

# Fund Investment Report



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## Fund information

### Investment objective

The Investment objective of the Fund is to generate long-term capital growth alongside achieving positive societal impact aligned to the United Nations Sustainable Development Goals (SDG).

### Investment policy

The Fund will predominantly invest in shares of small and medium sized companies across global equity markets.

### 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	29 December 2017
Fund value	USD733.51m
Benchmark	MSCI All Country World SMID Cap Index
Lead Fund Manager	Hamish Galpin
Base currency	US Dollar

## Market and Performance Review

The MSCI All Country World SMID Cap Index benchmark returned 2.96% in June. The Fund outperformed the benchmark index return in the month. Stock selection was supportive of relative returns, particularly in Industrials and Real Estate, whereas sector allocation slightly detracted.

Open House's shares continued to rise in June after reporting strong H1 2020 numbers in May with a statement that business had somewhat returned to normal. Brunswick Corp's shares continued their recovery; their marine engine business signed a strategic partnership to be supplier of choice for BRP at the end of May which led to several broker target price upgrades in June. Boating shares also benefited from the market outlook for increased demand given more "staycations" this year. Aalberts shares showed signs of recovery in June following their interim update; with revenues falling less than expectations and some assurance that the order book had recovered well to the end of May.

The Cooper Companies manufacture and market healthcare products, specialising in eye care. Their shares fell after releasing quarterly earnings which missed expectations and alongside other Health Care stocks with concerns about the stall of non-Covid-19 related hospital treatment. Steris Healthcare, having performed strongly in May, went ex-dividend in June and gave back some of the prior month gains on limited news. Relo Group's shares fell with fears that their outsourced relocation and hospitality services were vulnerable to weakness caused by Covid-19.

## Activity

No new holdings were added, but we sold out of a small position in Snap-On in June. Engagement progress had been slow due to a lack of management interest and we believe Techtronic Industries, who are in the same sector, are a better business to hold. We also sold down our position in Movida Participacoes after the stock recovered from its mid-March lows. We believe the Brazilian car hire company may be structurally impaired for the foreseeable period as Emerging Markets countries may struggle more with the coronavirus crisis, and as the company has relatively high debt levels.

## Outlook

We will continue to keep close watch on stocks in the Fund that have a higher risk profile in the current economic environment. It is clear that large parts of the market have been sold down heavily on fears of the impact of COVID-19. Even with a recent recovery, this should still generate some attractive buying opportunities into well positioned businesses for investors such as ourselves with long term horizons. Furthermore, a return, finally, to more normal levels of volatility once the current situation has settled down is very favourable to active managers and their prospects for beating their benchmarks. Smaller companies' indices are largely below their long-term trends, which is not necessarily the case for Large Caps, and so bodes well for the asset class.

## Fund breakdown

### Top 10 relative Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Techtronic Industries	Hong Kong	3.55	0.10	3.46
Yaoko	Japan	3.36	0.01	3.35
West Pharmaceutical Services	United States	3.42	0.12	3.30
RPM International	United States	3.33	0.07	3.26
Brunswick	United States	3.26	0.04	3.23
AptarGroup	United States	3.11	0.05	3.06
Steris Healthcare	United States	3.15	0.10	3.05
IMCD	Netherlands	3.07	0.04	3.03
Huhtamaki	Finland	2.86	0.03	2.84
Fortune Brands Home & Security	United States	2.86	0.07	2.79

### Top 10 absolute Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Techtronic Industries	Hong Kong	3.55	0.10	3.46
West Pharmaceutical Services	United States	3.42	0.12	3.30
Yaoko	Japan	3.36	0.01	3.35
RPM International	United States	3.33	0.07	3.26
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Steris Healthcare	United States	3.15	0.10	3.05
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Huhtamaki	Finland	2.86	0.03	2.84
Fortune Brands Home & Security	United States	2.86	0.07	2.79

