

The complaint

Mr E has complained to Hawksmoor Investment Management Limited ('Hawksmoor') about the performance of his investment portfolio. He would like to be compensated.

What happened

Mr E transferred his portfolio – a general investment account and ISA valued at just over £120,000 – to Hawksmoor's Discretionary Portfolio Management Service ('DPMS') in 2016. Further funds were added in 2016 and 2020.

Mr E initially complained to Hawksmoor about the performance of his portfolio in 2023 which it responded to. In 2025 Mr E then raised his concerns about the portfolio performance in the previous five years as he said it hadn't recovered nor performed in line with Hawksmoor's benchmarks. Hawksmoor responded on 8 April 2025 rejecting the complaint. It said;

- Mr E had agreed to the Investment Report provided at the outset, the DPMS, and he was given adequate risk warnings.
- The portfolio received regular attention, trades were carried out and were within the asset parameters of the risk profile.
- The portfolio underperformed in 2022 and to some extent in 2023 but was in line in 2024.
- Mr E's comparison with two Trust Funds with the same risk exposure as his personal portfolio wasn't fair or appropriate.
- The underperformance was due to stock specific issues and bias towards growth stocks.
- The portfolio was in line with the risk profile.
- The underperformance in 2022 wasn't unique to Hawksmoor and didn't represent a failing in its approach. Decisions made at the time were reasonable.
- There was no drop in activity or oversight when the portfolio management was changed in 2022. The underperformance was due to difficult market conditions and stock specific issues.

Our investigator who considered the complaint didn't think Hawksmoor needed to do anything more. She said;

- Mr E's portfolio was managed on a Moderate-Higher Risk mandate for income and growth and despite changes to Mr E's circumstances this mandate didn't alter over time.
- Hawksmoor could deviate from the asset class weightings, but the investigator didn't see any evidence the portfolio was exposed to more risk than agreed.
- The portfolio was weighted towards UK rather than international equities, which could have contributed to the reduction in value of Mr E's portfolio, but it was managed in line with the mandate.

- Overall, she couldn't agree the losses or lack of recovery were the result of the portfolio being exposed to more risk than agreed, or Hawksmoor acting outside of its remit as a discretionary manager and the agreed mandate.

Mr E didn't agree. He said;

- The documents and notes provided by Hawksmoor were one-sided and couldn't be taken as facts. The risk questionnaire hadn't been re-visited despite changes to his personal circumstances. He found Hawksmoor's Investment Report to be important as it established the portfolio mandate was to match the individual's risk and needs and was to be measured against Hawksmoor's chosen benchmarks.
- He hadn't been given any evidence of how Hawksmoor complied with its mandate over his portfolio.
- There was no commentary as to how the trades complied with the mandate and so these couldn't be used as a measure of purposeful management.
- There had been overexposure to UK equities which hadn't been rectified for three years.
- Despite changes in Mr E's circumstances, no change was made to his attitude to risk – no questionnaire was completed – so the March 2023 Suitability Report was just a box ticking exercise. But if he had agreed to a change in his risk profile it would have crystallised the losses in the portfolio which he had been told would recover.
- The portfolio had underperformed and lost value. His mandate was more complex than asset weightings. His risk/growth requirement of 5.8 should be assessed by reference to agreed benchmark outturns.
- The overweight position in UK equities evidences the portfolio wasn't managed correctly. Just because exposure didn't exceed the 95% cap wasn't reflective of the mandate and the portfolio performance was worse than the benchmarks.

As the complaint remains unresolved, it has been passed to me to resolve in my role as ombudsman.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

After doing so, I've reached the same conclusion as the investigator and broadly for the same reasons. I'll explain why.

In response to the investigator Mr E has said his complaint should be considered based on the evidence and the regulations which should be used as the underpinning foundations of clearly derived conclusions.

