

Fund Investment Report



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Fund information

Investment objective

The Investment objective of the Fund is to generate long-term capital growth.

Investment policy

The Fund will primarily invest in shares and other share-like instruments of companies listed on the MSCI World Small Cap Index or of companies in countries referenced in this Index.

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 May 2015
Fund value	USD98.89m
Benchmark	MSCI World Small Cap Index Net
Lead Fund Manager	Hamish Galpin
Base currency	US Dollar

Market and Performance Review

The Fund underperformed the benchmark index return of 5.70%. Currency allocation was supportive, although stock selection and sector allocation detracted from relative returns. Positive stock selection in Real Estate was outweighed by negative selection in the Industrials and Consumer Discretionary sectors.

Having declined in July, shares in Open House recovered to surpass June levels after they released a Q3 earnings update which beat market expectations. Diversified Oil & Gas rose as, despite reporting a loss for the first half of the year, the company raised the interim dividend as a reflection of the Board's confidence in the company's outlook. Shares in Nifco, a manufacturer of engineered plastic products for use in autos, rose as management announced cost reduction plans which triggered broker upgrades.

The single largest detractor was Brunswick, a manufacturer of recreational marine products and boat engines, as the stock sold-off despite limited news flow after a period of strong performance. Shares of Brooks Automation, who provide precision instruments for technology manufacturing, surged at the end of July on the back of strong quarterly results and softened through August as investors took profits. Jack Henry & Associates, who provide technology systems for financial institutions, corrected sharply in August as the company reported disappointing sales and forward guidance, despite reporting better-than-expected profits.

Activity

The Fund made one new purchase in August by initiating a position in Soitec, a French manufacturer of engineered substrates for semiconductors which improve the performance of the final product, aiding greater energy efficiency among other characteristics. This position was funded by trimming positions in Jungheinrich, Evolution Mining and Petra Diamonds.

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, though, 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 which bodes well for the asset class.

Fund breakdown

Top 10 relative Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Yaoko	Japan	2.92	0.02	2.90
IMCD	Netherlands	2.88	0.09	2.79
RPM International	United States	2.60	-	2.60
West Pharmaceutical Services	United States	2.59	-	2.59
Brooks Automation	United States	2.40	0.06	2.34
Brown & Brown	United States	2.21	-	2.21
Open House	Japan	2.23	0.03	2.19
Brunswick	United States	2.19	0.08	2.11
WD-40	United States	2.12	0.05	2.08
SCSK	Japan	2.06	-	2.06

Top 10 absolute Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Yaoko	Japan	2.92	0.02	2.90
IMCD	Netherlands	2.88	0.09	2.79
RPM International	United States	2.60	-	2.60
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Brooks Automation	United States	2.40	0.06	2.34
Open House	Japan	2.23	0.03	2.19
Brown & Brown	United States	2.21	-	2.21
Brunswick	United States	2.19	0.08	2.11
WD-40	United States	2.12	0.05	2.08
Silicon Laboratories	United States	2.09	0.07	2.02

Performance attribution - 1 month

Top 10 contributors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Open House	Japan	2.23	0.03	25.06	0.34
Diversified Gas & Oil	United Kingdom	1.88	0.02	16.42	0.18
Nifco	Japan	1.99	0.04	14.69	0.15
Trelleborg	Sweden	1.81	0.07	12.11	0.11
Cineworld	United Kingdom	0.28	0.01	68.46	0.11
SSP Group	United Kingdom	0.77	0.03	21.39	0.10
CACI International	United States	1.73	0.10	12.57	0.10
TS Tech	Japan	1.11	0.02	16.10	0.10
Paragon Banking	United Kingdom	1.07	0.02	15.11	0.09
Columbia Sportswear	United States	1.44	0.04	12.56	0.09

