

# 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 Fund will seek to achieve its objective by investing primarily in a diversified portfolio of equity securities and/or equity-related securities of, or relating to, companies in, or companies that derive a large proportion of their revenues from, the developed and emerging European market region (including Russia and Turkey). These companies will be listed and/or traded on a Regulated Market worldwide.

### 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	15 January 2010
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Fund value	EUR138.01m
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Benchmark	MSCI Europe Net
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Lead Fund Manager	James Rutherford
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Co-Fund Manager	Martin Todd
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Base currency	Euro
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## Market and Performance Review

The MSCI Europe Index returned 2.94% in Euro terms in August as market breadth increased and investors rotated towards cyclicals. The Fund outperformed the benchmark index with both sector allocation and stock selection contributing to the excess return, with notable contributions from our underweight positions in Consumer Staples and Utilities, overweight positions in Consumer Discretionary and Information Technology and selection in Financials and Industrials. These outweighed the detraction from both our overweight position and selection in Health Care.

Siemens Gamesa, Aena and Pandora were the largest individual contributors. Siemens Gamesa was boosted by positive structural tailwinds for the renewable energy sector and a positive read-across following Vestas Wind Systems' earnings update, which highlighted that there had been no significant project delays. Meanwhile, both Aena and Pandora benefited from the rotation towards cyclical value.

Fresenius, ConvaTec and Grifols detracted the most. Although Fresenius reported decent Q2 results, it declined in response to weak performance in the Health Care sector and concerns about continued challenges relating to Kabi, its intravenous medicine business, which saw revenues disappoint due to fewer surgical procedures. ConvaTec reported solid earnings that were driven by better-than-expected margins but was also impacted by the weaker Health Care sector. Grifols was affected by a decline in blood plasma donations during the pandemic.

## Activity

We took the decision to close our position in Grifols due to concerns that new therapies for Antitrypsin Deficiency and Myasthenia Gravis could significantly impact its earnings over the long-term.

## Outlook

While the world waits for a coronavirus vaccine, there has been encouraging news about the development of less intrusive tests that have a much quicker turnaround time. This triggered the recent rotation towards the cyclical value companies that were most affected by the pandemic. However, if these tests are to have a transformative effect, they will need to be deployed successfully. As we are still some way off this point, we believe the rotation does not represent a sea-change in investor risk appetite. Instead, we see it as a healthy correction that removes some of the froth surrounding the companies that have benefited the most over the past few months.

## Fund breakdown

### Top 10 relative Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Deutsche Boerse	Germany	4.65	-	4.65
Adidas	Germany	4.81	0.66	4.15
ASML	Netherlands	5.82	1.82	4.00
Siemens Gamesa	Spain	3.96	0.07	3.89
Lonza Group	Switzerland	4.33	0.53	3.80
Wolters Kluwer	Netherlands	3.75	0.25	3.50
Sika	Switzerland	3.62	0.39	3.23
Merck	Germany	3.37	0.20	3.17
Edenred	France	2.99	0.14	2.84
Novo Nordisk	Denmark	4.17	1.33	2.84

### Top 10 absolute Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
ASML	Netherlands	5.82	1.82	4.00
Adidas	Germany	4.81	0.66	4.15
Deutsche Boerse	Germany	4.65	-	4.65
SAP	Germany	4.55	1.96	2.60
Lonza Group	Switzerland	4.33	0.53	3.80
Novo Nordisk	Denmark	4.17	1.33	2.84
Siemens Gamesa	Spain	3.96	0.07	3.89
Wolters Kluwer	Netherlands	3.75	0.25	3.50
Sika	Switzerland	3.62	0.39	3.23
Bayer	Germany	3.57	0.74	2.83

Performance attribution - 1 month

Top 10 contributors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Siemens Gamesa	Spain	3.96	0.07	12.88	0.38
Aena	Spain	2.90	0.11	13.41	0.26
Pandora	Denmark	2.65	0.08	13.93	0.25
Valeo	France	1.90	0.08	17.75	0.23
Adidas	Germany	4.81	0.66	8.83	0.23
Prudential	United Kingdom	2.96	0.48	11.83	0.20
Amadeus IT	Spain	2.79	0.27	10.74	0.18
ING Groep	Netherlands	2.04	0.36	15.31	0.15
Sika	Switzerland	3.62	0.39	7.89	0.15
Diageo	United Kingdom	-	0.89	-	0.11

Top 10 detractors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Fresenius	Germany	2.57	0.22	-6.53	-0.24
ConvaTec	United Kingdom	2.81	-	-4.99	-0.24
Grifols	Spain	0.34	-	-15.50	-0.21
Lonza Group	Switzerland	4.33	0.53	-1.57	-0.18
Bayer	Germany	3.57	0.74	-1.26	-0.12
Novo Nordisk	Denmark	4.17	1.33	-0.31	-0.10
Nokia	Finland	3.14	0.31	0.31	-0.08
Reckitt Benckiser	United Kingdom	2.57	0.81	-0.74	-0.07
LVMH Moët Hennessy Louis Vuitton	France	-	1.48	-	-0.06
Deutsche Post	Germany	-	0.51	-	-0.05