In reaching my conclusions, as well as the evidence provided by the parties, I've taken into account relevant law and regulations, regulator's rules, guidance and standards and codes of practice, and what I consider to have been good industry practice at the time, including the Financial Conduct Authority's ('FCA') Principles for Businesses ('PRIN') and the Conduct of Business Sourcebook ('COBS'). The below isn't a comprehensive list of the rules and regulations which applied at the time of the portfolio being managed but provides useful context for my assessment of Hawksmoor's actions here;

PRIN 6: 'A firm must pay due regard to the interests of its customers and treat them fairly.'

PRIN 7: 'A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.'

PRIN 12: 'A firm must act to deliver good outcomes for retail customers.'

COBS 2.1.1R: 'A firm must act honestly, fairly and professionally in accordance with the best interests of its client (the client's best interests rule).'

COBS 9 - which deals with the obligations when giving a personal recommendation, managing investments and assessing suitability.

I appreciate in Mr E's response to the investigator he referred to the documents Hawksmoor had provided and which she had relied upon in reaching her conclusion to the complaint. He said because he hadn't seen them or verified the accuracy of them, they couldn't be taken to be factual. But I haven't been given anything of significance to suggest that the information recorded in the meeting notes etc isn't a fair reflection of what was discussed and/or agreed. And the documents are contemporaneous evidence of Hawksmoor's understanding and actions at the time, so I don't think it is unfair or unreasonable for me to take them in account and rely on them in the circumstances.

Mr E's circumstances

While Mr E's circumstances are known to the parties, I'll provide some background information relevant to the complaint. At the beginning of 2016 Mr E – along with his then wife – met with Hawksmoor. Mr E was aged 57 years. The client meeting note records their circumstances, income, employment – Mr E was working four days a week and looking to reduce further – and his pension of £48,000 when added to his wife's income and other sources amounted to an annual income of £60,000 per annum.

Mr E and Mrs E's home was worth around £1m and he had part of a second property where his share was valued at £125,000. As well as cash of £85,000 there was the investment portfolio valued around £120,000 in Mr E's name. Mr E also had £180,000 of his pension in a trust fund for them both.

The Risk Questionnaire completed on the same day as the meeting confirmed Mr E had been investing for more than ten years, the household income was more than £100,000 per annum and Mr and Mrs E had two grown children. Mr E's income was to reduce but for his expected financial situation he didn't anticipate adding or withdrawing significant sums. Mr E had sufficient cash for emergencies, and a regular stream of income wasn't important. Mr E's investment experience was 'long-term' and he had previously invested in stocks and shares, had experienced several bull and bear markets, and had used advisers and managers as well as his own research.

Mr E's investment objectives and attitude to risk

On the same day as the initial meeting Mr E completed Hawksmoor's Account Application Form. That confirmed Mr E had a portfolio valued around £100,000 from which he was looking for capital growth – an income stream wasn't important – with a risk profile of Moderate/High.

The Risk Questionnaire was used to establish Mr E's capacity for loss and tolerance of risk. It included 20 questions/scenarios with multiple choice answers. Pertinent to his acceptable level risk, amongst other answers Mr E accepted short term falls were normal, would be a bit worried by a 30% fall in value of his portfolio in a bear market but wouldn't sell, but wouldn't

feel concerned about a fall in value until a 25% drop however would expect recovery in between 12 and 24 months.

The Risk Questionnaire concluded Mr E's attitude to risk was 5.8 (one being the lowest and ten being the highest) compared to Mr E's own expected outcome of 5.5.

The introduction to the Risk Questionnaire concluded with the statement;

'We need to ensure that your portfolio remains suitable for you and your investment objectives, including your attitude to risk, not just at the outset but continually in the future. In addition to the regular monitoring and adjustment of your portfolio, we will also ask you to periodically to re-confirm your investment objectives, including your attitude to risk.'

The Explaining Your Portfolio guide provided Hawksmoor's determination of risks over and above volatility. These included liquidity, timescale, transparency, diversification and creditworthiness of the counterparties. It also explained some investments were of a higher risk than an individual's risk rating and that it blended risk scores for each asset – examples were given – and arrived at an overall risk rating of a portfolio.

