

# IFSL Hathaway Fund

**Annual Report and Audited Financial Statements**  
for the six month period ended 31 March 2023

## **IFSL HATHAWAY FUND**

### **CONTACT INFORMATION**

#### **Authorised Fund Manager (AFM) and Registrar**

Investment Fund Services Limited (IFSL)  
Marlborough House  
59 Chorley New Road  
Bolton  
BL1 4QP

Investor Support: (0808) 178 9321 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

#### **Directors of IFSL**

Andrew Staley (Non-Executive)  
Allan Hamer  
Dom Clarke - appointed 30 January 2023  
Helen Derbyshire  
Helen Redmond  
Sally Helston  
Guy Sears (Independent Non-Executive)  
Sarah Peaston (Independent Non-Executive)

#### **Investment Manager**

Hathaway Investment Management Limited  
Grosvenor House  
14 Bennetts Hill  
Birmingham  
B2 5RS

Authorised and regulated by the Financial Conduct Authority.

#### **Depository** (in it's capacity as Trustee)

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

#### **Auditor**

Ernst & Young LLP  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

## **IFSL HATHAWAY FUND**

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## IFSL HATHAWAY FUND

### AUTHORISED INVESTMENT MANAGER'S REPORT

for the six month period ended 31 March 2023

#### Performance to 31 March 2023

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 years</u>
IFSL Hathaway Fund	8.56%	(7.65)%	20.01%	17.88%	87.04%
IA Mixed Investment 40% - 85% Shares sector	5.31%	(4.62)%	27.12%	22.42%	66.60%

External Source of Economic Data: Morningstar (Accumulation - quoted to quoted price).

The performance figures above are based on quoted prices and will, therefore, differ from the performance in the Comparative Table.

Capital at risk. Past performance is not a reliable indicator of future performance; the value of your investment and any income from it can go down as well as up. Performance returns are based on the net asset value with distributable income reinvested and take account of all ongoing charges, but not entry charges (if applicable). The past performance of this unit class is calculated in Sterling.

#### Investment commentary

##### Recent performance

We are pleased to set out below, a commentary on our recent progress and an update on the secular record, practising value investing as ever, which involves appraising securities as attractive (or not), based principally on intrinsic worth and absolute/relative valuations.

Last year's standing order appeared to be "one step forward and two back" but, in the period, our equity and bond unit trust experienced the complete opposite and posted encouraging numbers, with an 8.5% total return, reflecting a 16.41p increase in the price of Accumulation units; as ever with investing, patience earned its special reward. Launched in 2002 at 50p, Accumulation units are now at 208.22p, representing annual compounding come September - if there is no change in the meantime - at what will be just over 7% over our first 21 years.

We were ahead of our peer group benchmark in the period too: it returned 5.3% and so fell further behind – see below for the long-term picture; the relative return in the moving 1, 3 & 5 year columns is therefore currently narrowing encouragingly. Just as six months ago, we described how poor short-term results were adversely "contaminating" longer term statistics, so this time the opposite influence was appreciably the case. We are not yet back where we would like to be, but our performance since September was indeed a timely step in the right direction.

##### Investing conditions & portfolio developments - a more "normal" six months under review

On 23 March, the Bank of England raised interest rates by a quarter point, to 4.25%, following on from the other recent hikes, and they increased them again, to 4.5%, as we went to press, the general background to which we discussed last time. The world economy though, and that of the UK, remains in fair shape for now, although further storms appear to be gathering – see below.

Amidst the slightly mixed picture, our relative and absolute performances were reassuringly robust – the benefits of letting business take its course.

Underpinning that resurgence, several of our investees recently posted particularly gratifying business reports, reversing last year's trend, and a corresponding recovery in their share prices is well under way; our waiting game - always taking place in "the meanwhile" - is an increasingly comfortable one.

