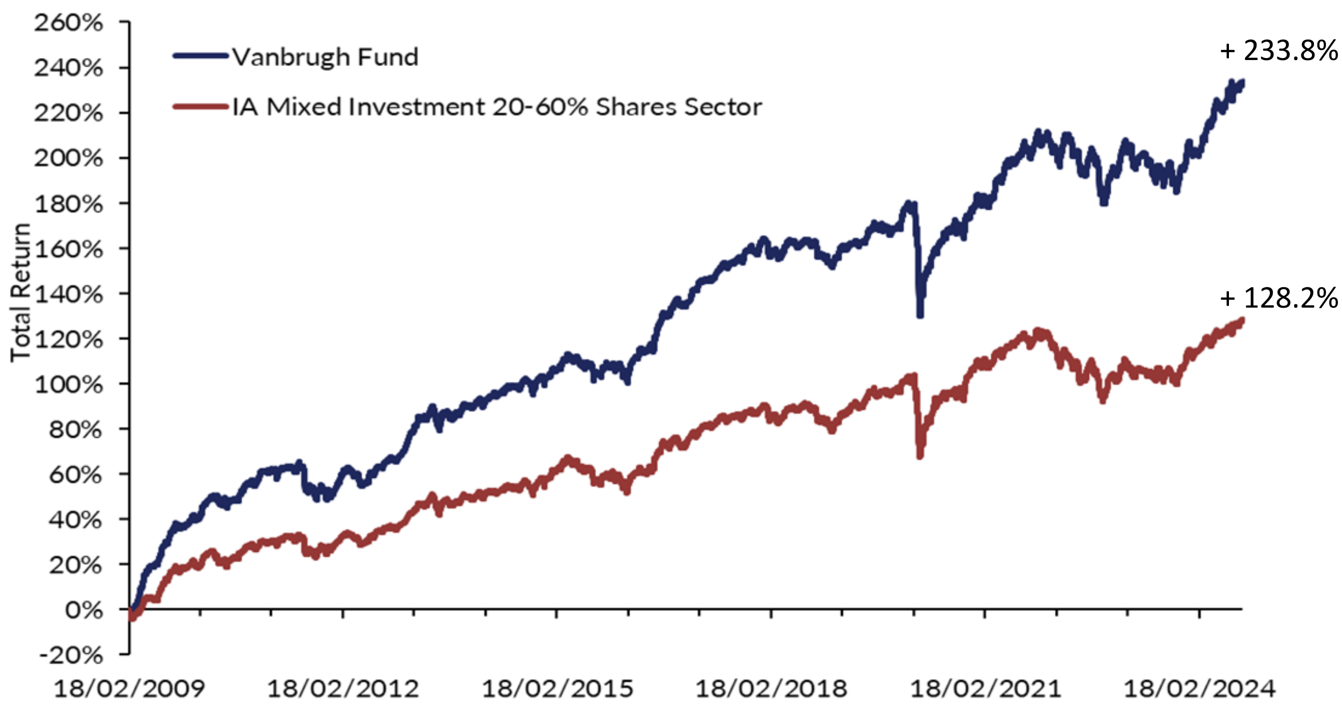


- The vast majority of positions generated positive returns over the quarter. Gold and gold miners were the best contributors as lower real rates and escalation of the Middle East conflict provided support for the gold price. Gold mining companies typically act as a geared play on the gold price and were boosted by good earnings reports from the majors.
- Artemis UK Select 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.
- 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.
- Sterling strengthened almost 6% versus the US dollar over the period affecting the position in CG Dollar where gains from falling real ates did not offset the currency losses.
- Augmentum Fintech encountered some profit taking having been a good performer the previous quarter and Strategic Equity Capital was lower as UK small caps weakened.