While Mr E had been investing for ten years and no doubt would have had some experience of investment risk The Explaining Your Portfolio guide made Mr E aware of the risks involved in investment.

'Past performance is not a guide to future performance. The value of an investment and any Income from it can fall as well as rise as a result of market and currency fluctuations. You may not get back the amount you originally invested.'

Overall, bearing in mind Mr E's circumstances and investment objectives, the risk rating and investment mandate don't seem unsuitable.

Management of the portfolio

The April 2016 Investment Report stated that Hawksmoor looked;

'for the best opportunities across all asset classes and from across the world, with a strong emphasis on value rather than benchmarks. Underlying our investment process is the philosophy that all our clients should expect to receive a net return in excess of inflation over the longer term.'

Hawksmoor's Asset Allocation committee formally reviewed its tactical asset allocations on a monthly basis and its investment style was 'typically cautious.' Hawksmoor said it constructed portfolios to the agreed objectives rather than 'notional benchmarks.' Portfolios had 'an allowable range of risk scores, determined by the weighted average of the risk of each individual holding.'

The recommended portfolio was for a Moderate-Higher Risk Profile with an investment objective of a 'Balance between Income and Growth' – with the emphasis on growth as Mr E said he didn't need an income stream. The asset allocation for such a portfolio at the time was 16% fixed interest, 38% UK equities (but could hold up to 95%), 34% overseas equities, 10% alternatives and 2% cash.

Hawksmoor told us that pre-2020 it wasn't standard practice to carry out suitability reviews – further to the initial meeting in 2016 and in-depth meeting of 2018 – and the first structured

suitability review meeting was in September 2020. But I note the DPMS Guide confirmed that Hawksmoor aimed to;

‘meet you or your Financial Adviser at least once a year to review your requirements and to ensure the portfolio is still properly reflecting your specific needs’.

However, Hawksmoor acknowledges that there was a delay here as the next suitability review was in March 2023 and while it couldn't be sure of the reason for the delay it said this may have been because of the completion of Mr E's divorce.

Further to the joint client meeting of January 2018, I've reviewed the subsequent meeting notes etc to assess whether Mr E's investment objectives or attitude to risk changed bearing in mind his circumstances and having done so don't think they establish any change.

The Client Meeting/Suitability Review of September 2020 confirmed Mr and Mrs E were divorcing which was to conclude later that year. The main residence had been sold – Mr E was renting – and Mr E had £320,000 in the bank, £50,000 in premium bonds, £320,000 in his Hawksmoor portfolio and he had invested £20,000 as a business angel. His pensions were potentially being transferred/split with his wife and he was to transfer his share of his second property to his daughter. Mr E's pension income was £56,000 per annum.

The 'soft facts' of the review confirmed Mr E's personal circumstances had changed because of the divorce, his financial profile had altered but his risk score remained at 5.8 and his ability to take risk, willingness to take risk and capacity to bear losses were unchanged. It was;

‘Agreed that risk tolerance has not changed materially from previous assessment and current risk management strategy remains suitable’ and,

‘Agreed things are working as intended and no change is necessary at this stage.’

By March 2023, Mr E was fully retired and recorded as being divorced. He still had £320,000 in his bank, £50,000 in premium bonds and £20,000 in the business angel investment. His Hawksmoor portfolio was valued at £325,000. Mr E's income was now £24,000 and he had outgoings of £18,000. Mr E's;

‘Divorce is still ongoing but should be finalised soon. Still renting but no longer doing occasional work.’

Mr E's financial profile had changed as his 'Pension income has dropped post divorce' – he now only received '43.6% of his...pension. Has gifted his share of second property...to daughter... Therefore his asset base and income has dropped.'

Mr E was still recorded as being 'Moderate-Higher' risk and while it's recorded his 'Financial position was not so strong following divorce' his willingness to take risk was unchanged. In conclusion it was again;

‘Agreed that risk tolerance has not changed materially from previous assessment and current risk management strategy remains suitable.’

