

# 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	USD905.24m
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 4.88% in August. The Fund underperformed the benchmark index return in the month. Stock selection detracted from relative returns in the period; positive stock selection in Real Estate and Health Care was outweighed by the aggregate of negative stock selection elsewhere, including Industrials and Consumer Staples. Currency also detracted slightly whereas sector allocation was supportive of relative performance.

Techtronic Industries' share price rose after the company announced solid first half results, showing good growth from H1 2019 and beating market estimates. Open House's shares, having fallen in July with their share sale, rose back to surpass June levels after they released a Q3 earnings update which beat market expectations. Relo Group also reported quarterly earnings in August which beat expectations and led to broker upgrades.

Brunswick Corp, having rallied strongly in the previous months, failed to rally with the market in August with limited news flow. Mapletree's shares also fell in August following a strong run. The company announced quarterly earnings noting the challenges caused by COVID-19 but showed confidence with their proposal to acquire the remaining 60% stake in 14 US data centres. Yaoko's share price rose in the month following a strong first quarter earnings update, but the shares later fell most likely due to profit taking and some rotation in markets.

## Activity

We added two new holdings to the fund in August, Breedon and Soitec. Breedon is a leading construction materials group in Great Britain and Ireland, operating a vertically integrated business model that provides control over costs and the capture of margins through the value chain. We believe that there are opportunities to engage towards the SDGs for better resource and energy efficiency as well as decent work. Soitec is a French manufacturer of engineered substrates for semiconductors which improve the performance of the final product, aiding greater energy efficiency among other characteristics. As a manufacturer, we believe that their human and fixed capital base provide engagement opportunities.

## 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 trend, 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	3.42	0.12	3.30
Huhtamaki	Finland	3.28	0.03	3.25
RPM International	United States	3.27	0.07	3.19
IMCD	Netherlands	3.23	0.04	3.19
Yaoko	Japan	3.16	0.01	3.15
West Pharmaceutical Services	United States	3.12	0.14	2.98
AptarGroup	United States	3.01	0.05	2.96
Steris Healthcare	United States	3.05	0.09	2.96
Simpson Manufacturing	United States	2.95	0.03	2.93
Fortune Brands Home & Security	United States	2.94	0.08	2.86

### Top 10 absolute Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Techtronic Industries	Hong Kong	3.42	0.12	3.30
Huhtamaki	Finland	3.28	0.03	3.25
RPM International	United States	3.27	0.07	3.19
IMCD	Netherlands	3.23	0.04	3.19
Yaoko	Japan	3.16	0.01	3.15
West Pharmaceutical Services	United States	3.12	0.14	2.98
Steris Healthcare	United States	3.05	0.09	2.96
AptarGroup	United States	3.01	0.05	2.96
Simpson Manufacturing	United States	2.95	0.03	2.93
Alliant Energy	United States	2.94	0.09	2.85

Performance attribution - 1 month

Top 10 contributors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Techtronic Industries	Hong Kong	3.42	0.12	21.55	0.46
Open House	Japan	2.54	0.01	25.34	0.41
Relo Group	Japan	1.37	0.02	31.33	0.28
Samsonite	United States	1.43	-	23.67	0.22
Nifco	Japan	2.03	0.01	14.95	0.18
Fortune Brands Home & Security	United States	2.94	0.08	10.05	0.17
Cineworld	United Kingdom	0.40	0.01	68.46	0.15
Woodward	United States	1.82	0.03	14.40	0.15
The Cooper Companies	United States	2.71	0.10	11.11	0.14
Trelleborg	Sweden	1.84	0.03	12.95	0.13

Top 10 detractors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Brunswick	United States	2.88	0.03	-7.38	-0.38
Mapletree	Singapore	2.39	0.02	-5.62	-0.26
Yaoko	Japan	3.16	0.01	-1.62	-0.21
AMN Healthcare Services	United States	2.79	0.02	-2.08	-0.19
Kirby	United States	1.23	0.00	-8.26	-0.17
John Wiley & Sons	United States	1.35	0.01	-6.43	-0.16
Glanbia	Ireland	1.57	0.02	-3.98	-0.14
Steris Healthcare	United States	3.05	0.09	0.25	-0.14
LandMark Optoelectronics	Taiwan	1.10	0.00	-6.50	-0.13
Alliant Energy	United States	2.94	0.09	0.56	-0.12

