



HAWKSMOOR
FUND MANAGERS

**MI HAWKSMOOR
DISTRIBUTION FUND**

QUARTERLY REPORT
Q4 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 -2.2%, compared to the sector return of +1.2%
- We introduced six new holdings, and exited four positions
- We increased exposure to real assets and investment trusts
- We reduced exposure to asset backed securities and investment grade credit

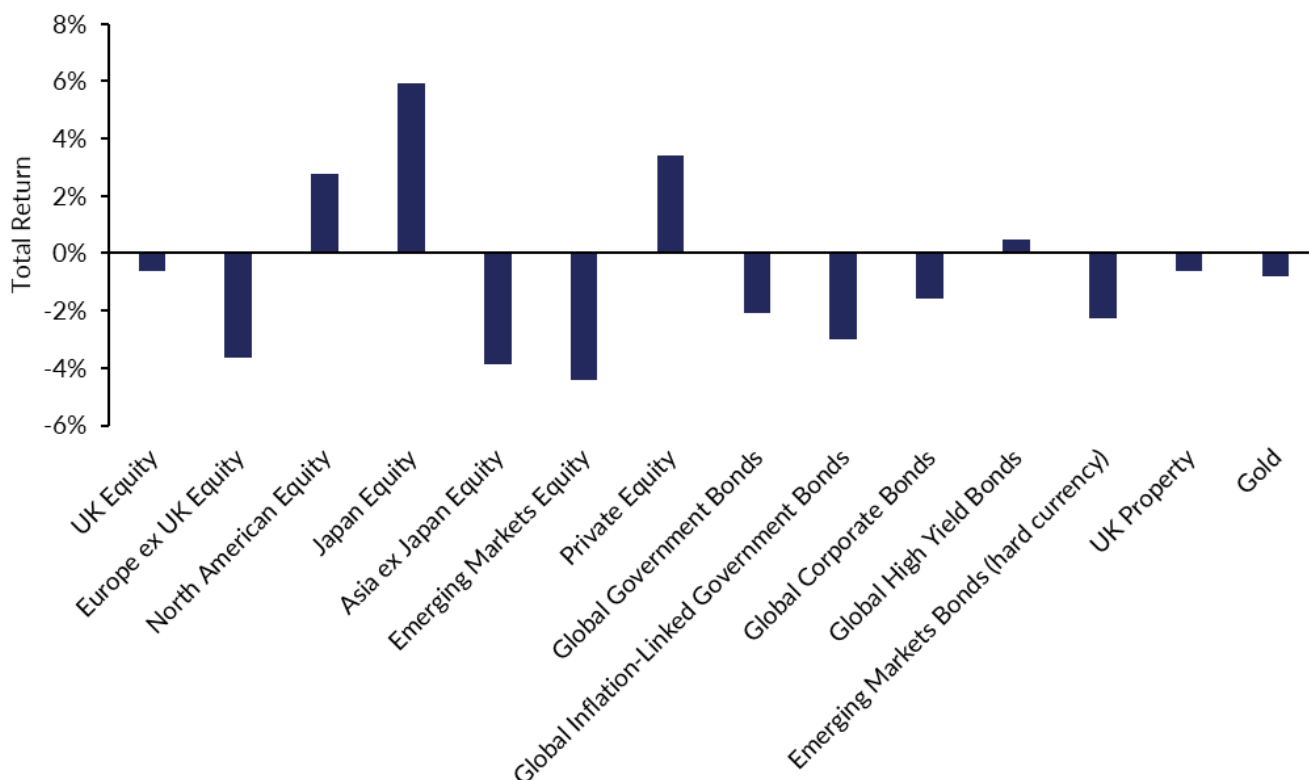
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QUARTERLY MARKET PERFORMANCE



- Politics was an important driver of financial markets in the fourth quarter with the election of Donald Trump, the aftermath of the new Labour government's inaugural Budget and ongoing instability in France and Germany. US equity markets responded well to Trump's pro-growth agenda of tax cuts and deregulation but chose to ignore the fiscal largesse and inflationary impact for now. A stronger dollar and trade concerns weighed on emerging markets and Europe alike, whilst UK equities were weak on fears that the increased taxed on the private sector will negatively impact corporate earnings. Japan was the standout performer, bouncing back from a tough 3rd quarter.
- The major developed market central banks all cut interest rates in the period but sovereign bond yields were up across the board, as investors pared back expectations for future cuts in the face of stubborn inflation and on concerns about levels of future government borrowing. Credit spreads continued to compress from already tight levels and now trade well below long term averages.
- Gold bullion had a weak quarter as investors seemed less concerned about geopolitical risks, although it was positive in sterling terms. Over the full year however, gold is one of only a few assets to have kept pace with US equities

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, 30/09/2024 to 31/12/2024. See MSCI and ICE disclaimers on final page.