But it was noted;

‘Borderline case – client is adamant did not want to reduce portfolio risk and crystallise losses from 2022 but concerned about market volatility of that year. Will keep under review.’

The Investment Strategy was 'currently delivering on client objectives and no change is necessary.' Mr E wanted to see up and coming technologies in the portfolio. While Mr E had gifted to his children for IHT purposes, at the time 'Divorce settlement is the priority.'

Mr E has said there was no update to his risk profile over the years. But looking at the notes and suitability review meetings, I can't see there was any change to his attitude to risk other than the opportunity to lower it in 2023 – which Mr E rejected. Clearly Mr E's circumstances had changed however I'm persuaded that his risk profile was discussed at meetings and it was concluded it would remain the same.

Mr E was offered the opportunity to reduce the portfolio risk but chose not to because he didn't want to crystallise the losses he had incurred in 2022. I appreciate Mr E's position as by this time the poor performance he has complained about had occurred – and his portfolio wasn't recovering – but this doesn't detract from the fact that Mr E was given the choice to reduce risk but decided against it because he didn't want to crystallise his losses. Overall, I'm satisfied this shows the risk of the portfolio was discussed and if Mr E had any concerns he could have taken some action. So, while I acknowledge Mr E's comments about a later Risk Questionnaire being completed, the evidence suggests this wouldn't have changed.

Mr E had online access to his portfolio, and I note that Hawksmoor said it 'will always at least send you the six-monthly Report & Valuation' so he was aware of his portfolio and no doubt could have contacted Hawksmoor if he wanted. I accept that between September 2020 and March 2023 Hawksmoor didn't meet with Mr E as it said it would and so there's no evidence of what Mr E may have alternatively done. But the meeting notes I have seen suggest that despite his change in circumstances Mr E's overall investment mandate didn't change. So, I'm not persuaded he suffered because of the missed meetings.

Mr E has complained that he pays Hawksmoor to manage his portfolio for growth with a risk profile of 5.8 and says that part of his contractual agreement between him and Hawksmoor is an assessment of risk and reward compatible to his agreed risk profile. He says Hawksmoor's inability to answer this shows a lack of compliance.

And Mr E wants an assessment of the risk correlation between the investments. He asked Hawksmoor for detail about how it has done this but isn't satisfied with the response he's received. I note that in Hawksmoor's response to Mr E's it identified individual stock specific issues that underperformed as well as sector performance. For the 2022 underperformance Hawksmoor said this was because of the portfolio's higher exposure to UK medium sized and smaller companies when compared to international equities. The portfolio had a bias to UK equities – and higher than Hawksmoor's recommended level (40.7% versus 25%) – but said it always remained within the acceptable tolerances.

And I note from the Telephone Meeting Note of 27 February 2024 that correlation was discussed;

'We also discussed cross-correlation of asset classes and whether Hawksmoor followed this. I pointed out that correlation is naturally backward looking and is therefore not a perfect science. I highlighted how diversification simply did not protect portfolios in 2022 as it was a broad sell-off of all asset classes.'

And that is my understanding. Cross correlation is inherently a backward-looking statistical measure based on historical prices. When using historical correlations for future portfolio decisions, the relationships between stock/assets are not static and can change significantly particularly during difficult markets when it can break down. And when different asset classes correlate they can fall in value at the same time – which is my understanding of what

happened in 2022. So, the success or otherwise of using correlation to ensure diversity in a portfolio can only be measured with the benefit of hindsight.

I don't find that Hawksmoor's responses to Mr E's complaint points to be unreasonable. While it may have not responded with more detail in the way Mr E would have liked, I'm satisfied it did provide an explanation as to the underperformance. And importantly, Hawksmoor managed Mr E's portfolio on a discretionary basis and provided a bespoke portfolio to suit Mr E's investment objectives and attitude to risk. It wasn't a model portfolio service, so despite any conclusions reached by its Asset Allocation committee – which looks like it decided, amongst other things, whether an investment was a buy, sell or a hold – the individual investment manager could still make their own decisions about a portfolio's investments and asset allocation etc.