Top 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Cineworld	United Kingdom	0.40	0.01	68.46	0.15
Relo Group	Japan	1.37	0.02	31.33	0.28
Open House	Japan	2.54	0.01	25.34	0.41
Samsonite	United States	1.43	-	23.67	0.22
SSP Group	United Kingdom	0.80	0.01	21.69	0.11
Techtronic Industries	Hong Kong	3.42	0.12	21.55	0.46
Diversified Gas & Oil	United Kingdom	0.57	0.01	16.75	0.06
Nifco	Japan	2.03	0.01	14.95	0.18
Woodward	United States	1.82	0.03	14.40	0.15
Trelleborg	Sweden	1.84	0.03	12.95	0.13

Bottom 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Modiva Participacoes	Brazil	0.00	0.00	-28.83	0.00
Kirby	United States	1.23	0.00	-8.26	-0.17
Brunswick	United States	2.88	0.03	-7.38	-0.38
LandMark Optoelectronics	Taiwan	1.10	0.00	-6.50	-0.13
John Wiley & Sons	United States	1.35	0.01	-6.43	-0.16
Mapletree	Singapore	2.39	0.02	-5.62	-0.26
Glanbia	Ireland	1.57	0.02	-3.98	-0.14
AMN Healthcare Services	United States	2.79	0.02	-2.08	-0.19
Yaoko	Japan	3.16	0.01	-1.62	-0.21
Shenzhen International	China	1.73	0.01	-1.60	-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 (%)
Real Estate	9.65	8.27	1.39	6.57	-0.01	-0.02	0.61	0.58
Health Care	11.67	10.95	0.72	1.33	-0.04	-0.01	0.19	0.14
Energy	0.57	2.46	-1.89	13.75	0.00	0.05	0.06	0.11
Utilities	2.94	3.80	-0.86	1.21	-0.02	0.05	0.05	0.08
Information Technology	9.55	16.06	-6.50	-1.06	-0.01	0.12	-0.09	0.01
Financials	5.95	11.76	-5.81	-1.35	-0.04	0.04	-0.04	-0.04
Communication Services	1.76	4.72	-2.97	-2.33	-0.01	-0.05	-0.04	-0.10
Industrials	26.93	16.73	10.20	-1.53	0.05	0.28	-0.46	-0.14
Materials	14.17	8.58	5.59	-2.22	-0.06	0.06	-0.24	-0.24
Consumer Staples	5.48	4.67	0.82	-4.83	-0.01	-0.02	-0.26	-0.29
Consumer Discretionary	9.20	12.01	-2.81	-2.75	-0.01	-0.13	-0.24	-0.38
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.12	-	2.12	-	-0.01	-0.09	-	-0.10

Regional level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Japan	13.65	10.25	3.40	1.44	-0.03	0.13	0.20	0.30
Pacific Free ex Japan	5.81	4.96	0.85	1.61	-0.09	0.01	0.19	0.11
EM Latin America	1.14	1.38	-0.24	6.60	0.04	0.02	0.04	0.10
EM EMEA	-	1.92	-1.92	-	0.01	0.04	-	0.05
Europe and Middle East	22.15	21.31	0.84	-0.60	-0.03	0.00	-0.09	-0.11
EM Asia	3.63	7.51	-3.88	-4.60	-0.02	0.04	-0.17	-0.16
North America	51.50	52.67	-1.17	-1.05	-0.08	0.00	-0.47	-0.55
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.12	-	2.12	-	-0.01	-0.09	-	-0.10