Top 10 detractors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Brunswick	United States	2.19	0.08	-7.51	-0.30
Brooks Automation	United States	2.40	0.06	-5.24	-0.27
Jack Henry & Associates	United States	1.64	-	-7.22	-0.23
Yaoko	Japan	2.92	0.02	-1.35	-0.21
Bio-Rad Laboratories	United States	1.84	-	-3.09	-0.17
Power Integrations	United States	1.13	0.06	-8.23	-0.16
John Wiley & Sons	United States	1.18	0.02	-6.81	-0.15
AMN Healthcare Services	United States	1.84	0.04	-2.05	-0.15
Kirby	United States	1.03	0.01	-8.57	-0.15
ServiceMaster	United States	1.39	0.09	-2.64	-0.11

Top 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Cineworld	United Kingdom	0.28	0.01	68.46	0.11
Open House	Japan	2.23	0.03	25.06	0.34
SSP Group	United Kingdom	0.77	0.03	21.39	0.10
Diversified Gas & Oil	United Kingdom	1.88	0.02	16.42	0.18
TS Tech	Japan	1.11	0.02	16.10	0.10
Paragon Banking	United Kingdom	1.07	0.02	15.11	0.09
Nifco	Japan	1.99	0.04	14.69	0.15
Schoeller-Bleckmann	Austria	0.47	0.01	13.98	0.04
Hulic Reit	Japan	0.83	0.03	12.58	0.05
CACI International	United States	1.73	0.10	12.57	0.10

Bottom 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Kirby	United States	1.03	0.01	-8.57	-0.15
Power Integrations	United States	1.13	0.06	-8.23	-0.16
Brunswick	United States	2.19	0.08	-7.51	-0.30
Jack Henry & Associates	United States	1.64	-	-7.22	-0.23
John Wiley & Sons	United States	1.18	0.02	-6.81	-0.15
Brooks Automation	United States	2.40	0.06	-5.24	-0.27
Glanbia	Ireland	1.09	0.04	-4.21	-0.11
Bio-Rad Laboratories	United States	1.84	-	-3.09	-0.17
ServiceMaster	United States	1.39	0.09	-2.64	-0.11
AMN Healthcare Services	United States	1.84	0.04	-2.05	-0.15

Performance attribution - 1 month

Sector level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Real Estate	6.90	10.02	-3.11	7.21	-0.01	0.08	0.48	0.55
Energy	2.35	2.51	-0.16	10.56	0.02	0.00	0.22	0.24
Utilities	1.00	2.62	-1.62	11.22	-0.01	0.08	0.11	0.18
Financials	12.81	11.75	1.07	-0.79	-0.02	0.01	-0.07	-0.08
Communication Services	1.45	3.36	-1.90	-4.91	-0.01	-0.02	-0.06	-0.09
Materials	11.67	7.02	4.65	-0.82	0.02	-0.06	-0.09	-0.14
Health Care	10.37	12.47	-2.11	-2.08	0.00	0.01	-0.21	-0.21
Consumer Staples	7.07	4.80	2.26	-4.63	-0.03	-0.02	-0.31	-0.35
Consumer Discretionary	11.91	13.43	-1.52	-3.79	0.00	-0.05	-0.44	-0.49
Information Technology	16.68	14.24	2.44	-2.79	-0.06	-0.04	-0.42	-0.52
Industrials	15.82	17.79	-1.97	-3.26	0.11	-0.01	-0.62	-0.52
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	1.96	-	1.96	-	0.05	-0.02	-	0.02

Regional level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Europe	29.91	21.50	8.41	0.44	0.05	0.06	0.19	0.30
Israel	-	0.81	-0.81	-	-0.01	-0.01	-	-0.02
Pacific	16.53	17.13	-0.60	-0.45	-0.08	-0.01	0.00	-0.08
North America	51.60	60.56	-8.96	-3.21	0.04	0.01	-1.67	-1.63
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	1.96	-	1.96	-	0.05	-0.02	-	0.02

