



HAWKSMOOR
FUND MANAGERS

**MI HAWKSMOOR
VANBRUGH FUND**

QUARTERLY REPORT
Q4 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 -1.4%, compared to the sector return of +0.1%
- We introduced six new holdings, and we exited seven positions
- We increased exposure to listed equity and private equity
- We reduced exposure to asset backed securities and investment grade credit

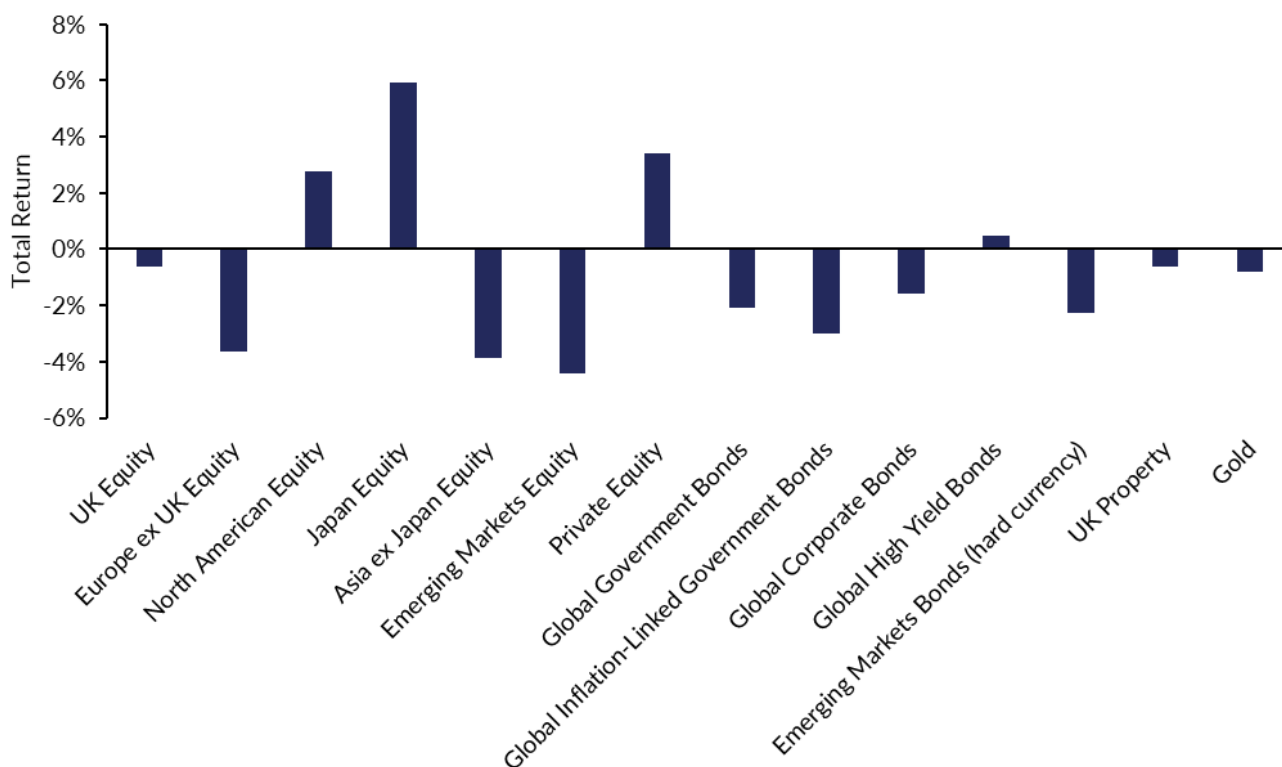
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QUARTERLY MARKET PERFORMANCE



- 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.