## Federated Hermes SDG Engagement Equity Fund

August 2020

### Country level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Hong Kong	3.42	0.91	2.51	11.68	-0.01	0.10	0.36	0.45
Japan	13.65	10.25	3.40	1.44	-0.03	0.13	0.20	0.30
Sweden	1.84	2.22	-0.39	6.61	0.00	0.00	0.11	0.11
Brazil	0.00	0.84	-0.84	-23.51	0.05	0.06	0.00	0.11
Finland	3.28	0.56	2.72	0.76	0.02	0.05	0.02	0.09
Spain	1.21	0.52	0.69	4.10	0.00	-0.01	0.05	0.05
South Africa	-	0.64	-0.64	-	0.00	0.03	-	0.03
United Kingdom	4.42	5.68	-1.26	1.55	-0.02	-0.02	0.07	0.03
Malaysia	-	0.44	-0.44	-	-0.01	0.02	-	0.02
Turkey	-	0.13	-0.13	-	0.01	0.01	-	0.02
Belgium	-	0.60	-0.60	-	0.00	0.02	-	0.02
Thailand	-	0.35	-0.35	-	0.00	0.01	-	0.02
Chile	-	0.09	-0.09	-	0.00	0.01	-	0.02
Italy	2.01	1.12	0.89	0.70	0.01	-0.01	0.02	0.01
Russia	-	0.27	-0.27	-	0.00	0.01	-	0.01
New Zealand	-	0.36	-0.36	-	0.00	0.01	-	0.01
Canada	-	3.04	-3.04	-	-0.07	0.08	-	0.01
Argentina	-	0.09	-0.09	-	0.00	0.01	-	0.01
Portugal	-	0.10	-0.10	-	0.00	0.01	-	0.00
Greece	-	0.09	-0.09	-	0.00	0.00	-	0.00
Philippines	-	0.10	-0.10	-	0.00	0.00	-	0.00
Poland	-	0.21	-0.21	-	0.00	0.00	-	0.00
Mexico	-	0.31	-0.31	-	0.00	0.00	-	0.00
Pakistan	-	0.04	-0.04	-	0.00	0.00	-	0.00
Hungary	-	0.03	-0.03	-	0.00	0.00	-	0.00
Egypt	-	0.03	-0.03	-	0.00	0.00	-	0.00
Czech Republic	-	0.02	-0.02	-	0.00	0.00	-	0.00
Indonesia	-	0.18	-0.18	-	0.00	0.00	-	0.00
Qatar	-	0.12	-0.12	-	0.00	0.00	-	0.00
Austria	-	0.27	-0.27	-	0.00	0.00	-	0.00
Colombia	-	0.02	-0.02	-	0.00	0.00	-	0.00
United Arab Emirates	-	0.07	-0.07	-	0.00	0.00	-	0.00
Saudi Arabia	-	0.32	-0.32	-	0.00	-0.01	-	0.00
Israel	-	0.70	-0.70	-	0.00	0.00	-	-0.01
France	0.53	2.56	-2.03	-2.62	-0.02	0.00	0.01	-0.01
Norway	-	0.61	-0.61	-	-0.02	0.00	-	-0.02
Denmark	-	1.09	-1.09	-	-0.01	-0.02	-	-0.02
Korea	-	1.55	-1.55	-	0.00	-0.03	-	-0.03
Taiwan	1.90	1.90	0.00	-1.26	0.00	0.00	-0.02	-0.03
Peru	1.13	0.02	1.11	-13.59	-0.01	0.15	-0.17	-0.03
Netherlands	5.50	0.76	4.75	-1.73	0.03	0.03	-0.10	-0.03
India	-	0.98	-0.98	-	-0.01	-0.03	-	-0.04
Germany	-	2.49	-2.49	-	-0.02	-0.02	-	-0.04
China	1.73	1.97	-0.24	-5.51	0.03	0.00	-0.13	-0.10
Australia	-	3.01	-3.01	-	-0.08	-0.03	-	-0.10
Switzerland	1.79	1.82	-0.03	-6.81	0.00	0.00	-0.13	-0.13
Ireland	1.57	0.21	1.36	-13.01	0.01	0.06	-0.22	-0.15
Singapore	2.39	0.67	1.72	-6.71	0.01	-0.07	-0.17	-0.24
United States	51.50	49.64	1.87	-1.00	-0.01	-0.02	-0.53	-0.56
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.12	-	2.12	-	-0.01	-0.09	-	-0.10