Federated Hermes Global Small Cap Equity Fund

August 2020

Country level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
United Kingdom	9.56	6.63	2.93	3.86	0.04	0.03	0.36	0.43
Japan	15.00	11.65	3.35	0.64	-0.03	0.10	0.09	0.16
Sweden	3.59	2.87	0.72	3.06	0.01	0.00	0.12	0.12
Canada	3.13	3.75	-0.62	2.90	-0.01	0.00	0.10	0.09
Finland	1.96	0.69	1.27	2.26	0.01	0.00	0.04	0.05
Austria	0.47	0.30	0.18	8.60	0.00	0.00	0.04	0.04
Spain	1.19	0.75	0.45	3.09	0.00	0.00	0.03	0.04
Singapore	-	0.74	-0.74	-	0.00	0.03	-	0.03
France	0.53	1.15	-0.62	-1.64	-0.01	0.02	0.01	0.02
Germany	1.89	2.23	-0.33	0.45	0.00	0.00	0.02	0.02
Portugal	-	0.10	-0.10	-	0.00	0.00	-	0.00
Belgium	-	0.76	-0.76	-	0.00	0.01	-	0.00
New Zealand	-	0.38	-0.38	-	0.00	0.00	-	0.00
Hong Kong	-	0.88	-0.88	-	0.00	-0.02	-	-0.01
Denmark	-	0.71	-0.71	-	0.00	-0.01	-	-0.01
Israel	-	0.81	-0.81	-	-0.01	-0.01	-	-0.02
Italy	3.44	1.16	2.28	-0.72	0.01	-0.03	-0.02	-0.04
Norway	-	0.92	-0.92	-	-0.04	0.00	-	-0.04
Netherlands	4.59	0.89	3.69	-4.18	0.02	0.08	-0.19	-0.08
Ireland	1.09	0.17	0.92	-6.20	0.01	-0.03	-0.08	-0.11
Switzerland	1.58	2.18	-0.59	-8.12	0.00	-0.01	-0.14	-0.15
Australia	1.54	3.48	-1.94	-10.06	-0.05	-0.03	-0.18	-0.26
United States	48.47	56.81	-8.34	-3.58	0.05	0.01	-1.77	-1.72
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	1.96	-	1.96	-	0.05	-0.02	-	0.02