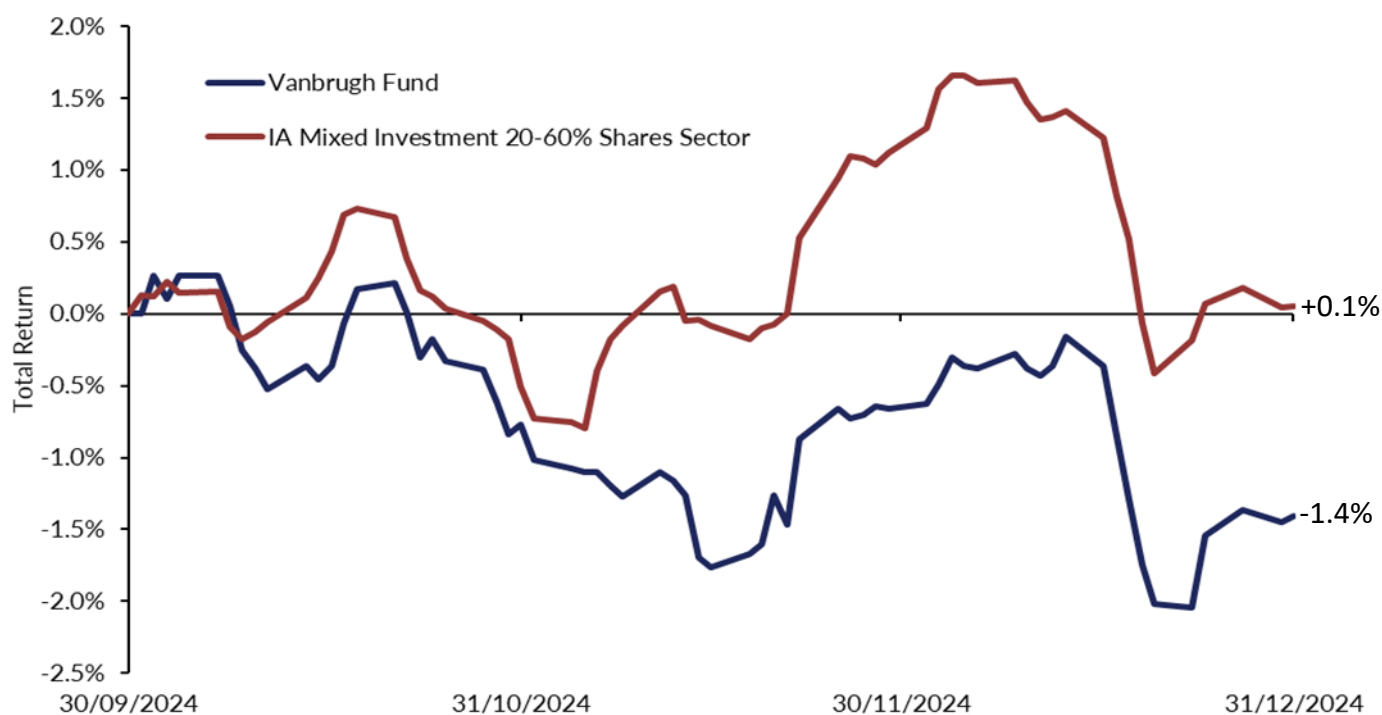
QUARTERLY FUND PERFORMANCE

Largest contributors:

- WisdomTree Core Physical Gold +1.87%
- Chrysalis Investments +1.38%
- VT De Lisle America +1.34%

Largest detractors:

- Allianz Index–Linked Gilt -5.77%
- Urban Logistics REIT -1.55%
- Tufton Assets Ltd -1.43%

