

Fund Investment Report



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Fund information

Investment objective

The Investment objective of the Fund is to achieve long-term capital appreciation.

Investment policy

The investment objective of the Fund is to provide long-term capital appreciation by investing primarily in equity or equity related securities of small and mid-capitalisation companies domiciled in the US, or which derive a large proportion of their income from US activities. These are primarily listed or traded in the US or Canada.

Approach to ESG integration and stewardship

ESG integration and stewardship are integral to delivering sustainable returns. Through quantitative data and fundamental bottom-up research, we assess the absolute and change in ESG performance of companies. Engagement allows us to understand the effectiveness of their approach, the management of strategic issues and to exert positive influence.

Fund information

Fund inception date	26 September 2012
Fund value	USD647.36m
Benchmark	Russell 2500 Total Return Net
Lead Fund Manager	Mark Sherlock
Co-Fund Managers	Michael Russell
	Henry Biddle
	Alex Knox
Base Currency	US Dollar

Market and Performance Review

The recent Equity market rally has slowed, as fears of COVID-19 flare-ups intensified, record US unemployment numbers were posted, and businesses continued to report on challenges faced over the period. However, markets remain buoyed by central bank stimulus and hopes of a successful vaccine.

The Fund underperformed the benchmark index over the month. Underperformance was primarily driven by stock selection in the Financial Services and Health Care sectors and outweighed positive selection in Producer Durables and Technology. Sector allocation, a fall-out of the bottom up process, marginally detracted from relative returns, primarily driven by our underweight to Consumer Discretionary.

The top single contributor was Teradyne (semiconductor test equipment) which has performed well as sentiment improves in the semiconductor cycle. Cubic Corporation (transport payment systems) recovered as its Transportation Systems (CTS) division was awarded a multimillion-dollar contract to install advanced traffic management technologies for a city in Mexico. Brunswick (recreational marine products) has continued to rise with the reopening of marinas and expectations of rising participation in outdoor activities such as boating.

Reinsurance Group of America (Life reinsurance) was the largest single detractor due to prevailing concerns over mortality exposure and after an equity offering to shore up the balance sheet. ICU Medical (infusion therapy equipment) outperformed during the March sell off and the IV consumables business posted accelerated growth in May. The underperformance in June reflects a sell on the news reaction. Bio-Rad Laboratories (life science research and diagnostics) pulled back after a period of strong performance due to concerns surrounding declining margins.

Activity

Since late March, equity market performance has largely been driven by enhanced risk appetite supported by central bank liquidity and a continuation of behaviour where momentum and growth outperform. As a reminder, the Fund has a long-term holding period and turnover is typically low. We look for entry points into high-quality companies bought below our assessment of their intrinsic value.

June was a quieter month for trading. We have been finding the most upside in the value end of the market and added to our holdings in aerospace, homebuilding and financials through April and May. We believe the Fund is attractively positioned and valuation levels should help mitigate downside risk whilst providing attractive upside potential.

Over the previous quarter, we have been using the market volatility to trim positions in fully valued stocks and to reinvest into high-quality stocks that sold off amid the indiscriminate selling.

Outlook

The challenge for the US government remains to balance the risks of a second wave as the lockdown is reversed, with the negative financial impact. The measures taken, most notably the substantial stimulus package which could rise to be in excess of \$4tn, are targeting the areas of the economy which are most affected by this sharp downturn; consumers and small businesses. This has also mitigated stress in the credit markets to some extent. We believe the Fund is well positioned for both a rotation into cyclicals and continued outperformance of higher-quality growth companies.

Fund breakdown

Top 10 relative Fund positions

	Sector	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Abiomed	Health Care	3.00	-	3.00
Wintrust Financial	Financial Services	2.58	0.06	2.52
Silicon Laboratories	Technology	2.53	0.10	2.43
Brunswick	Producer Durables	2.40	0.12	2.28
Cubic	Producer Durables	2.31	0.04	2.27
PTC	Technology	2.46	0.20	2.26
A O Smith	Producer Durables	2.24	-	2.24
Teradyne	Technology	2.57	0.34	2.24
Brooks Automation	Technology	2.23	0.08	2.16
Fortune Brands Home & Security	Consumer Discretionary	2.35	0.21	2.14

Top 10 absolute Fund positions

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Abiomed	Health Care	3.00	-	3.00
Wintrust Financial	Financial Services	2.58	0.06	2.52
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Fortune Brands Home & Security	Consumer Discretionary	2.35	0.21	2.14
Cubic	Producer Durables	2.31	0.04	2.27
A O Smith	Producer Durables	2.24	-	2.24
Brooks Automation	Technology	2.23	0.08	2.16

