

# 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 USD338.61m

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 Index benchmark returned 0.20% in July. Developed Markets outperformed Emerging Markets SMID stocks in the period, returning -0.3% and -2.5% respectively. The outcome was also similar across the market cap spectrum with Large Caps in Developed Markets returning -0.2% and Emerging ones behind at -2.5%. In the US, SMID stocks performed in line with Large Caps as both the Russell 2500 and the S&P500 returned 0.5%.

RPM International, Genesee & Wyoming and West Pharmaceuticals were the largest individual contributors in July. RPM International rose after delivering a well received set of Q4 earnings and offered an optimistic outlook for sales growth in Financial Year 2020. Genesee increased after Brookfield Infrastructure agreed to acquire the company for \$112 per share (\$6.3bn). West Pharmaceuticals increased after raising its 2019 sales and earnings guidance as organic revenue growth and margin trends continue to improve.

The largest detractors were Glanbia, Petra Diamonds and Samsonite. Glanbia fell after reducing guidance after a difficult first half of the year, citing global trade dynamics in key international markets for its performance nutrition unit. Petra Diamonds declined on concerns that the company would have to raise funds through an equity share sale as part of its debt refinancing, something which the company denied. There was little specific news regarding Samsonite, but the Hong Kong stock market was weak amid public protests over proposed extradition laws to China.

## Outlook

Declining economic growth has been a recent concern for the market, exacerbated by the trade dispute. We remain of the view that we are in a structurally low growth environment (and a flat yield curve one), which may mean occasional "recessions" in key markets, as defined by two quarters of negative GDP. This does not mean, however, that a material recession is imminent despite the longevity of the current economic expansion. Altogether, this is a favourable backdrop for active managers searching for price anomalies (and by contrast, a less favourable one for index-driven ETFs).

**Fund breakdown**
**Top 10 relative Fund positions**

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
IMCD	Netherlands	2.90	0.03	2.86
RPM International	United States	2.88	0.06	2.82
Aptar	United States	2.79	0.05	2.73
Woodward	United States	2.77	0.04	2.73
Techtronic Industries	Hong Kong	2.72	0.07	2.65
AMN Healthcare Services	United States	2.54	0.02	2.52
Yaoko	Japan	2.51	0.01	2.51
WEX	United States	2.53	0.06	2.46
Steris Healthcare	United States	2.55	0.09	2.46
The Cooper Companies	United States	2.57	0.11	2.45

**Top 10 absolute Fund positions**

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
IMCD	Netherlands	2.90	0.03	2.86
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WEX	United States	2.53	0.06	2.46
Yaoko	Japan	2.51	0.01	2.51

## Performance attribution - 1 month

## Top 10 contributors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
RPM International	United States	2.88	0.06	11.35	0.28
Genesee & Wyoming	United States	2.40	0.04	9.81	0.22
West Pharmaceutical Services	United States	2.47	0.07	9.75	0.21
Clean Harbors	United States	2.42	0.03	9.39	0.20
Silicon Laboratories	United States	2.35	0.03	8.44	0.18
Amerisur Resources	United Kingdom	0.63	-	37.18	0.17
Brunswick	United States	2.14	0.03	7.14	0.14
WEX	United States	2.53	0.06	4.73	0.12
Retail Opportunity Investment	United States	1.84	0.01	5.90	0.10
MTU Aero Engines	Germany	0.92	0.09	5.69	0.09

## Top 10 detractors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Glanbia	Ireland	1.53	0.02	-19.32	-0.37
Petra Diamonds	United Kingdom	0.27	-	-45.47	-0.23
Samsonite	United States	1.28	-	-13.82	-0.21
Huhtamaki	Finland	2.24	0.03	-7.08	-0.17
Eagle Materials	United States	1.40	0.03	-10.61	-0.17
Shenzhen International	China	1.72	0.01	-6.43	-0.12
Tullow Oil	United Kingdom	0.98	0.02	-11.14	-0.12
Simpson Manufacturing	United States	1.61	0.02	-6.84	-0.12
Snap-On	United States	1.26	0.06	-7.85	-0.10
Fortune Brands Home & Security	United States	2.44	0.05	-3.86	-0.10

## Top 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Amerisur Resources	United Kingdom	0.63	-	37.18	0.17
RPM International	United States	2.88	0.06	11.35	0.28
Genesee & Wyoming	United States	2.40	0.04	9.81	0.22
West Pharmaceutical Services	United States	2.47	0.07	9.75	0.21
Clean Harbors	United States	2.42	0.03	9.39	0.20
Silicon Laboratories	United States	2.35	0.03	8.44	0.18
Abu Dhabi Commercial Bank	United Arab Emirates	1.07	-	8.43	0.08
Open House	Japan	1.39	0.01	7.61	0.08
Brunswick	United States	2.14	0.03	7.14	0.14
Relo Group	Japan	1.42	0.02	6.05	0.08