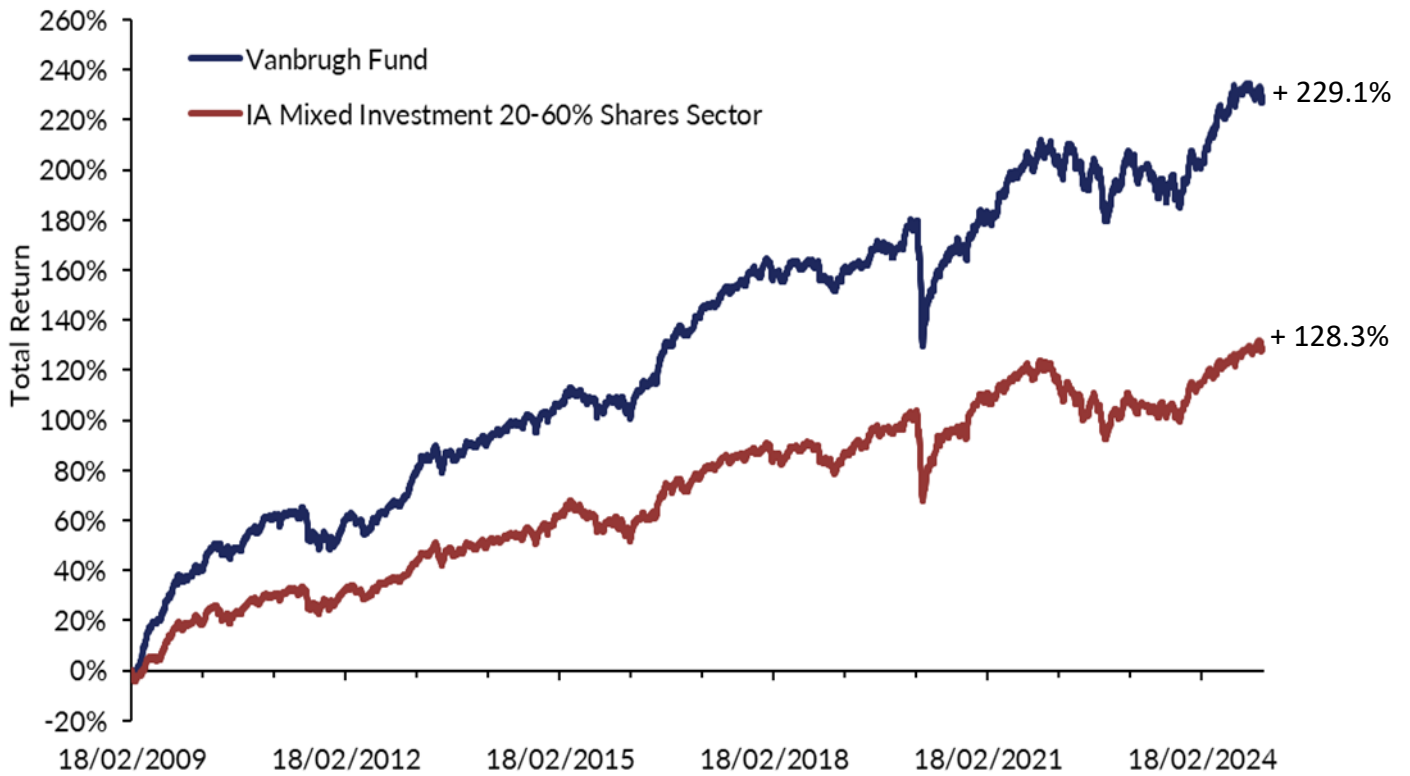


- Chrysalis performed well on the back of good news from its underlying portfolio of private companies and a well-received capital allocation policy which combined to see the discount narrow from 35% to 25%. De Lisle America performed well on expectations of strong economic growth under the Trump presidency.
- 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 government bonds, 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