Performance attribution - 1 month

Top 10 contributors to relative return

Holding	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Teradyne	2.57	0.34	26.00	0.41
Cubic	2.31	0.04	16.48	0.26
Brunswick	2.40	0.12	16.29	0.26
Brooks Automation	2.23	0.08	10.81	0.16
Woodward	1.81	0.10	12.98	0.15
WEX	2.11	0.17	11.38	0.15
Abiomed	3.00	-	7.86	0.14
Power Integrations	2.18	0.08	9.01	0.12
Fairfax Financial	1.40	-	11.22	0.10
ServiceMaster	2.15	0.11	8.48	0.10

Top 10 detractors to relative return

Holding	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Reinsurance Group of America	1.75	0.13	-13.78	-0.32
ICU Medical	1.83	0.09	-7.65	-0.20
Bio-Rad Laboratories	1.73	-	-8.09	-0.18
Steris Healthcare	1.91	-	-7.25	-0.18
LivaNova	1.19	0.06	-9.97	-0.16
Wabtec	1.64	-	-5.79	-0.15
Docusign	-	-	-	-0.15
Sterling Bancorp	1.68	0.05	-4.76	-0.13
LKQ	1.64	-	-4.62	-0.13
The Cooper Companies	0.82	-	-10.51	-0.12

Top 10 absolute returns

Holding	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Teradyne	2.57	0.34	26.00	0.41
Cubic	2.31	0.04	16.48	0.26
Brunswick	2.40	0.12	16.29	0.26
Woodward	1.81	0.10	12.98	0.15
WEX	2.11	0.17	11.38	0.15
Fairfax Financial	1.40	-	11.22	0.10
Brooks Automation	2.23	0.08	10.81	0.16
Columbia Sportswear	1.54	0.06	10.23	0.10
Power Integrations	2.18	0.08	9.01	0.12
ServiceMaster	2.15	0.11	8.48	0.10

Bottom 10 absolute returns

Holding	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Reinsurance Group of America	1.75	0.13	-13.78	-0.32
The Cooper Companies	0.82	-	-10.51	-0.12
LivaNova	1.19	0.06	-9.97	-0.16
Bio-Rad Laboratories	1.73	-	-8.09	-0.18
ICU Medical	1.83	0.09	-7.65	-0.20
Steris Healthcare	1.91	-	-7.25	-0.18
Wabtec	1.64	-	-5.79	-0.15
Sterling Bancorp	1.68	0.05	-4.76	-0.13
Alleghany	1.42	0.16	-4.73	-0.10
LKQ	1.64	-	-4.62	-0.13

Performance attribution - 1 month

Sector level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Producer Durables	15.55	13.20	2.35	4.02	0.02	-0.02	0.59	0.59
Technology	16.45	15.15	1.30	3.14	-	0.01	0.46	0.47
Utilities	3.71	3.72	-0.01	3.78	-	0.02	0.14	0.16
Materials & Processing	11.16	7.68	3.48	0.66	-	-0.02	0.07	0.06
Energy	-	2.98	-2.98	-	-	0.02	-	0.02
Consumer Staples	2.82	3.15	-0.34	-1.74	0.01	0.00	-0.06	-0.05
Consumer Discretionary	9.21	14.03	-4.82	-0.05	-	-0.05	-0.01	-0.06
Health Care	14.90	15.78	-0.88	-4.17	-	0.00	-0.65	-0.65
Financial Services	23.93	24.31	-0.39	-2.74	0.02	0.00	-0.70	-0.68
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.28	-	2.28	-	-0.02	-0.05	-	-0.08