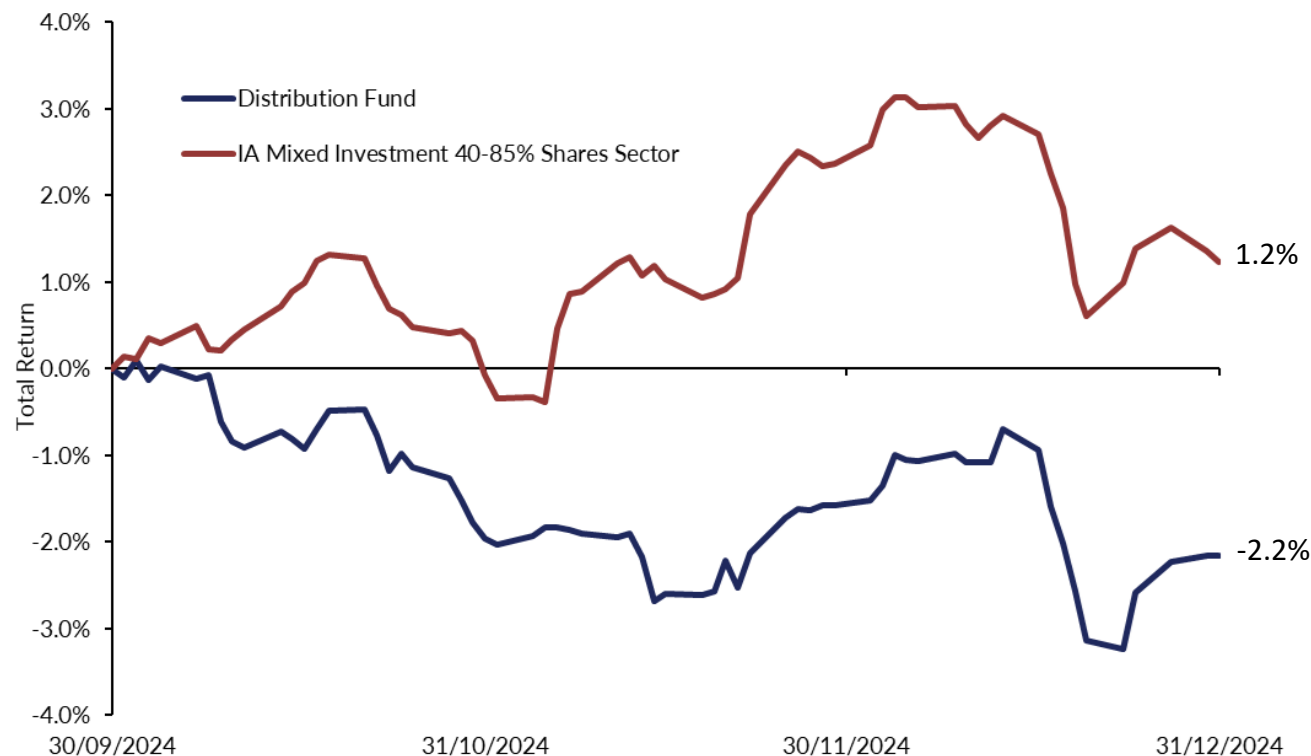
QUARTERLY FUND PERFORMANCE

Largest contributors:

- Chrysalis Investments +1.67%
- Temple Bar investment Trust +1.52%
- VT De Lisle America +1.49%

Largest detractors:

- The Renewables Infrastructure Group -2.10%
- TR Property Trust -2.07%
- Prusik Asian Equity Income (Hedged) -2.00%