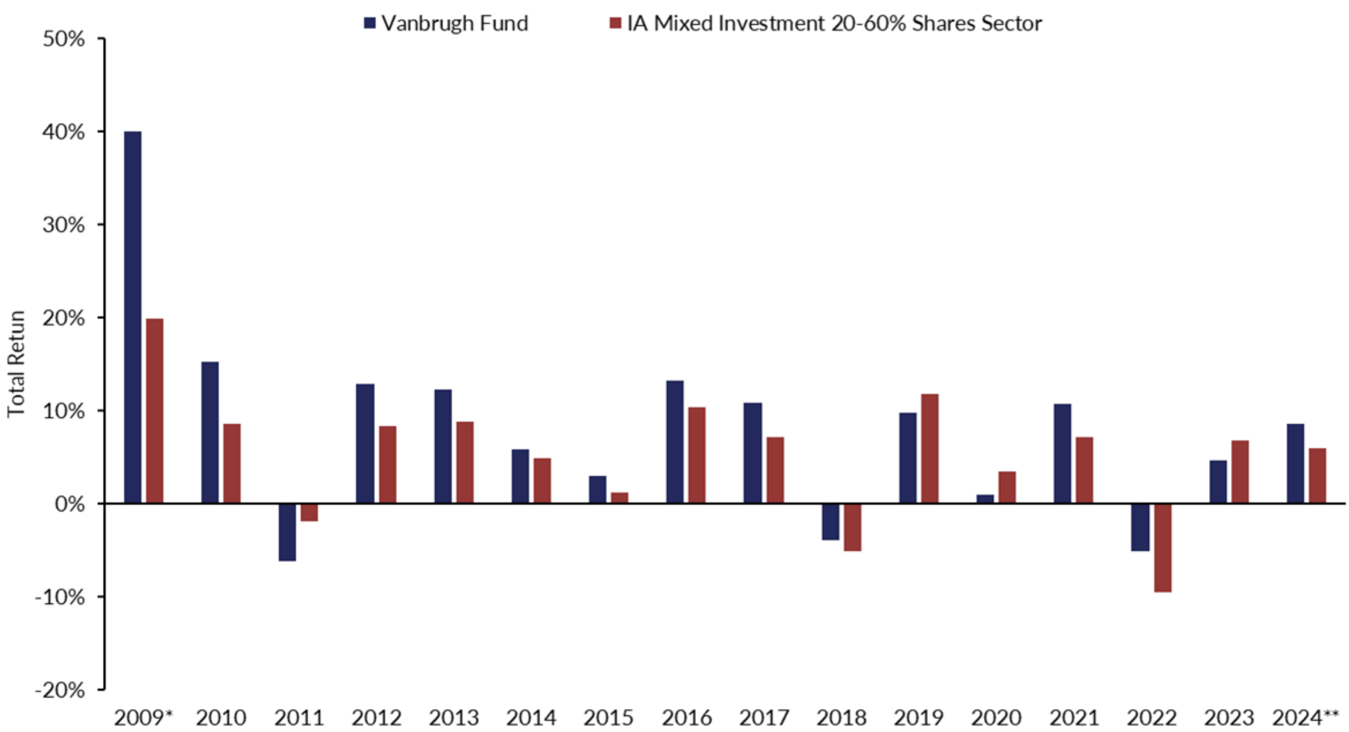
Source: FE fundinfo and internal, 30/06/2024 to 30/09/2024, must be held for entire period and uses month end weighting (text). FE fundinfo, 30/06/2024 to 30/09/2024 (chart).