Clearly, the investment manager's investment decisions in and around 2022 weren't successful overall. But part of the investment manager's role is to take a view on the stock markets, geographical and asset allocation and individual stock choices etc. As mentioned, Hawksmoor told us Mr E was overweight in smaller and medium capitalised UK companies which were hit in 2022 by recession fears. Whereas commodities were the best performing investments of the year where Mr E didn't have exposure to the largest sector of oil/gas which in March 2023 the new investment manager recognised as being an oversight on its part – I assume meaning the previous investment manager decided not to invest into that sector.

While I can't consider performance in and of itself, I can consider whether the portfolio was unsuitable for Mr E or whether it's been mismanaged. Provided a portfolio is invested in line with its overall objectives and disclosed risk – in this case for capital growth over the long term by investing in a range of assets – within the agreed risk profile of Moderate-Higher Risk, then it wouldn't be fair or reasonable for me to uphold the complaint on this point. This is because I haven't seen anything to suggest that the portfolio was invested outside of its stated investment objectives or risk profile.

And the fact that the risk of underperformance of the portfolio materialised against the benchmarks, does not automatically mean that the Hawksmoor did anything wrong. In the absence of any evidence that Hawksmoor mismanaged the portfolio – and the performance of the portfolio alone doesn't evidence this – I am unable to say that Hawksmoor has done anything wrong in the overall management of Mr E's investments.

While I can understand why Mr E is not happy with the performance of the portfolio during the period in question, the issue of portfolio performance is not straightforward given active management of the portfolio as in this case. This means the money is invested in specific assets or funds chosen by Mr E's investment manager. If the portfolio in a certain period performed poorly that's because the investment manager had taken certain decisions that hadn't paid off – at least in the period under review. That's disappointing, of course, but reflects the investment manager exercising his judgment – which he was supposed to do. It doesn't mean the investment manager had been negligent or failed in his duty of care. And it doesn't mean the investment manager's decisions wouldn't have paid off in different circumstances or won't pay off over the longer term. Put simply, the fact that the portfolio may have performed better if the manager had made different decisions in the period in question doesn't in and of itself mean he did anything wrong.

Hawksmoor has said that when the new investment manager took over in May 2022, he took action to remediate against the portfolio's then current bias and I can see he carried out some trades on 27 May 2022 and onwards. Mr E doesn't think the trade schedule of transactions carried out by Hawksmoor from May 2022 to January 2025 evidences active management. He says it's just a list of trades and there was no commentary about how the

trades complied with the mandate. But Hawksmoor has provided a background to how it makes its decisions and I haven't been provided with anything to show that the portfolio was invested outside of the agreed mandate so I wouldn't expect a discretionary manager to comment on each individual trade.

My role isn't to defend Hawksmoor's investment decisions but to assess whether the decisions it did make were fair and reasonable and within the portfolio mandate. It's clear that over the period complained about the investment manager's view on the stock market was wrong. But as explained above, our service doesn't consider complaints in isolation about the performance of an investment. This is because performance is dependent on the financial markets and not something that a business can control or predict over and above its own judgment and decision making.

So, based on the evidence presented to, and on balance, despite what Mr E says, I can't safely say that Hawksmoor behaved unreasonably just because his investment portfolio didn't perform as well as hoped or better when compared to the benchmarks.

Taking all the above into account, I don't uphold Mr E's complaint. I appreciate he will be disappointed with the outcome. It's clear he feels strongly about his complaint and I'd like to thank him for the effort and time he has spent in bringing it. But I hope I have been able to explain how and why I have reached my decision.

My final decision

For the reasons given, I don't uphold Mr E's complaint about Hawksmoor Investment Management Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 24 March 2026.

Catherine Langley
Ombudsman