Performance attribution - 1 month

Top 10 contributors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Open House	Japan	2.63	0.01	23.49	0.44
Brunswick	United States	3.26	0.04	16.26	0.38
Aalberts	Netherlands	2.17	0.02	22.27	0.34
Techtronic Industries	Hong Kong	3.55	0.10	13.40	0.33
Nissan Chemical	Japan	2.62	0.05	15.73	0.29
Burckhardt Compression	Switzerland	1.87	0.01	19.19	0.26
Retail Opportunity Investments	United States	1.68	0.01	20.50	0.25
WEX	United States	2.53	0.05	11.36	0.19
Yaoko	Japan	3.36	0.01	8.97	0.19
Woodward	United States	1.82	0.03	12.92	0.16

Top 10 detractors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
The Cooper Companies	United States	2.63	0.10	-10.54	-0.38
Steris Healthcare	United States	3.15	0.10	-7.33	-0.34
Relo Group	Japan	1.25	0.02	-17.54	-0.31
Reinsurance Group of America	United States	1.38	0.04	-13.67	-0.26
Cineworld	United Kingdom	0.43	0.01	-28.31	-0.19
Alliant Energy	United States	2.79	0.09	-3.11	-0.17
Huhtamaki	Finland	2.86	0.03	-2.61	-0.16
Shenzhen International	China	1.85	0.01	-4.71	-0.15
John Wiley & Sons	United States	1.79	0.01	-3.02	-0.11
Nifco	Japan	1.82	0.01	-2.64	-0.11

Top 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Open House	Japan	2.63	0.01	23.49	0.44
Aalberts	Netherlands	2.17	0.02	22.27	0.34
Retail Opportunity Investments	United States	1.68	0.01	20.50	0.25
Burckhardt Compression	Switzerland	1.87	0.01	19.19	0.26
Brunswick	United States	3.26	0.04	16.26	0.38
Nissan Chemical	Japan	2.62	0.05	15.73	0.29
Movida Participacoes	Brazil	0.01	0.00	14.88	0.09
Techtronic Industries	Hong Kong	3.55	0.10	13.40	0.33
LandMark Optoelectronics	Taiwan	1.40	0.01	12.99	0.12
Woodward	United States	1.82	0.03	12.92	0.16

Bottom 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Cineworld	United Kingdom	0.43	0.01	-28.31	-0.19
Relo Group	Japan	1.25	0.02	-17.54	-0.31
Reinsurance Group of America	United States	1.38	0.04	-13.67	-0.26
The Cooper Companies	United States	2.63	0.10	-10.54	-0.38
SSP Group	United Kingdom	0.83	0.01	-8.08	-0.10
Steris Healthcare	United States	3.15	0.10	-7.33	-0.34
Shenzhen International	China	1.85	0.01	-4.71	-0.15
Alliant Energy	United States	2.79	0.09	-3.11	-0.17
Credicorp	Peru	1.25	-	-3.05	-0.08
John Wiley & Sons	United States	1.79	0.01	-3.02	-0.11

Performance attribution - 1 month

Sector level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Industrials	27.07	16.41	10.66	4.20	0.04	-0.04	1.11	1.12
Real Estate	9.82	8.62	1.20	5.40	0.00	-0.02	0.51	0.49
Consumer Staples	4.99	4.71	0.29	5.47	-0.01	0.00	0.27	0.26
Consumer Discretionary	9.35	11.45	-2.09	1.88	0.00	-0.01	0.16	0.15
Information Technology	9.96	16.12	-6.16	1.57	-0.01	-0.10	0.15	0.05
Energy	-	2.64	-2.64	-	-0.01	0.03	-	0.03
Materials	13.66	8.28	5.38	-0.43	-0.05	0.01	0.00	-0.04
Utilities	2.79	3.99	-1.20	-3.32	-0.02	0.03	-0.08	-0.07
Communication Services	2.22	4.61	-2.38	-12.03	-0.01	0.00	-0.30	-0.31
Financials	6.32	12.12	-5.81	-6.02	-0.07	-0.03	-0.33	-0.42
Health Care	11.72	11.05	0.67	-4.72	-0.04	-0.02	-0.53	-0.59
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.09	-	2.09	-	-0.03	-0.06	-	-0.09