Top 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Valeo	France	1.90	0.08	17.75	0.23
ING Groep	Netherlands	2.04	0.36	15.31	0.15
Pandora	Denmark	2.65	0.08	13.93	0.25
Aena	Spain	2.90	0.11	13.41	0.26
Siemens Gamesa	Spain	3.96	0.07	12.88	0.38
Prudential	United Kingdom	2.96	0.48	11.83	0.20
Amadeus IT	Spain	2.79	0.27	10.74	0.18
Soitec	France	1.60	-	10.54	0.11
Equinor	Norway	1.59	0.19	9.67	0.09
Adidas	Germany	4.81	0.66	8.83	0.23

Bottom 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Grifols	Spain	0.34	-	-15.50	-0.21
Fresenius	Germany	2.57	0.22	-6.53	-0.24
ConvaTec	United Kingdom	2.81	-	-4.99	-0.24
Lonza Group	Switzerland	4.33	0.53	-1.57	-0.18
Bayer	Germany	3.57	0.74	-1.26	-0.12
Reckitt Benckiser	United Kingdom	2.57	0.81	-0.74	-0.07
Novo Nordisk	Denmark	4.17	1.33	-0.31	-0.10
Nokia	Finland	3.14	0.31	0.31	-0.08
Deutsche Boerse	Germany	4.65	-	2.43	-0.03
Edenred	France	2.99	0.14	2.70	-0.01

Performance attribution - 1 month

Sector level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Consumer Staples	2.57	14.48	-11.91	-0.25	0.01	0.41	-0.02	0.40
Consumer Discretionary	16.10	10.27	5.83	0.34	-0.01	0.29	0.06	0.34
Industrials	17.37	14.11	3.26	1.12	-0.02	0.14	0.21	0.33
Financials	13.67	15.02	-1.35	2.42	0.06	-0.01	0.26	0.31
Information Technology	20.89	7.74	13.15	0.54	-0.03	0.16	0.12	0.25
Utilities	-	4.96	-4.96	-	0.00	0.22	-	0.22
Energy	3.59	4.31	-0.71	4.07	0.04	0.00	0.11	0.15
Materials	3.62	7.93	-4.31	3.55	-0.02	-0.05	0.14	0.07
Communication Services	-	4.05	-4.05	-	-0.01	0.04	-	0.03
Real Estate	-	1.42	-1.42	-	0.00	0.00	-	0.00
Health Care	21.15	15.71	5.44	-1.31	-0.01	-0.24	-0.30	-0.55
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	1.04	-	1.04	-	0.00	0.12	-	0.12

Country level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Spain	12.93	3.68	9.25	7.76	-0.02	-0.22	1.03	0.79
France	13.83	17.39	-3.56	3.25	0.01	-0.03	0.43	0.40
Netherlands	11.61	6.85	4.75	4.02	-0.01	-0.05	0.45	0.39
Switzerland	7.94	16.34	-8.39	1.13	0.03	0.10	0.09	0.22
Denmark	6.82	3.95	2.86	1.63	0.00	0.01	0.11	0.11
Norway	3.61	0.91	2.70	0.53	0.09	0.00	0.02	0.11
United Kingdom	11.55	21.80	-10.24	0.21	-0.06	0.12	0.02	0.08
Belgium	-	1.47	-1.47	-	0.00	0.03	-	0.04
Italy	-	3.68	-3.68	-	0.01	0.01	-	0.02
Portugal	-	0.27	-0.27	-	0.00	0.01	-	0.01
Austria	-	0.26	-0.26	-	0.00	0.00	-	0.00
Sweden	4.01	5.24	-1.22	0.04	0.00	-0.01	0.00	-0.01
Ireland	-	1.10	-1.10	-	0.00	-0.03	-	-0.02
Finland	3.14	1.70	1.44	-6.40	0.00	0.07	-0.21	-0.15
Germany	23.52	15.36	8.17	-2.54	-0.02	0.20	-0.61	-0.43
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	1.04	-	1.04	-	0.00	0.12	-	0.12