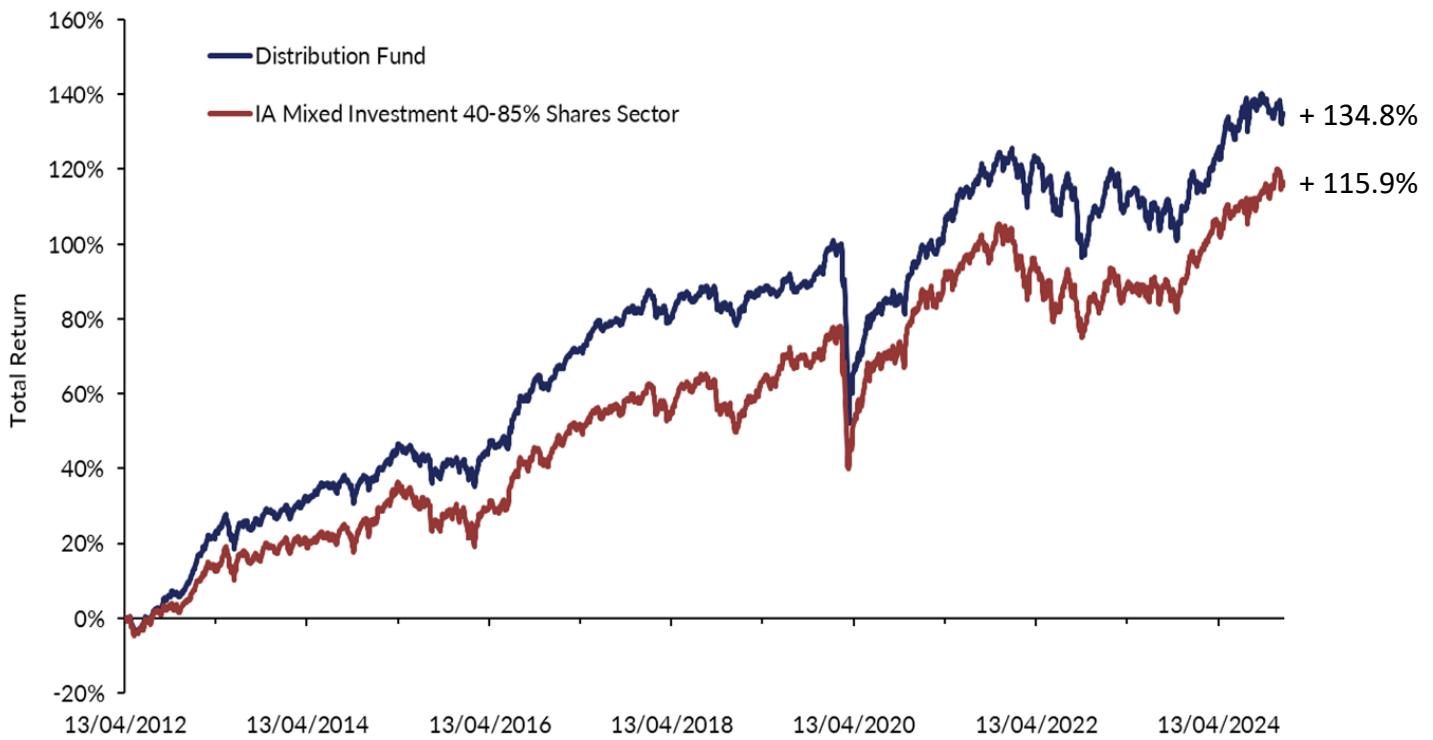


- Chrysalis performed well on the back of good news from its underlying portfolio of private companies and a well-received capital allocation policy which combined to see the discount narrow from 35% to 25%. VT De Lisle America performed well on expectations of strong economic growth under the Trump presidency.
- Unhedged overseas assets were positive contributors in part due to sterling weakness, as was private equity where discounts narrowed over the period.
- The main detractors were positions that exhibit the most interest rate sensitivity such as those invested in property and infrastructure, as UK bond yields rose over the quarter.
- Gold miners had a difficult quarter although the sector remains in positive territory for the year.
- UK smaller companies were also weak due to the lower earnings expectations and weaker economic outlook following the Budget.