SINCE LAUNCH FUND PERFORMANCE

Cumulative performance

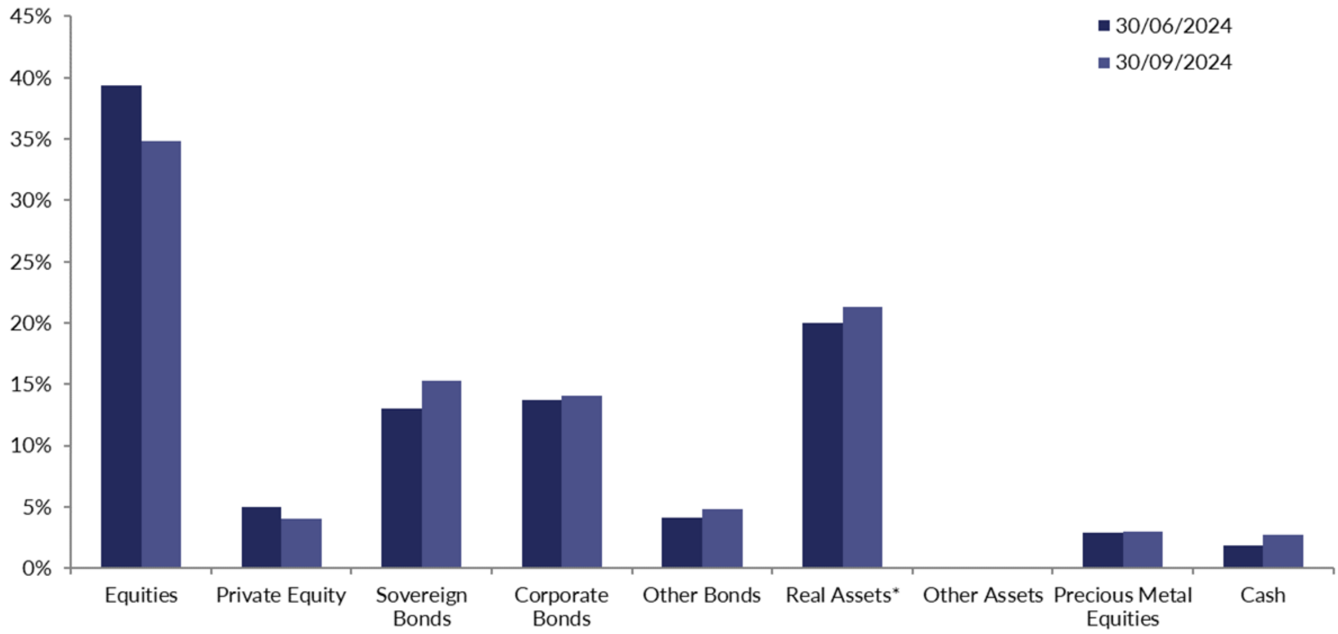


Discrete calendar year performance



Source: FE fundinfo, 18/02/2009 to 30/09/2024 (top). *From launch on 18/02/2009, **to 30/09/2024 (bottom).

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
- Harbourvest Global Private Equity
- Pantheon International Plc
- The Mercantile Investment Trust

Sales:

- BlueBox Global Technology
- ICG Enterprise Trust
- LondonMetric Property Plc
- Polar Capital UK Value Opportunities

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 31.0% compared to 27.4% at the start.
- A switch out of Polar Capital UK Value Opportunities into the similarly exposed Mercantile Investment Trust on a 10% discount, and switching out of ICG Enterprise into peers Pantheon and Harbourvest on wider discounts were examples of this activity that resulted in no change in asset allocation.
- Elsewhere there were intentional shifts in asset allocation, moving out of the BlueBox Global Technology Fund and LondonMetric Property to help finance the introduction of 3i Infrastructure.
- Real assets exposure, i.e. listed infrastructure and property trusts, has increased this year on relative value grounds given yields and prospective total returns are, in our view, more attractive than corporate bonds where credit spreads are close to record tight levels.
- After a strong run in performance since November 2023, we took profits across a number of UK equity funds and added to CG Dollar. This had the effect of reducing listed equities and increasing sovereign bonds, therefore slightly reducing the risk profile of the fund.

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

HOLDINGS

Equities 42%
Aberforth UK Small Companies
Arcus Japan
Artemis UK Select
Augmentum Fintech
Chikara Indian Subcontinent
Chrysalis Investments
CIM Dividend Income
Harbourvest Global Private Equity
M&G Japan Smaller Companies
Ninety One Global Gold
Nippon Active Value
Oakley Capital Investments
Odyssean Investment Trust
Pacific North of South EM Income Opportunities
Pantheon International Plc
Polar Capital Global Insurance
Polar Capital Japan Value
Polar Capital UK Value Opportunities
Prusik Asian Equity Income
Schroder Capital Global Innovation Trust
Slater Growth
Strategic Equity Capital
The Mercantile Investment Trust
VT De Lisle America
VT Teviot UK Smaller Companies
WS Gresham House UK Multi Cap Income
WS Lightman European

Cash 3%

Bonds 34%
Allianz Index-Linked Gilt
BioPharma Credit
CG Dollar
GCP Infrastructure
Man GLG Sterling Corporate Bond
Morgan Stanley Emerging Markets Debt Opportunities
RM Infrastructure Income
Schroder Strategic Credit
TwentyFour Income
TwentyFour Monument Bond

Real Assets 21%
3i Infrastructure
BBGI Global Infrastructure
Cordiant Digital Infrastructure
Digital 9 Infrastructure
Greencoat UK Wind
HICL Infrastructure
International Public Partnerships
Life Science REIT
Phoenix Spree Deutschland
Taylor Maritime
The Renewables Infrastructure Group
Tufton Oceanic Assets
Urban Logistics REIT
WisdomTree Core Physical Gold

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. Within government bonds, the shift higher in real yields from the deeply negative levels that have prevailed over the last decade means it's possible to harvest a positive return on these more defensive assets for the first time in years.

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.

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IMPORTANT INFORMATION

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