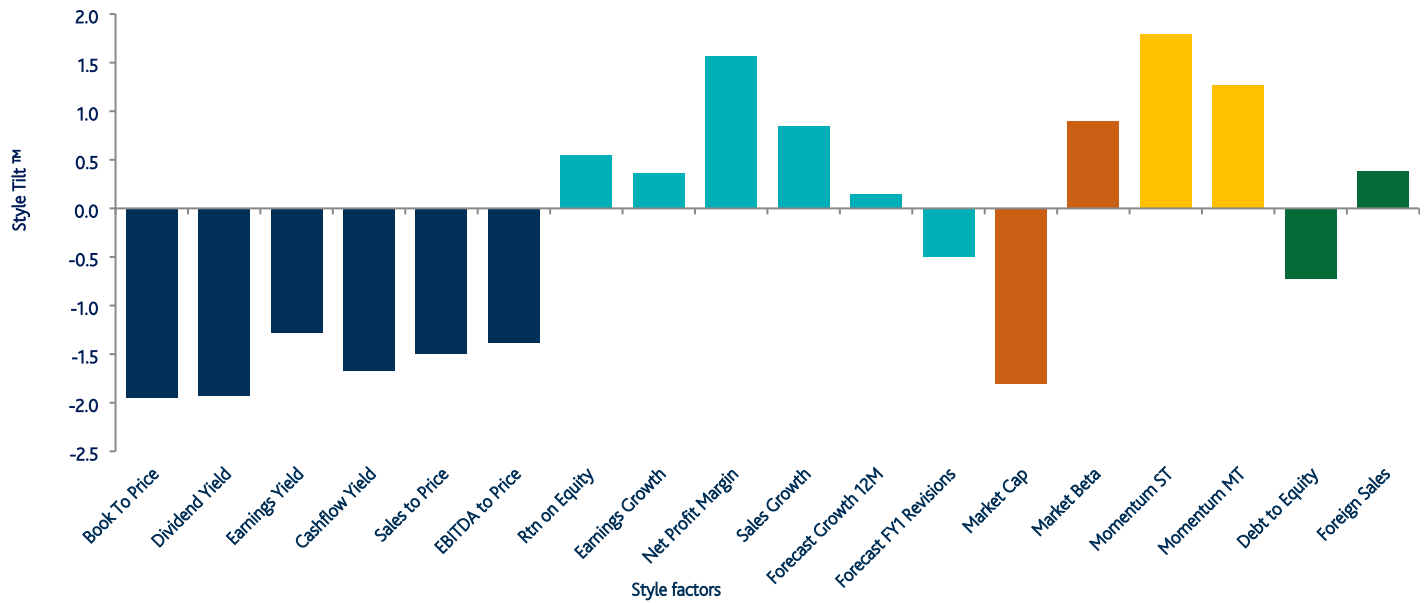
Market capitalisation

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
0 - 2B	-	-	-	-	-	-	-	-
2B - 5B	4.75	1.63	3.11	-6.64	0.01	0.01	-0.37	-0.35
5B - 10B	10.36	11.09	-0.73	3.56	-0.02	-0.02	0.38	0.33
10B - 25B	34.59	24.06	10.53	1.48	0.00	0.13	0.52	0.65
25B - 50B	23.27	23.41	-0.14	1.58	0.04	-0.01	0.33	0.36
50B +	26.00	39.80	-13.80	1.14	-0.02	0.24	0.32	0.54
Unclassified	-	-	-	-	-	-	-	-
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	1.04	-	1.04	-	0.00	0.12	-	0.12

Fund characteristics

Top 10 concentration (%)*	Active share (%)**	Dividend yield (%)***	Market cap (millions)***	Earnings yield (%)***
43.23	86.15	2.07	43,873.32	6.95

Fund Style Skyline™



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

## Risk analysis

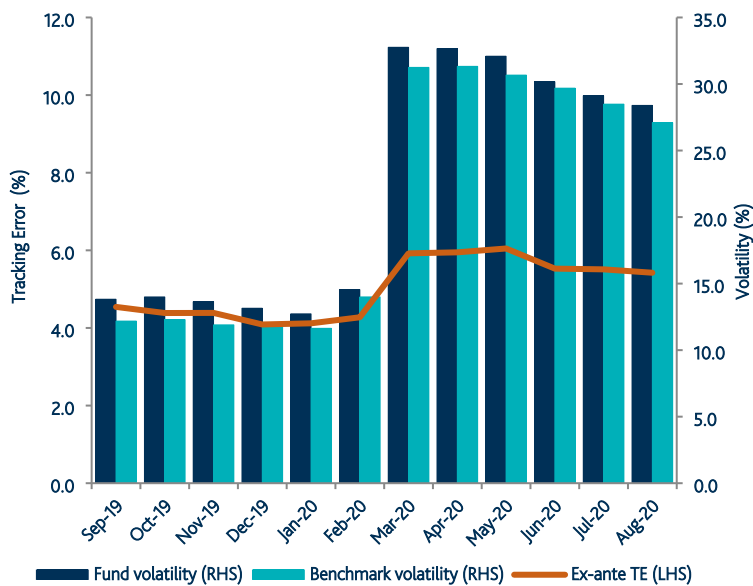
### Top 10 contributors to risk (ex-ante)

	Country of incorporation	Tracking error (%)
Siemens Gamesa	Spain	10.18
ASML	Netherlands	7.29
Pandora	Denmark	7.10
Adidas	Germany	6.64
Nestle	Switzerland	4.88
Nokia	Finland	4.86
Deutsche Börse	Germany	4.74
Soitec	France	4.08
Valeo	France	4.01
Edenred	France	3.43

## Risk attribution

	Tracking error (%)	Fund beta	Fund volatility (%)	Benchmark volatility (%)	Information ratio	Sharpe ratio
Ex-ante	5.42	1.03	28.39	27.09	-	-
Ex-post	5.00	1.02	15.62	14.50	0.40	0.29

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



## Fund statistics

Number of stocks (Fund)	34
Number of stocks (Benchmark)	435
Upside market capture ratio	106.30
Downside market capture ratio	96.34



## 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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