Regional level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Japan	13.76	10.75	3.00	7.40	-0.01	-0.09	0.97	0.87
Pacific Free ex Japan	5.93	4.90	1.03	5.29	-0.10	0.00	0.42	0.32
Europe and Middle East	19.53	20.78	-1.25	0.52	0.01	0.01	0.09	0.10
EM Latin America	1.26	1.41	-0.16	-7.84	0.02	0.02	-0.09	-0.04
EM EMEA	-	1.94	-1.94	-	0.00	-0.07	-	-0.07
North America	53.34	52.87	0.47	-0.31	-0.05	0.00	-0.11	-0.16
EM Asia	4.10	7.34	-3.24	-5.10	-0.05	-0.11	-0.21	-0.36
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.09	-	2.09	-	-0.03	-0.06	-	-0.09

Country level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Japan	13.76	10.75	3.00	7.40	-0.01	-0.09	0.97	0.87
Switzerland	1.87	1.78	0.09	16.78	0.00	0.00	0.27	0.27
Hong Kong	3.55	0.90	2.65	2.38	-0.01	0.19	0.09	0.27
Netherlands	5.24	0.76	4.47	1.19	0.03	0.14	0.06	0.22
Singapore	2.38	0.72	1.66	5.84	0.01	-0.03	0.13	0.11
Sweden	1.64	2.06	-0.42	3.99	0.00	0.00	0.06	0.06
Brazil	0.01	0.88	-0.87	6.06	0.05	-0.03	0.03	0.04
Taiwan	2.25	1.98	0.27	1.35	0.00	0.01	0.03	0.04
Israel	-	0.67	-0.67	-	0.00	0.04	-	0.04
Belgium	-	0.64	-0.64	-	0.00	0.02	-	0.02
Ireland	1.64	0.20	1.44	-0.28	0.01	0.01	-0.01	0.01
Norway	-	0.56	-0.56	-	0.00	0.01	-	0.01
Thailand	-	0.39	-0.39	-	-0.01	0.01	-	0.00
Austria	-	0.29	-0.29	-	0.00	0.01	-	0.00
Denmark	-	1.00	-1.00	-	-0.01	0.01	-	0.00
Portugal	-	0.12	-0.12	-	0.00	0.00	-	0.00
Hungary	-	0.03	-0.03	-	0.00	0.00	-	0.00
Pakistan	-	0.03	-0.03	-	0.00	0.00	-	0.00
Greece	-	0.09	-0.09	-	0.00	0.00	-	0.00
Czech Republic	-	0.02	-0.02	-	0.00	0.00	-	0.00
Qatar	-	0.12	-0.12	-	0.00	0.00	-	0.00
Colombia	-	0.02	-0.02	-	0.00	0.00	-	0.00
Egypt	-	0.03	-0.03	-	0.00	0.00	-	0.00
Mexico	-	0.31	-0.31	-	0.01	-0.02	-	0.00
United Arab Emirates	-	0.07	-0.07	-	0.00	0.00	-	0.00
Malaysia	-	0.40	-0.40	-	0.00	0.00	-	0.00
Argentina	-	0.09	-0.09	-	0.00	0.00	-	0.00
Russia	-	0.26	-0.26	-	0.00	-0.01	-	0.00
Chile	-	0.10	-0.10	-	0.00	-0.01	-	0.00
Poland	-	0.20	-0.20	-	0.00	0.00	-	-0.01
Saudi Arabia	-	0.32	-0.32	-	0.00	-0.01	-	-0.01
Indonesia	-	0.19	-0.19	-	0.00	-0.01	-	-0.01
Korea	-	1.44	-1.44	-	-0.04	0.03	-	-0.01
Turkey	-	0.17	-0.17	-	0.00	-0.01	-	-0.01
Philippines	-	0.11	-0.11	-	0.00	-0.01	-	-0.01
New Zealand	-	0.37	-0.37	-	-0.01	0.00	-	-0.01
Germany	-	2.42	-2.42	-	-0.01	-0.01	-	-0.02
Canada	-	2.92	-2.92	-	-0.03	-0.01	-	-0.04
South Africa	-	0.64	-0.64	-	-0.01	-0.03	-	-0.04
Spain	1.22	0.53	0.69	-4.04	0.00	0.00	-0.05	-0.04
Australia	-	2.92	-2.92	-	-0.09	0.04	-	-0.05
India	-	0.92	-0.92	-	0.00	-0.06	-	-0.06
Italy	1.25	1.14	0.11	-4.05	0.00	0.00	-0.07	-0.07
France	-	2.55	-2.55	-	-0.01	-0.06	-	-0.08
Peru	1.25	0.01	1.24	-16.73	-0.05	0.20	-0.23	-0.08
United States	53.34	49.95	3.39	-0.23	-0.01	0.00	-0.11	-0.12
Finland	2.86	0.54	2.32	-2.18	0.01	-0.10	-0.06	-0.15
United Kingdom	3.81	5.53	-1.72	-5.18	0.01	0.03	-0.21	-0.17
China	1.85	1.87	-0.02	-15.83	0.01	0.03	-0.37	-0.33
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.09	-	2.09	-	-0.03	-0.06	-	-0.09