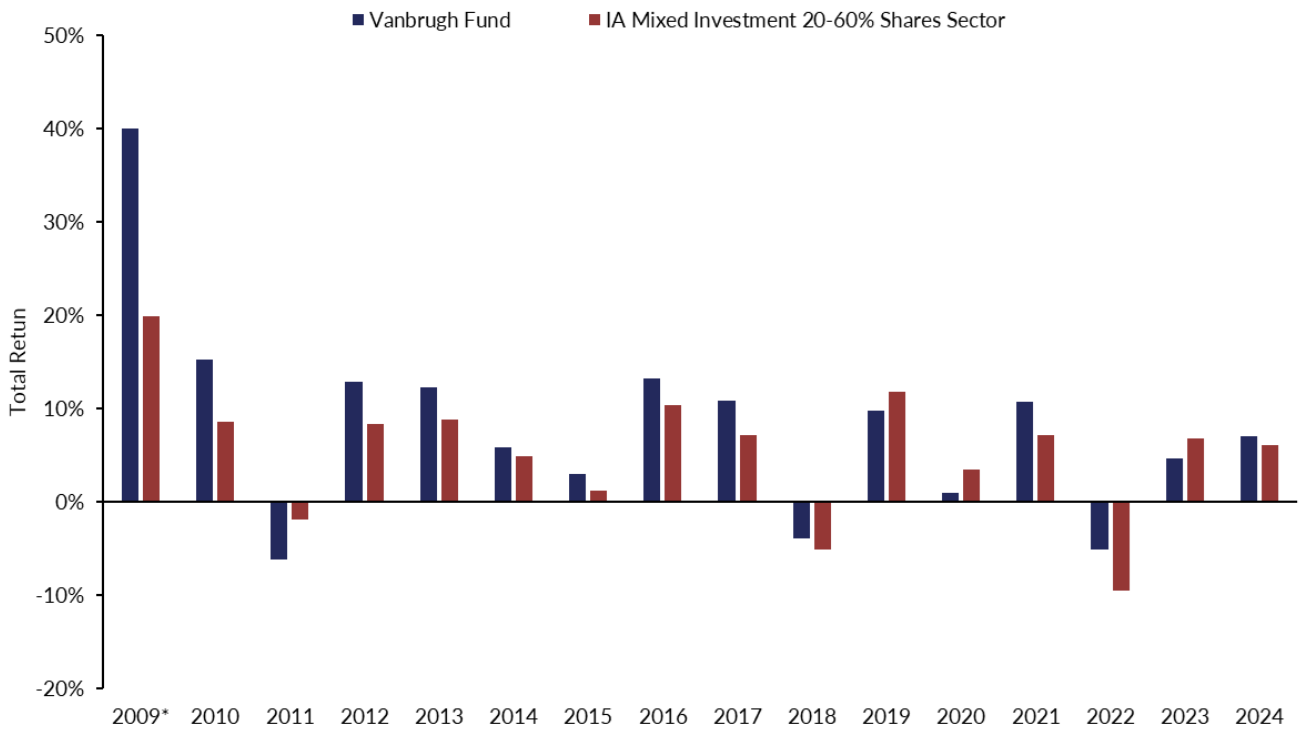
Source: FE fundinfo and internal, 30/09/2024 to 31/12/2024, must be held for entire period and uses month end weighting (text). FE fundinfo, 30/09/2024 to 31/12/2024 (chart).