Market capitalisation

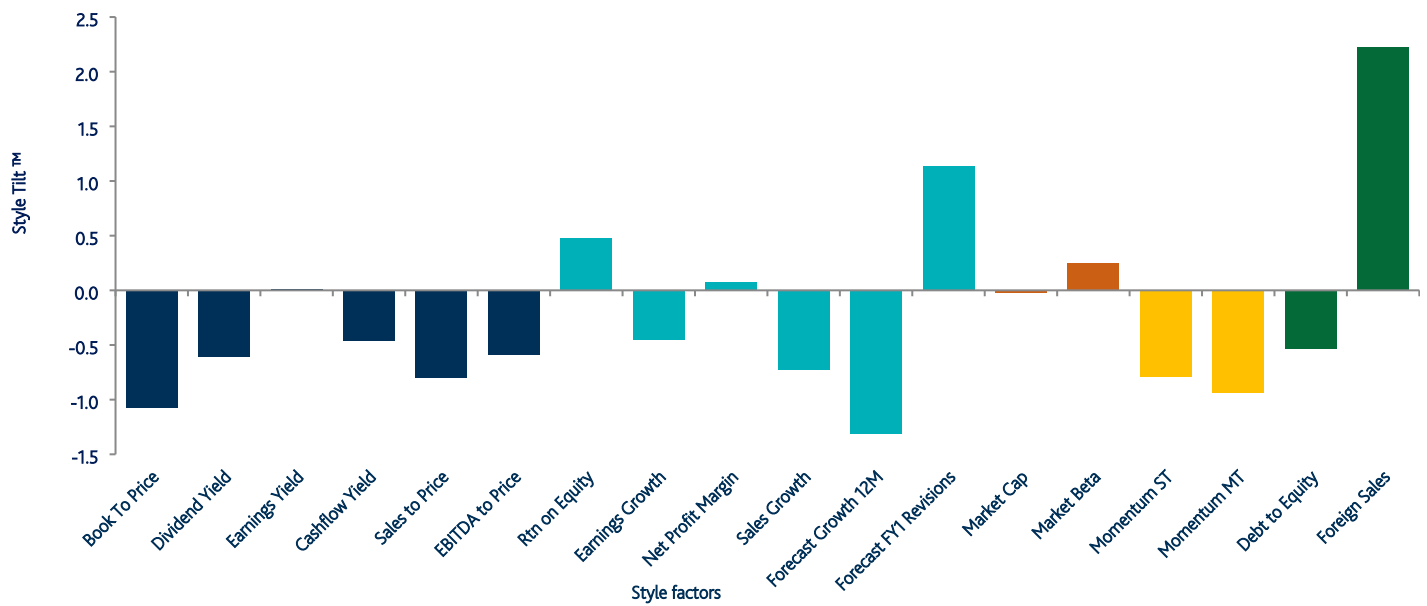
	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
0 - 2.5B	16.65	22.16	-5.50	1.89	-0.01	-0.01	0.35	0.32
2.5 - 5B	40.05	20.47	19.58	-0.48	-0.05	0.02	-0.11	-0.14
5 - 10B	18.60	25.01	-6.42	-5.04	-0.03	0.01	-1.02	-1.04
10B+	22.58	32.34	-9.76	2.55	-0.10	0.02	0.68	0.60
Unclassified	-	0.02	-0.02	-	0.00	0.00	-	0.00
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash & Synthetic Cash	2.12	-	2.12	-	-0.01	-0.09	-	-0.10



Fund characteristics

Top 10 concentration (%)*	Active share (%)**	Dividend yield (%)***	Market cap (millions)***	Earnings yield (%)***
31.44	98.50	1.75	6,670.56	6.06

Fund Style Skyline™



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

## Risk analysis

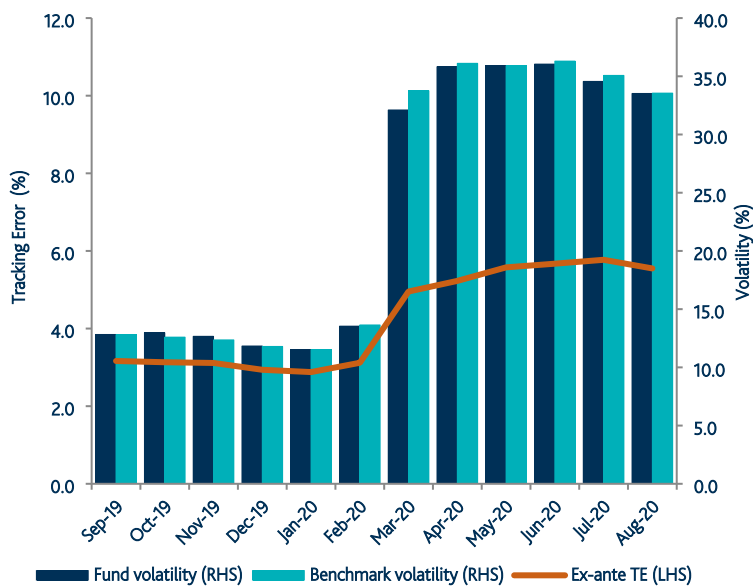
### Top 10 contributors to risk (ex-ante)

	Country of incorporation	Tracking error (%)
Brunswick	United States	5.46
AMN Healthcare Services	United States	5.29
Nissan Chemical	Japan	5.04
Open House	Japan	4.28
Huhtamaki	Finland	4.26
Fortune Brands Home & Security	United States	3.87
Simpson Manufacturing	United States	3.61
RPM International	United States	3.00
Techtronic Industries	Hong Kong	2.88
AptarGroup	United States	2.86

## Risk attribution

	Tracking error (%)	Fund beta	Fund volatility (%)	Benchmark volatility (%)	Information ratio	Sharpe ratio
Ex-ante	5.55	0.99	33.52	33.55	-	-

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



## Fund statistics

Number of stocks (Fund)	52
Number of stocks (Benchmark)	7320

## 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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