Market capitalisation

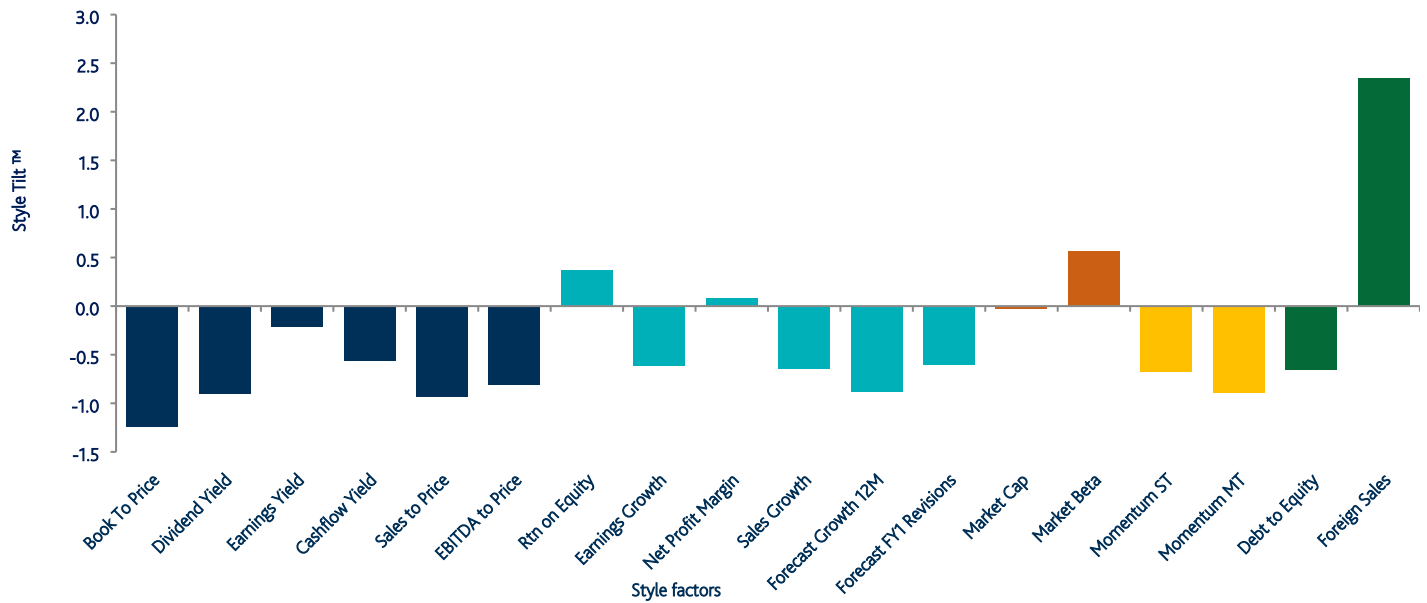
	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
0 - 2.5B	18.54	24.84	-6.31	1.12	-0.01	0.04	0.25	0.28
2.5 - 5B	38.59	21.55	17.05	2.86	-0.04	0.03	1.13	1.11
5 - 10B	23.99	25.95	-1.96	0.11	-0.06	0.00	0.15	0.08
10B+	16.80	27.64	-10.85	-4.25	-0.06	-0.09	-0.67	-0.81
Unclassified	-	0.02	-0.02	-	0.00	0.00	-	0.00
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash & Synthetic Cash	2.09	-	2.09	-	-0.03	-0.06	-	-0.09