Two businesses which stand out are Next & Games Workshop (GAW); the former, up 40% in the period, continues to exceed all expectations in about the most hostile bear garden of all: retailing. Meanwhile, GAW continues to consolidate its unique economic value - it has now sealed a deal with Amazon, to turn "Warhammer" into films and TV shows; licensing revenues are currently less than 10% of turnover for the business but, feeding straight into profits, they may now produce some mouth-watering cash flows.

Such profits might dry up of course and, like all things of this nature, the process could cannibalize the core business, but GAW has a never-ending global supply of newly minted adolescents to consume its main product; its shares were up 65% in the half year and GAW now has a market capitalization larger than M & S.

Stocks such as these are the backbone of our portfolio and remain gifts which keep giving: investments which reward the faithful holder. Accordingly, our few transactions in the period were largely of the routine, portfolio management type: divesting Toyo Tire & taking handsome profits on Diageo and Law Debenture investment trust.

We also purchased a holding of Techtronic, a Hong Kong based pioneer of cordless handheld power tools, marketed worldwide under the Milwaukee, Hoover, Dirt Devil & Ryobi brands, to name a few of its wide portfolio; we expect satisfactory returns in due course, and it provides a good juncture to look at long-term returns.

## IFSL HATHAWAY FUND

### AUTHORISED INVESTMENT MANAGER'S REPORT

for the six month period ended 31 March 2023

#### Longer term performance: the twenty-and-a-half-year record

Year	IFSL Hathaway Fund	Benchmark
2002/2022	283.60%	247.50%
2022/2023	8.56%	5.31%
Cumulative	316.43%	265.98%

As the table reflects, our position also remains well ahead of the comparator over the long term. Furthermore, since we started the period higher up the ladder (despite last year's debacle), that margin expanded more: to catch us up in one go, our comparator would need to have produced a performance of 20% in the six months.

Equally, as inflation seems worryingly deep-seated at an annual 10% or so, it is worth noting that, to keep pace with rising prices since 2002, our Accumulation units would now need to be 87p and of course they are 121p ahead of that.

#### Outlook

Meanwhile, the general economy remains wrestling with material inflation and the corresponding interest rate pressures, with labour shortages amid stagnant growth and lower than normal productivity improvements.

Regarding the last of those challenges: possibly too much trust is being placed in the benefits of automation and technology generally; as Robert Solow, the Nobel laureate economist once said, "you can see computers everywhere, except in the productivity statistics".

Equally, Artificial Intelligence (AI) appears hardly the development it is being talked up as being - we are sceptical of the notion that AI software might soon render the human redundant: a standard digital computer is intended to carry out any operations which a human computer can do, and simple electronic calculators neatly illustrate that. They can't decide though, what to calculate, hence AI purports to do just that, using statistical probability and other tools to predict the "working out" that is most likely to be desired.

However, quoting Alan Turing: "a computer would deserve to be called intelligent if it could deceive a human into believing that it was human;" so far, as anyone who has used a "chatbot" will confirm, they fall way short of passing that test.

Equally, even if they were to become that good, finding ever more efficient, perhaps even human-free, ways to do tasks which didn't need to be done in the first place, is not the route to greater productivity.

For investors though, while the general economy is more challenged than a year ago, the stock market is beginning to reflect better things, and the outlook for investors is more promising. We remain comfortable with our commitments and, while a material recovery in our securities is indeed under way, we will continue our quest to find great businesses at prices which make sense.

So, we will not depart from value investing, in our opinion the only rational way to manage securities and, while we do that, unitholders should keep their expectations equally realistic: nothing is sure this week, month or year, indeed is ever certain - whether capital market forecasts or business predictions.

In closing, we again thank IFSL for their accurate administration in the half year and we anticipate the reporting of our annual results in the autumn, while unitholders requiring up to date prices etc., should refer to our website.