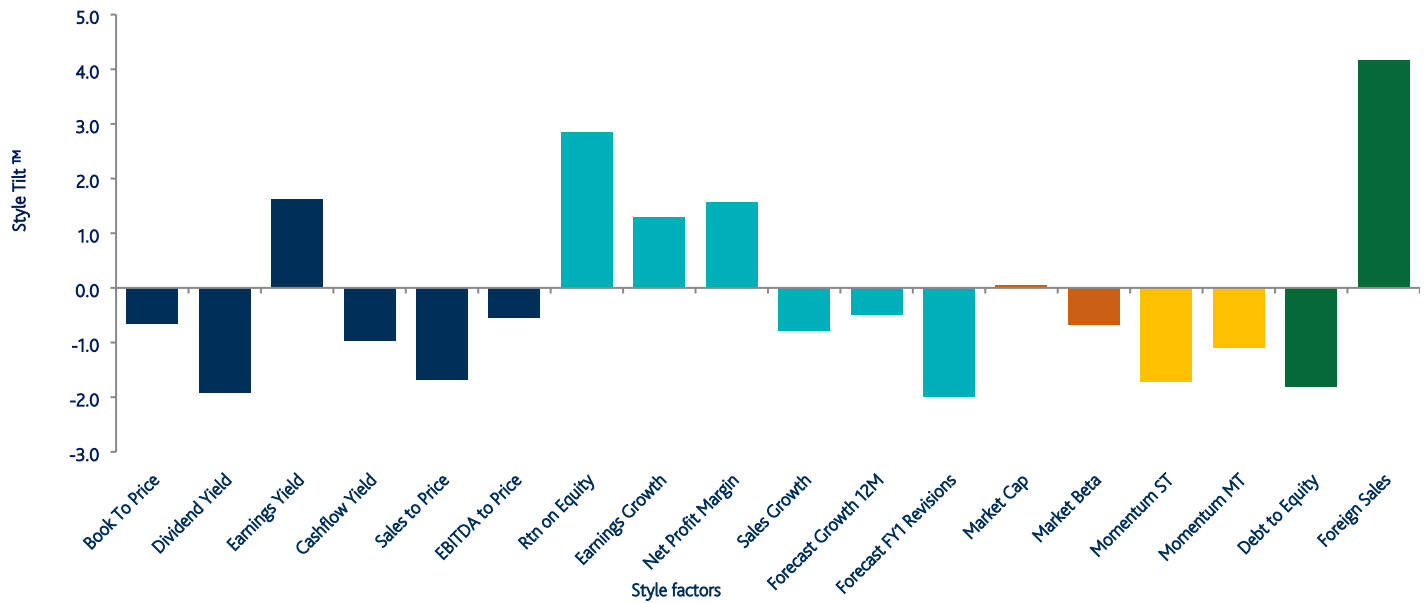
Market capitalisation

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
0 - 1B	-	9.75	-9.75	-	-	0.04	-	0.04
1 - 2B	2.31	13.70	-11.39	13.96	-	0.09	0.29	0.38
2 - 5B	38.43	36.07	2.37	0.38	0.01	-0.08	0.13	0.06
5 - 10B	28.77	32.45	-3.68	-0.33	0.02	-0.01	-0.06	-0.04
10B+	28.21	7.96	20.25	-1.78	0.01	-0.06	-0.50	-0.55
Unclassified	-	0.07	-0.07	-	-	0.00	-	0.00
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.28	-	2.28	-	-0.02	-0.05	-	-0.08

Fund characteristics

Top 10 concentration (%)*	Active share (%)**	Dividend yield (%)***	Market cap (millions)***	Earnings yield (%)***
24.67	94.84	1.21	7,220.08	6.69

Fund Style Skyline™



Source: *Northern Trust. ** Barra. ***Style Research, Market Cap is the Portfolio Weighted Average.

Risk analysis

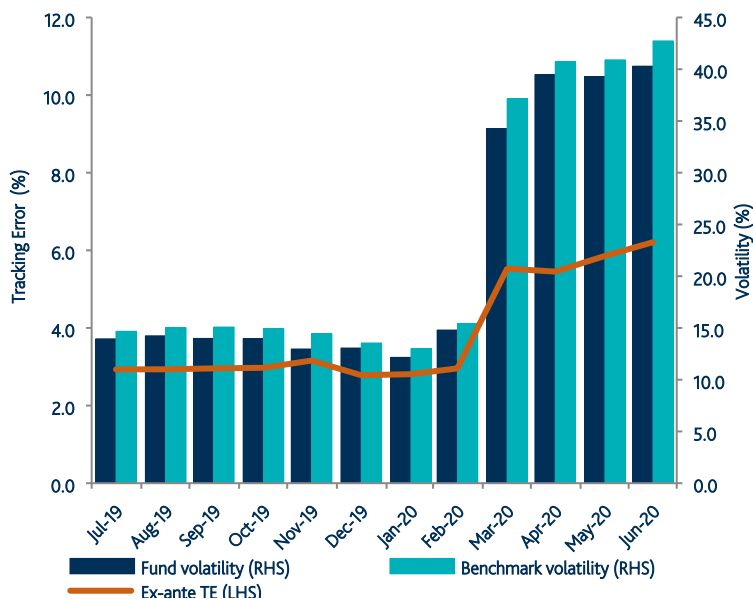
Top 10 contributors to risk (ex-ante)

	Country of incorporation	Tracking error (%)
Abiomed	United States	7.88
Power Integrations	United States	3.83
Silicon Laboratories	United States	3.57
Brooks Automation	United States	3.54
A O Smith	United States	3.47
Teradyne	United States	3.41
ICU Medical	United States	3.31
AMN Healthcare Services	United States	3.26
Steris Healthcare	United States	3.18
PTC	United States	2.97

Risk attribution

	Tracking error (%)	Fund beta	Fund volatility (%)	Benchmark volatility (%)	Information ratio	Sharpe ratio
Ex-ante	6.21	0.93	40.29	42.73	-	-
Ex-post	4.13	0.92	20.66	22.08	-0.17	0.05

Tracking error (TE) and volatility history (ex-ante)



Fund statistics

Number of stocks (Fund)	56
Number of stocks (Benchmark)	2500
Upside market capture ratio	93.98
Downside market capture ratio	96.20

Contact us

If you have any general questions concerning your investment, or specifically related to the content of this Fund investment report, please let us know using the contact details below.

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