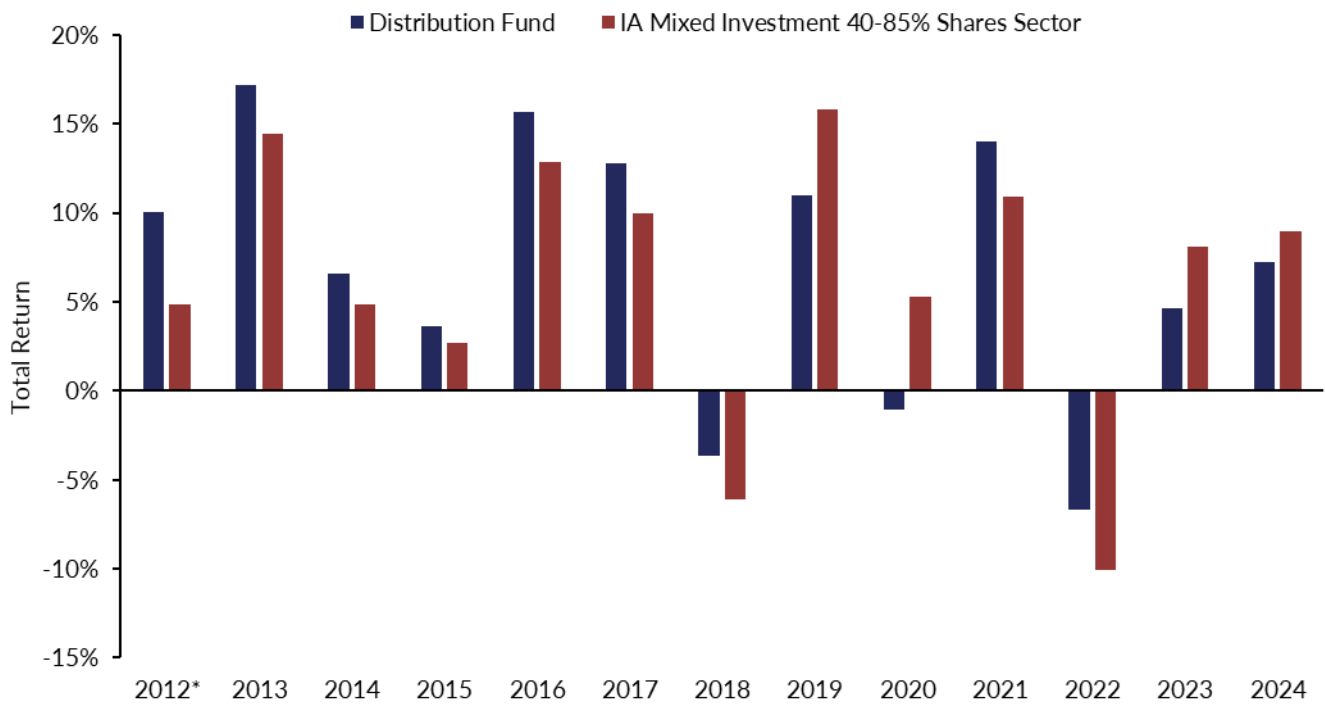
Source: FE fundinfo and internal, 30/09/2024 to 31/12/2024, must be held for entire period and uses month end weighting (text). FE fundinfo, 30/09/2024 to 31/12/2024 (chart).