Graham Englefield / Graham Shaw CFA  
Hathaway Investment Management Limited  
5 May 2023

[www.hathawayinvestment.com](http://www.hathawayinvestment.com)

#### Notes

1. "Equities" means quoted shares and "gilts" means UK government bonds; inflation statistics are from the Bank of England; IA means The Investment Association.
2. The benchmark is a comparator as to how adroitly the portfolio has been invested over any reasonably long period, the statistic reflecting how a typical conservative private investor's commitments might be constructed, i.e., reflecting our IA cohort (described in the first table).
3. The cumulative figures in the second table very accurately show the total return from 25.11.2002 to 31.03.2023. Any discrepancy is due to rounding and is not material.
4. "Year" (or "2002/2022" etc.) means the Fund year (or years), i.e., 1 October to 30 September.

## IFSL HATHAWAY FUND

### AUTHORISED INVESTMENT MANAGER'S REPORT

for the six month period ended 31 March 2023

#### Distributions

	<u>Year 2023</u>	<u>Year 2022</u>	<u>Year 2021</u>	<u>Year 2020</u>
<u>Income (pence per unit)</u>				
Net income paid 31 May	1.2185	1.0475	0.6041	0.7397
Net income paid 30 November		0.7505	0.3235	0.3534
<u>Accumulation (pence per unit)</u>				
Net accumulation paid 31 May	1.7139	1.4555	0.8384	1.0684
Net accumulation paid 30 November		1.0459	0.4538	0.4880

#### Portfolio changes

<u>Purchases</u>	<u>Cost (£)</u>
Techtronic Industries Co	660,211
Total purchases for the period	660,211
<u>Sales</u>	<u>Proceeds (£)</u>
Diageo	365,276
Toyo Tire & Rubber	293,205
Law Debenture Corp	249,274
Total sales for the period	907,755

## **IFSL HATHAWAY FUND**

### **AUTHORISED STATUS**

IFSL Hathaway Fund (the Fund) is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is a UCITS scheme operating under the Collective Investment Schemes Sourcebook (COLL) as issued by the Financial Conduct Authority.

### **GENERAL INFORMATION**

#### **Investment objective**

The investment objective of the Fund is to grow the value of a unitholder's capital and income, over a period of at least 5 years. This growth is expected to come from a combination of gains in investments held and income received by the Fund - such as bond interest and dividends from shares.

#### **Investment policy**

The Fund is actively managed, which means the Investment Manager decides which investments to buy or sell, and when, across different industries and regions of the world.

The Investment Manager considers economic and market conditions, but the focus is on individual company analysis. The aim is to identify companies which show good long-term growth potential, and which appear to be undervalued given their prospects.

The Fund will invest between 40 - 85% of its portfolio in the shares of companies. There will be a bias towards enterprises that are expected to pay steady dividends; however, the Fund may occasionally invest in securities which do not pay dividends.

The Fund will invest between 15 - 60% of its portfolio in bonds, which are loans typically issued by companies, governments and other institutions. These will typically be investment grade bonds, where the issuer has a high and reliable capacity to repay the debt. However, from time to time, our operations may include sub-investment grade bonds (which can be more vulnerable to changing market conditions, but typically pay a higher rate of interest) where we judge them to be incorrectly downgraded.

The Fund may also invest in money market instruments, which are shorter term loans.

The Fund will hold cash to enable the ready settlement of liabilities and for the efficient management of the portfolio. The Fund may hold cash up to a maximum of 30%, in extreme market conditions.

#### **Assessing performance**

The Investment Association (IA), the trade body for UK investment managers, has created a number of 'sectors' as a way of dividing funds into broad groups with similar characteristics.

The Fund's investment policy puts it in the IA Mixed investment 40-85% Shares sector. You may want to assess the Fund's performance compared to the performance of this sector.

#### **Rights and terms attaching to each unit class**

A unit of each class represents a proportional entitlement to the assets of the Fund. The allocation of income and taxation and the rights of each unit in the event the Fund is wound up are on the same proportional basis.

#### **Changes in prospectus**

There have been no significant changes since the last annual report.

Up to date Key Investor Information Documents, Prospectus and Long Reports and Financial Statements for any fund within the AFM's range, can be requested by the investor at any time.