## Bottom 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Petra Diamonds	United Kingdom	0.27	-	-45.47	-0.23
Glanbia	Ireland	1.53	0.02	-19.32	-0.37
Samsonite	United States	1.28	-	-13.82	-0.21
Tullow Oil	United Kingdom	0.98	0.02	-11.14	-0.12
Eagle Materials	United States	1.40	0.03	-10.61	-0.17
Snap-On	United States	1.26	0.06	-7.85	-0.10
Huhtamaki	Finland	2.24	0.03	-7.08	-0.17
Simpson Manufacturing	United States	1.61	0.02	-6.84	-0.12
Shenzhen International	China	1.72	0.01	-6.43	-0.12
LandMark Optoelectronics	Taiwan	0.89	0.00	-5.59	-0.05

## Performance attribution - 1 month

## Sector level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Health Care	10.13	9.81	0.32	1.75	0.07	-0.01	0.12	0.18
Energy	1.61	2.97	-1.36	6.86	-0.05	0.06	0.15	0.16
Real Estate	7.76	9.52	-1.76	2.21	-0.03	-0.01	0.19	0.16
Utilities	2.38	4.54	-2.15	1.44	0.01	0.01	0.02	0.04
Industrials	32.49	17.07	15.43	0.48	0.04	-0.14	0.09	-0.01
Information Technology	8.67	13.26	-4.59	0.97	0.01	-0.09	0.07	-0.01
Communication Services	3.01	4.12	-1.11	-2.53	-0.02	-0.01	-0.04	-0.07
Financials	7.24	13.39	-6.14	-0.90	0.05	-0.01	-0.11	-0.08
Consumer Discretionary	7.46	12.47	-5.02	-1.17	-0.01	-0.03	-0.07	-0.11
Materials	12.94	8.15	4.79	-1.44	0.00	-0.08	-0.21	-0.29
Consumer Staples	4.04	4.71	-0.66	-7.68	-0.02	0.00	-0.32	-0.34
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.27	-	2.27	-	0.01	0.02	-	0.03

## Regional level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Japan	10.55	9.78	0.77	2.17	0.00	0.00	0.22	0.23
EM EMEA	1.07	1.69	-0.62	8.51	0.00	0.00	0.08	0.09
EM Asia	3.42	6.32	-2.90	-0.66	0.01	0.10	-0.03	0.08
North America	54.10	53.87	0.24	-0.13	0.02	0.00	-0.09	-0.07
Pacific Free ex Japan	5.79	4.95	0.85	-1.67	0.02	0.01	-0.13	-0.10
EM Latin America	2.99	1.84	1.15	-5.81	0.02	0.03	-0.18	-0.13
Europe and Middle East	19.79	21.56	-1.76	-2.37	-0.02	0.00	-0.44	-0.46
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.27	-	2.27	-	0.01	0.02	-	0.03

**Country level**

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Japan	10.55	9.78	0.77	2.17	0.00	0.00	0.22	0.23
Korea	-	1.33	-1.33	-	0.02	0.12	-	0.14
Germany	0.92	2.23	-1.31	7.56	0.00	0.00	0.14	0.14
India	-	1.03	-1.03	-	-0.01	0.10	-	0.08
United Arab Emirates	1.07	0.07	1.01	-5.07	0.01	0.13	-0.06	0.08
Switzerland	0.88	2.32	-1.45	2.69	0.02	0.04	0.01	0.07
Spain	-	0.75	-0.75	-	0.01	0.02	-	0.03
Denmark	-	0.85	-0.85	-	0.01	0.01	-	0.02
Singapore	1.53	0.68	0.85	3.12	0.00	-0.02	0.05	0.02
Italy	-	1.20	-1.20	-	0.02	0.01	-	0.02
Sweden	1.27	1.62	-0.36	1.07	0.01	0.00	0.01	0.02
Norway	-	0.62	-0.62	-	0.01	0.01	-	0.02
South Africa	-	0.64	-0.64	-	0.00	0.01	-	0.01
France	-	2.56	-2.56	-	0.04	-0.03	-	0.01
Poland	-	0.17	-0.17	-	0.00	0.00	-	0.01
Chile	-	0.12	-0.12	-	0.00	0.00	-	0.01
Mexico	-	0.30	-0.30	-	-0.01	0.01	-	0.01
Austria	-	0.28	-0.28	-	0.00	0.00	-	0.00
Portugal	-	0.14	-0.14	-	0.00	0.00	-	0.00
Malaysia	-	0.30	-0.30	-	0.00	0.01	-	0.00
Thailand	-	0.45	-0.45	-	0.00	0.00	-	0.00
Egypt	-	0.04	-0.04	-	0.00	0.00	-	0.00
Pakistan	-	0.03	-0.03	-	0.00	0.00	-	0.00
Hungary	-	0.02	-0.02	-	0.00	0.00	-	0.00
Qatar	-	0.13	-0.13	-	0.00	0.00	-	0.00
Colombia	-	0.05	-0.05	-	0.00	0.00	-	0.00
Russia	-	0.20	-0.20	-	0.00	0.00	-	0.00
Philippines	-	0.13	-0.13	-	0.00	0.00	-	0.00
Czech Republic	-	0.02	-0.02	-	0.00	0.00	-	0.00
Argentina	-	0.14	-0.14	-	0.00	0.00	-	0.00
Indonesia	-	0.22	-0.22	-	0.00	0.00	-	0.00
Saudi Arabia	-	0.16	-0.16	-	0.00	0.00	-	0.00
Greece	-	0.13	-0.13	-	0.00	0.00	-	0.00
Turkey	-	0.11	-0.11	-	-0.01	0.00	-	-0.01
New Zealand	-	0.41	-0.41	-	0.00	-0.01	-	-0.01
Belgium	-	0.59	-0.59	-	0.01	-0.02	-	-0.01
Canada	-	3.27	-3.27	-	-0.01	0.00	-	-0.01
Hong Kong	2.72	1.10	1.62	0.56	0.01	-0.05	0.02	-0.03
Israel	-	0.55	-0.55	-	-0.01	-0.02	-	-0.03
Netherlands	4.80	0.85	3.96	0.42	-0.06	0.00	0.03	-0.03
United States	54.10	50.60	3.50	-0.17	0.03	0.01	-0.09	-0.05
Brazil	1.35	1.21	0.13	-5.47	0.01	0.01	-0.08	-0.06
Taiwan	1.70	1.61	0.09	-3.90	0.00	0.00	-0.07	-0.07
Peru	1.64	0.02	1.62	4.13	0.01	-0.15	0.05	-0.08
Australia	1.55	2.75	-1.21	-3.70	0.01	-0.03	-0.06	-0.08
China	1.72	1.22	0.51	-4.25	0.00	-0.02	-0.08	-0.09
Finland	2.24	0.50	1.74	-2.41	-0.03	-0.06	-0.06	-0.15
United Kingdom	6.57	6.11	0.47	-2.74	-0.01	0.00	-0.18	-0.19
Ireland	3.11	0.40	2.71	-7.79	-0.05	-0.09	-0.27	-0.41
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.27	-	2.27	-	0.01	0.02	-	0.03