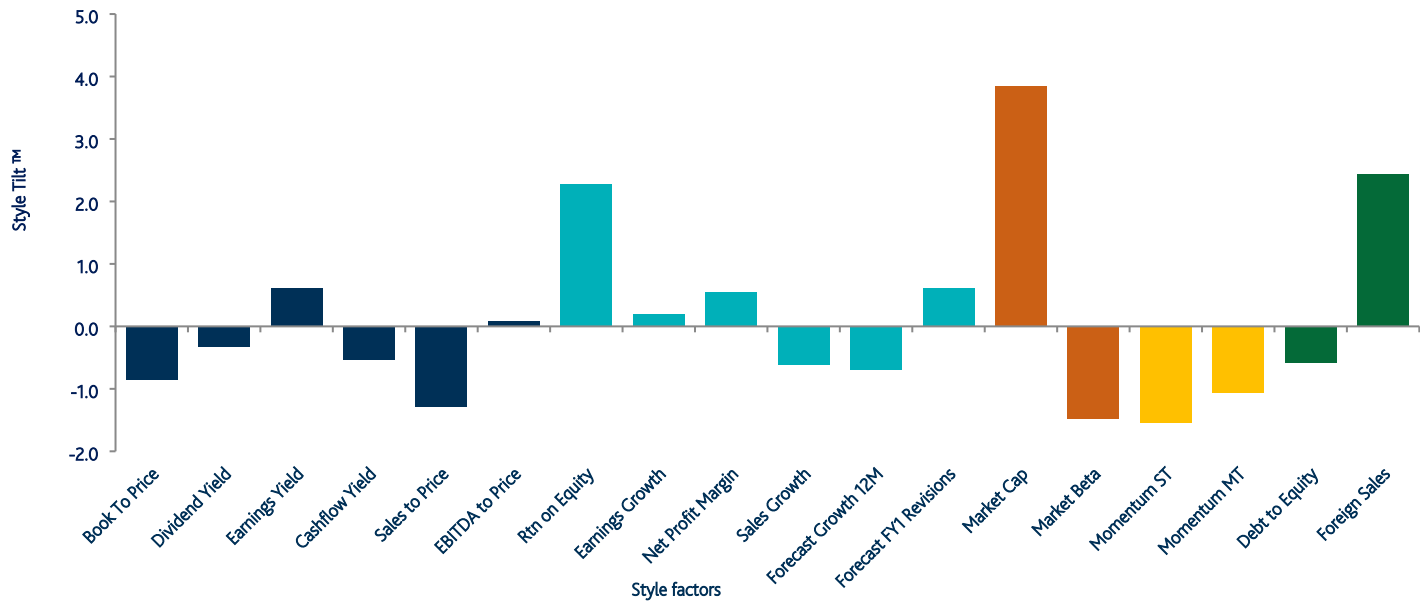
Market capitalisation

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
0 - 1B	5.64	12.30	-6.65	3.58	0.06	0.02	0.16	0.25
1 - 2.5B	20.95	30.04	-9.09	0.87	0.03	-0.02	0.19	0.20
2.5 - 5B	42.22	34.50	7.72	-1.88	-0.06	-0.01	-0.63	-0.70
5B+	29.23	23.12	6.11	-3.58	-0.04	-0.01	-1.14	-1.19
Unclassified	-	0.05	-0.05	-	0.00	0.00	-	0.00
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	1.96	-	1.96	-	0.05	-0.02	-	0.02

Fund characteristics

Top 10 concentration (%)*	Active share (%)**	Dividend yield (%)***	Market cap (millions)***	Earnings yield (%)***
24.25	97.70	1.83	4,957.79	6.36

Fund Style Skyline™



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

Risk analysis

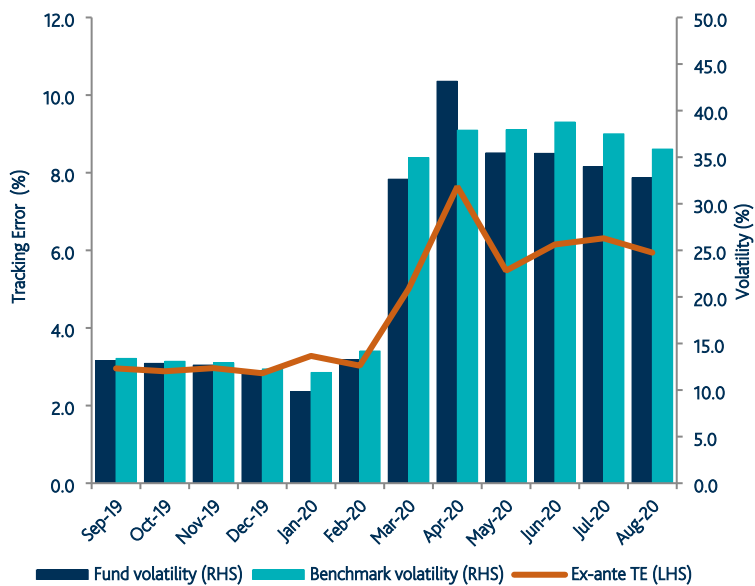
Top 10 contributors to risk (ex-ante)

	Country of incorporation	Tracking error (%)
Yaoko	Japan	11.49
SCSK	Japan	5.37
WD-40	United States	5.24
IMCD	Netherlands	5.04
West Pharmaceutical Services	United States	4.86
Open House	Japan	3.78
AMN Healthcare Services	United States	3.58
Nifco	Japan	3.52
Horiba	Japan	3.34
Huhtamaki OYJ	Finland	3.30

Risk attribution

	Tracking error (%)	Fund beta	Fund volatility (%)	Benchmark volatility (%)	Information ratio	Sharpe ratio
Ex-ante	5.94	0.90	32.79	35.87	-	-
Ex-post	4.12	0.89	18.77	20.86	0.47	0.25

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



Fund statistics

Number of stocks (Fund)	67
Number of stocks (Benchmark)	4226
Upside market capture ratio	96.70
Downside market capture ratio	88.57

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

Hermes Marketing Marketing@hermes-investment.com

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