## **IFSL HATHAWAY FUND**

### **DIRECTORS' STATEMENT**

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.

Allan Hamer  
Director

Helen Redmond  
Director

Investment Fund Services Limited  
25 May 2023



**IFSL HATHAWAY FUND**
**COMPARATIVE TABLE**

<b>Income units</b>	<b>Period to</b>	<b>Year to</b>	<b>Year to</b>	<b>Year to</b>
<b>Change in net assets per unit</b>	<b>31.03.2023</b>	<b>30.09.2022</b>	<b>30.09.2021</b>	<b>30.09.2020</b>
	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per unit	135.40	172.24	145.60	146.65
Return before operating charges*	13.30	(34.24)	29.46	2.11
Operating charges	(0.84)	(1.85)	(1.89)	(2.07)
Return after operating charges*	12.46	(36.09)	27.57	0.04
Distributions on income units	(1.22)	(0.75)	(0.93)	(1.09)
Closing net asset value per unit	146.64	135.40	172.24	145.60
* after direct transaction costs of:	0.03	0.10	0.17	0.18
<b>Performance</b>				
Return after charges <sup>A</sup>	9.20%	(20.95)%	18.94%	0.03%
<b>Other information</b>				
Closing net asset value (£)	5,685,177	5,471,994	7,191,033	6,437,730
Closing number of units	3,876,844	4,041,219	4,174,942	4,421,531
Operating charges	1.17% <sup>B,C</sup>	1.15% <sup>B</sup>	1.16% <sup>B</sup>	1.42%
Direct transaction costs	0.04% <sup>C</sup>	0.06%	0.10%	0.12%
<b>Prices (pence per unit)</b>				
Highest unit price	153.06	174.69	179.67	160.35
Lowest unit price	133.60	137.10	143.37	114.88
<b>Accumulation units</b>				
<b>Change in net assets per unit</b>	<b>Period to</b>	<b>Year to</b>	<b>Year to</b>	<b>Year to</b>
	<b>31.03.2023</b>	<b>30.09.2022</b>	<b>30.09.2021</b>	<b>30.09.2020</b>
	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per unit	190.57	239.47	201.29	200.96
Return before operating charges*	18.69	(46.31)	40.80	3.17
Operating charges	(1.19)	(2.59)	(2.62)	(2.84)
Return after operating charges*	17.50	(48.90)	38.18	0.33
Distributions on accumulation units	(1.71)	(1.05)	(1.29)	(1.56)
Retained distributions on accumulation units	1.71	1.05	1.29	1.56
Closing net asset value per unit	208.07	190.57	239.47	201.29
* after direct transaction costs of:	0.04	0.13	0.23	0.25
<b>Performance</b>				
Return after charges <sup>A</sup>	9.18%	(20.42)%	18.97%	0.16%
<b>Other information</b>				
Closing net asset value (£)	9,756,101	9,239,750	13,123,211	10,887,393
Closing number of units	4,688,750	4,848,467	5,480,195	5,408,722
Operating charges	1.17% <sup>B,C</sup>	1.15% <sup>B</sup>	1.16% <sup>B</sup>	1.42%
Direct transaction costs	0.04% <sup>C</sup>	0.06%	0.10%	0.12%
<b>Prices (pence per unit)</b>				
Highest unit price	215.31	242.79	249.25	219.73
Lowest unit price	187.94	191.81	198.13	157.43

<sup>A</sup> The return after charges is calculated using the underlying investments bid prices.

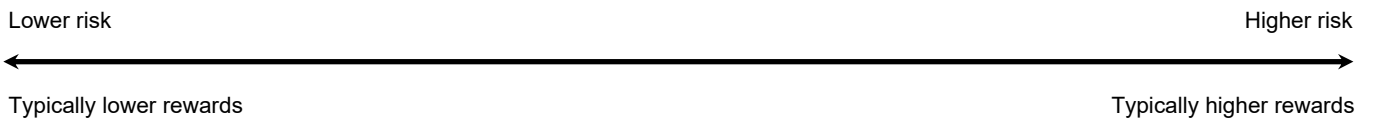
<sup>B</sup> From 30 April 2021, the Operating Charges (or Ongoing Charges Figure) calculation has been extended to include, where relevant, charges incurred by closed-ended vehicles such as investment trusts.