Fund characteristics

Top 10 concentration (%)*	Active share (%)**	Dividend yield (%)***	Market cap (millions)***	Earnings yield (%)***
31.97	98.52	1.82	5,996.96	6.36

Fund Style Skyline™



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

## Risk analysis

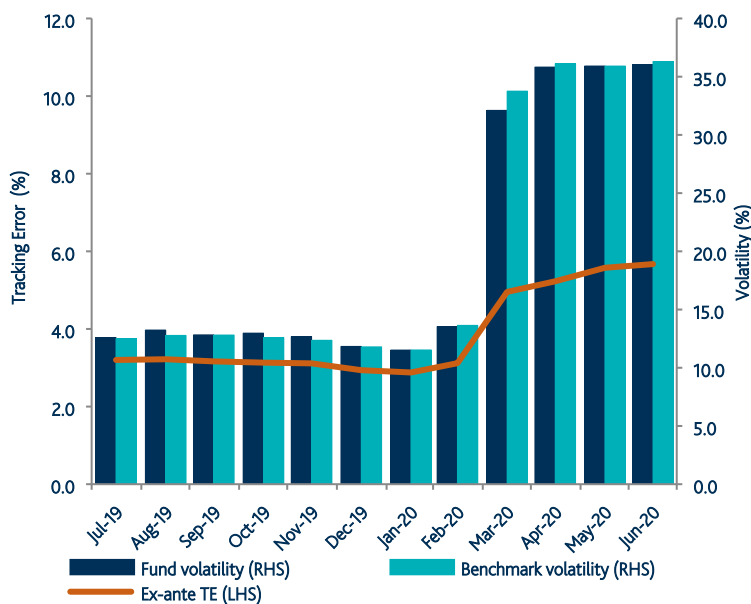
### Top 10 contributors to risk (ex-ante)

	Country of incorporation	Tracking error (%)
Brunswick	United States	6.31
Nissan Chemical	Japan	5.21
Open House	Japan	4.49
AMN Healthcare Services	United States	4.33
Fortune Brands Home & Security	United States	4.07
Techtronic Industries	Hong Kong	3.82
Simpson Manufacturing	United States	3.27
Huhtamaki	Finland	3.16
Yaoko	Japan	3.07
RPM International	United States	3.04

## Risk attribution

	Tracking error (%)	Fund beta	Fund volatility (%)	Benchmark volatility (%)	Information ratio	Sharpe ratio
Ex-ante	5.67	0.98	36.05	36.30	-	-

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



## Fund statistics

Number of stocks (Fund)	48
Number of stocks (Benchmark)	7337

## 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.

Hermes Client Services [ClientServices@hermes-investment.com](mailto:ClientServices@hermes-investment.com)

Hermes Marketing [Marketing@hermes-investment.com](mailto:Marketing@hermes-investment.com)

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