SINCE LAUNCH FUND PERFORMANCE

Cumulative performance

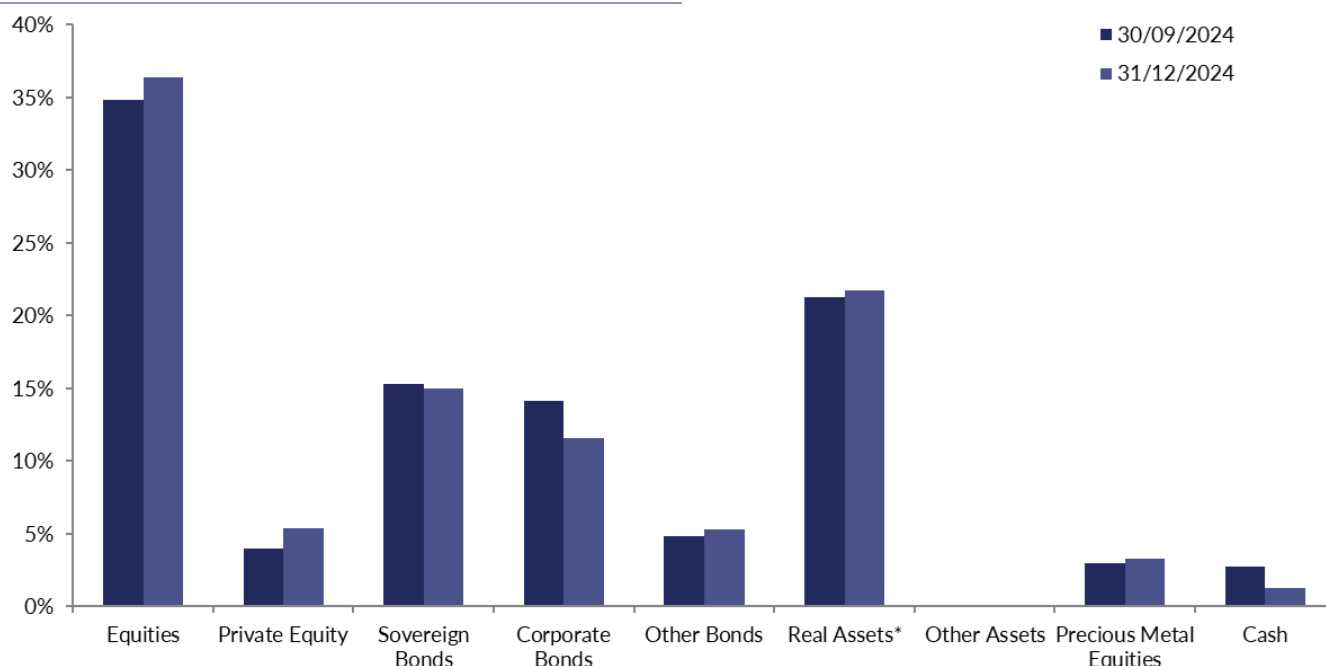


Discrete calendar year performance



Source: FE fundinfo, 18/02/2009 to 31/12/2024 (top). *From launch on 18/02/2009 (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
- iShares \$ TIPS 0-5 years ETF (unhedged)
- Konwave Gold Equity
- Law Debenture Corp PLC
- Pantheon International Plc

Sales:

- Aberforth UK Small Companies
- CG Dollar
- iShares \$ TIPS UCITS ETF GBP
- Ninety One Global Gold
- Polar Capital Japan Value
- Slater Growth
- Twenty Four 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, 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, and the holding in CG Dollar was also switched into the cheaper and shorter duration iShares 0-5 years TIPS ETF. The move to a shorter duration strategy was primarily due to the risk of upward pressure on longer dated US government bonds if President elect Trump pursues his huge fiscal expansion programme unchecked.

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

HOLDINGS

Equities 45%

Aberforth Smaller Companies Trust
Arcus Japan
Artemis UK Select
Augmentum Fintech
Chikara Indian Subcontinent
Chrysalis Investments
CIM Dividend Income
Harbourvest Global Private Equity
Konwave Gold Equity
Law Debenture Corp PLC
M&G Japan Smaller Companies
Nippon Active Value
Oakley Capital Investments
Odyssean Investment Trust
Pacific North of South EM Income Opportunities
Pantheon International Plc
Polar Capital Global Insurance
Prusik Asian Equity Income
Schroder Capital Global Innovation Trust
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

Bonds 32%

Aegon European ABS
Allianz Index-Linked Gilt
BioPharma Credit
GCP Infrastructure
iShares \$ TIPS 0-5 years ETF (unhedged)
Man Sterling Corporate Bond
Morgan Stanley Emerging Markets Debt Opportunities
RM Infrastructure Income
Schroder Strategic Credit
TwentyFour Income

Real Assets 22%

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

Cash 1%

OUTLOOK

The dominant performance of index heavy, expensive US mega-cap growth stocks were a major headwind to relative returns for Vanbrugh 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. That Vanbrugh delivered sector beating returns in this environment over the course of the year is testament to the 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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