<sup>C</sup> These figures have been annualised

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the period. Direct transaction costs are the total charges for the period, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the period and the average units in issue for the pence per unit figures.

**IFSL HATHAWAY FUND**

**SYNTHETIC RISK AND REWARD INDICATOR** (all unit classes)



1	2	3	4	5	6	7
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This indicator aims to give you a measure of the price movement of the Fund based on past data. It uses historic returns over the last five years. If five years' data is not available, simulated data based on a representative portfolio is used.

This Fund has been measured as 5 because its investments have experienced moderate to high volatility in the past. During the period the synthetic risk and reward indicator has remained unchanged.

## IFSL HATHAWAY FUND

### PORTFOLIO STATEMENT

as at 31 March 2023

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>LOAN STOCKS</b> (30 September 2022 - 20.95%)		
3,157,000 UK Treasury 0.75% 22.07.23	3,123,015	20.22
Total Loan Stocks	<u>3,123,015</u>	<u>20.22</u>
<b>AEROSPACE AND DEFENCE</b> (30 September 2022 - 4.88%)		
257,100 Babcock International Group	769,243	4.98
Total Aerospace and Defence	<u>769,243</u>	<u>4.98</u>
<b>BEVERAGES</b> (30 September 2022 - 10.75%)		
65,400 Britvic	586,311	3.80
20,000 Diageo	721,500	4.67
Total Beverages	<u>1,307,811</u>	<u>8.47</u>
<b>CLOSED END INVESTMENTS</b> (30 September 2022 - 7.88%)		
211,000 Downing Strategic Micro-Cap Investment Trust	130,820	0.85
163,250 Henderson High Income Trust	275,893	1.79
92,300 Law Debenture Corp	740,246	4.79
Total Closed End Investments	<u>1,146,959</u>	<u>7.43</u>
<b>INDUSTRIAL ENGINEERING</b> (30 September 2022 - 4.51%)		
170,000 Somero Enterprises	612,000	3.96
Total Industrial Engineering	<u>612,000</u>	<u>3.96</u>
<b>INDUSTRIAL SUPPORT SERVICES</b> (30 September 2022 - 14.66%)		
110,500 PayPoint	504,433	3.27
103,035 RS Group	937,103	6.07
71,061 Travis Perkins	676,074	4.38
Total Industrial Support Services	<u>2,117,610</u>	<u>13.72</u>
<b>LEISURE GOODS</b> (30 September 2022 - 4.52%)		
11,750 Games Workshop Group	1,117,425	7.24
Total Leisure Goods	<u>1,117,425</u>	<u>7.24</u>
<b>PERSONAL CARE, DRUG AND GROCERY STORES</b> (30 September 2022 - 3.68%)		
265,959 Tesco	708,781	4.59
Total Personal Care, Drug and Grocery Stores	<u>708,781</u>	<u>4.59</u>
<b>REAL ESTATE INVESTMENT TRUSTS</b> (30 September 2022 - 10.09%)		
59,000 Big Yellow Group	678,500	4.39
785,435 Primary Health Properties	794,860	5.15
Total Real Estate Investment Trusts	<u>1,473,360</u>	<u>9.54</u>
<b>RETAILERS</b> (30 September 2022 - 3.49%)		
10,750 Next	704,340	4.56
Total Retailers	<u>704,340</u>	<u>4.56</u>
<b>OVERSEAS SECURITIES</b> (30 September 2022 - 11.39%)		
4,625 Fresenius Medical Care	158,303	1.03
230 Givaudan	599,410	3.88
17,870 KONE 'B'	751,806	4.87
69,000 Techtronic Industries Co	602,328	3.90
Total Overseas Securities	<u>2,111,847</u>	<u>13.68</u>
<b>Portfolio of investments</b>	15,192,391	98.39
<b>Net other assets</b>	248,887	1.61
<b>Total net assets</b>	<u><u>15,441,278</u></u>	<u><u>100.00</u></u>

All investments are listed on a regular market unless stated otherwise.