SINCE LAUNCH FUND PERFORMANCE

Cumulative performance

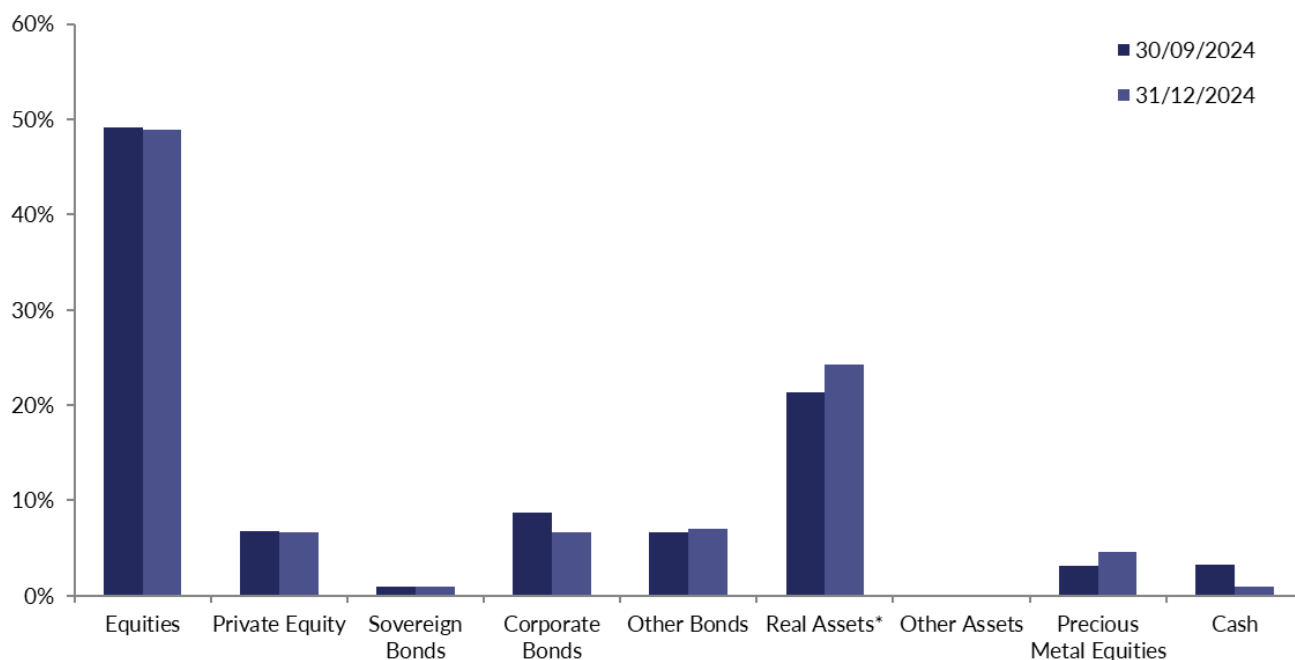


Discrete calendar year performance



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

- Aberforth Smaller Companies Trust
- Aegon European ABS
- CC Japan Income & Growth
- Konwave Gold Equity
- Law Debenture Corp PLC
- Temple Bar Investment Trust

Disposals:

- Aberforth UK Small Companies
- Ninety One Global Gold
- Polar Capital Japan Value
- TwentyFour Monument Bond

Summary:

- The recent trend of increasing exposure to investment trusts continued. Discounts across the investment trust sector remain wider than their historic average. While we acknowledge there are valid reasons for this such as conventional assets offering competitive yields and general aversion to the sector, we expect value to be realised through a combination of self-help measures and external corporate action.
- Switching out of equity focussed open-ended funds into equivalent or similar investment trusts was the main route to this increased exposure with the sale of Aberforth's open-ended UK Small Companies fund reinvested into its sibling Aberforth Smaller Companies Trust a good example. Elsewhere within UK equities, Temple Bar and Law Debenture were also introduced while in Japan, we switched out of Polar Capital Japan Value into the CC Japan Income & Growth trust.
- The allocation to gold mining was switched from Ninety One Global Gold into the more actively managed, less benchmark constrained Konwave Gold Equity fund.
- Within fixed income, the position in TwentyFour Monument Bond was switched into the similar mandate of Aegon European ABS which has a lower fee structure and better performance track record.

Source: Internal, 31/12/2024, *including Precious Metal Bullion.

HOLDINGS

Equities 60%

Aberforth Smaller Companies Trust
Arcus Japan
Artemis UK Select
CC Japan Income & Growth
Chikara Indian Subcontinent
Chrysalis Investments
CIM Dividend Income
CT Private Equity Trust
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
Temple Bar Investment 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 1%

Bonds 15%

Aegon European ABS
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 24%

3i Infrastructure
BBGI Global Infrastructure
Care REIT
Cordiant Digital Infrastructure
Downing Renewables & Infrastructure Trust
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
Urban Logistics REIT

OUTLOOK

The dominant performance of index heavy, expensive US mega-cap growth stocks were a major headwind to relative returns for Distribution in 2024. We remain on the sidelines in this part of the market given our valuation informed investment process prohibits our ownership at these current valuations. Weakness in segments of the alternative investment trust sector also weighed, as did the allocation to UK equities during the fourth quarter. Although Distribution was unable to deliver sector beating returns in this environment, it outperformed its Multi-Asset Income peers thanks to its benchmark agnostic asset allocation, active fund selection and the ability to identify interesting opportunities in more niche areas.

Looking ahead, starting valuations of global equities in aggregate are elevated relative to history and imply lower returns from here. Similarly in fixed income, investment grade credit and high yield bonds are trading at historically tight spreads that leave little margin for safety if the economic outlook is less benign than is currently expected. However, despite those concerns, we are enthused by the abundant opportunities across most equity markets beyond the US which are able to access given our unconstrained and valuation-led investment process. Pockets of extreme value reside within UK, Japanese and Asian equities, whilst the opportunity in parts of the investment trust sector looks generational in nature. Add in attractive starting yields across government bond markets and 2025 should be set for another year of healthy positive returns.

Source: Internal, 31/12/2024. 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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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 31/12/2024 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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