

AIM PORTFOLIO SERVICE INCOME

INVESTORS' REPORT | INCOME

Yield: 4.1%

You could be forgiven for concluding Sir Keir's promises to drive growth have been sacrificed at the altar of political dogma. UK businesses are bracing for higher taxes from April—especially those with the audacity to employ people. And rather than encourage investment, instead the Budget mainly diluted incentives. None of that has helped our ailing capital markets, which are such a vital organ of the UK growth ecosystem. Meanwhile, in a scene fit for *Atlas Shrugged*, the Prime Minister reportedly has asked industry regulators if they have any good ideas. Hmm.

In rhyme with the UK economy, our AIM portfolios ended 2024 with a whimper. On average our AIM Income portfolios registered a -2.9% decline in the final quarter. Overall, 2024 was a disappointing year on AIM, though this strategy has—for the fourth straight consecutive year—outperformed (*see full performance statistics overleaf*).

Our best performing share in 2024 by some distance was **Cohort**, which broadly doubled. Cohort certainly benefited from a general uptick in defence spending by NATO countries, but crucially also from excellent execution. We introduce Cohort in our Company Focus, below.

Our worst performer was **Impax Asset Management**, an asset manager that specialises in sustainable investments. Last month it lost a major mandate with St James' Place, which sent the shares down with a bump.

UK smaller companies have now endured a long period of underperformance. We are optimistic that can change in 2025: there is an inverse correlation between interest rates and smaller companies: when one goes up, the other tends to go down. With the inflation leviathan tamed, the Bank of England has already started to reduce rates in 2024, and this is set to continue in 2025. That should simultaneously ease conditions for companies and tempt investors back into equity investments.

AIM companies are still painfully undervalued and ripe for recovery: these are fundamentally great businesses that are too cheap. At the same time, wider reforms—especially the Mansion House reforms that aim to stimulate greater institutional investment—should in the coming years unlock a tidal wave of fresh investment for this overlooked part of the market.

Company Focus | Cohort plc

In each of our quarterly briefings we present one of the companies in which we invest (*not necessarily held by all clients*) to provide examples of the kind of opportunities that one can find amongst quality smaller companies that trade on AIM.



Cohort PLC is a defence and security engineering company with operations in the UK, Germany and Portugal. It provides defence products, software, training, and research particularly in communication systems, surveillance and electronic/digital warfare.

Security clearances, regulation, and specialist technology mean Cohort's markets have naturally high barriers to entry. Most of its revenue comes from the UK MoD, but it also has several orders from international customers, such as Italy and Australia.

This is a well-run business by a management duo with a 16 year tenure. Cash conversion is high, the balance sheet is in good shape, and valuation levels remain attractive.