**IFSL HATHAWAY FUND**

**PORTFOLIO TRANSACTIONS**

for the six month period ended 31 March 2023

£

Total purchases costs, including transaction charges

660,211

Total sales proceeds, net of transaction charges

907,755

**IFSL HATHAWAY FUND**

**STATEMENT OF TOTAL RETURN**

for the six month period ended 31 March 2023

	31 March 2023		31 March 2022	
	£	£	£	£
Income:				
Net capital gains/(losses)		1,205,253		(1,278,834)
Revenue	216,827		227,495	
Expenses	<u>(85,083)</u>		<u>(105,834)</u>	
Net revenue before taxation	131,744		121,661	
Taxation	<u>(2,028)</u>		<u>(3,053)</u>	
Net revenue after taxation		<u>129,716</u>		<u>118,608</u>
Total return before distributions		1,334,969		(1,160,226)
Distributions		(129,716)		(118,608)
Change in net assets attributable to unitholders from investment activities		<u>1,205,253</u>		<u>(1,278,834)</u>

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

for the six month period ended 31 March 2023

	31 March 2023		31 March 2022	
	£	£	£	£
Opening net assets attributable to unitholders		<sup>A</sup> 14,711,744		20,314,244
Amounts receivable on issue of units	390,132		190,078	
Amounts payable on cancellation of units	<u>(946,209)</u>		<u>(1,259,864)</u>	
		(556,077)		(1,069,786)
Dilution adjustment		-		774
Change in net assets attributable to unitholders from investment activities		1,205,253		(1,278,834)
Retained distribution on accumulation units		80,358		74,544
Closing net assets attributable to unitholders		<u>15,441,278</u>	<sup>A</sup>	<u>18,040,942</u>

<sup>A</sup> These figures are not the same as the comparatives are taken from the preceding interim period and not the last final accounts.

## IFSL HATHAWAY FUND

### BALANCE SHEET

as at 31 March 2023

	31 March 2023 £	30 September 2022 £
<b>Assets:</b>		
<b>Fixed Assets:</b>		
Investments	15,192,391	14,241,523
<b>Current Assets:</b>		
Debtors	92,388	87,718
Cash and bank balances	300,558	473,241
Total assets	<u>15,585,337</u>	<u>14,802,482</u>
<b>Current Liabilities:</b>		
<b>Creditors:</b>		
Distribution payable on income units	47,241	30,332
Other creditors	96,818	60,406
Total liabilities	<u>144,059</u>	<u>90,738</u>
<b>Net assets attributable to unitholders</b>	<u><u>15,441,278</u></u>	<u><u>14,711,744</u></u>

### NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 31 March 2023

#### Basis for preparation

The interim financial statements have been prepared in compliance with Financial Reporting Standard (FRS) 102 and in accordance with the Statement of Recommended Practice (SORP) for UK Authorised Funds issued by the Investment Management Association (renamed to the Investment Association) in May 2014, and amended in June 2017.

The interim financial statements are prepared in Sterling, which is the functional currency of the Fund. Monetary amounts in these financial statements are rounded to the nearest pound.

The interim financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value.

#### Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 September 2022 and are described in those annual financial statements.

The investments of the Fund have been valued at their fair value at 12 noon on 31 March 2023.

Investment Fund Services Limited  
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59 Chorley New Road  
Bolton  
BL1 4QP

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Registered in England and Wales (company registration number 06110770).  
Authorised and regulated by the Financial Conduct Authority and a member of The Investment Association.