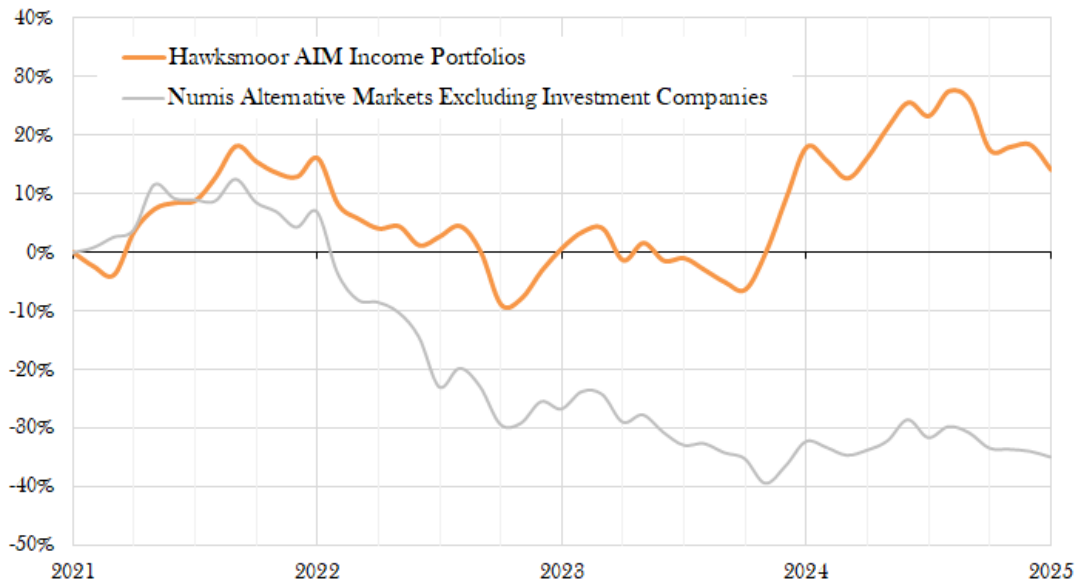
GROWTH
INVESTOR
2023 | AWARDS
FINALIST
BEST AIM
PORTFOLIO
SERVICE

GROWTH
INVESTOR
2022 | AWARDS
WINNER
BEST AIM
PORTFOLIO
SERVICE

GROWTH
INVESTOR
2021 | AWARDS
RUNNER UP
BEST AIM
PORTFOLIO
SERVICE



Performance of an illustrative Hawksmoor AIM Income Portfolio



Discrete Calendar Years	2021	2022	2023	2024
Hawksmoor AIM Income Portfolio ¹	16.1%	-13.2%	2.9%	-3.3%
AIM Benchmark ²	7.0%	-31.5%	-7.6%	-3.9%

Cumulative Performance	3 months	6 months	1 year	3 years
Hawksmoor AIM Income Portfolio ¹	-2.9%	-7.4%	-3.3%	-13.6%
AIM Benchmark ²	-2.3%	-4.8%	-3.9%	-39.2%

PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE.

Our AIM Portfolio Service invests in exceptional UK smaller companies for long-term capital growth. It can also be used for inheritance tax planning since we endeavour to ensure that every investment will qualify for *Business Relief* once held for at least two years.

It is a virtue of Hawksmoor's size that we are not restricted to only the largest, most popular of AIM companies, where valuations can become artificially elevated by tax relief demand. Rather, our proprietary investment process combines a disciplined screening process with rigorous fundamental analysis designed to identify value and quality.



Meet the team



Ian Woolley, CFA
Head of AIM Services

Ian joined Hawksmoor in 2013 having previously worked as an investment analyst and business consultant. He has a First Class degree in Mathematics from the University of Bath and is a Chartered Financial Analyst (CFA) charter holder.



Tinzar Minmin
Investment Manager

Tinzar qualified as an Investment Manager in 2021. She has a BSc in *Actuarial Mathematics* and a Masters in *Actuarial Finance* from the University of Leeds. She was included in Citywire's 2023 'Top 30 Under 30' list of rising investment stars.

Important Information

Hawksmoor Investment Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in England No. 6307442. Registered office: 2nd Floor, Stratus House, Emperors Way, Exeter Business Park EX1 3QS.

This document should not be interpreted as investment advice for which you should consult your financial adviser. The information and opinions it contains have been compiled or arrived at from sources believed to be reliable at the time and are given in good faith, but no representation is made as to their accuracy, completeness or correctness. Any opinion expressed, whether in general or both on the performance of individual securities and in a wider economic context, represents the views of Hawksmoor at the time of preparation, they may be subject to change. The value of an investment can fall as well as rise and you may not get back the amount originally invested. Investments in AIM carry an above-average level of risk – please see **Guide to the AIM Portfolio Service** for full details, which can be found on our website www.hawksmoorim.co.uk.

¹ *Methodology and source:* Hawksmoor, as at the date of this report. Performance is quoted on a total return basis after all charges and taxes, excluding any external adviser fees, calculated based on the average actual performance of all clients in the Hawksmoor AIM Portfolio Service with an income mandate.

² Deutsche Numis Alternative Markets Excluding Investment Companies Index, quoted on a total return basis.