Market capitalisation

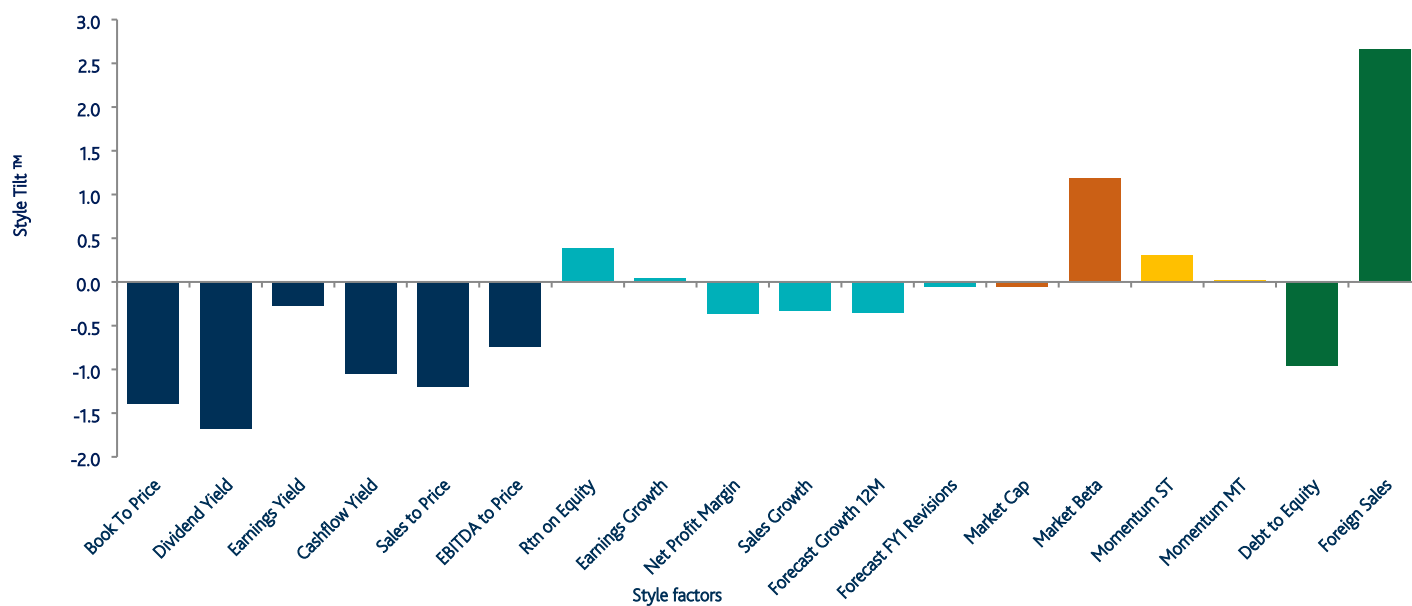
	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
0 - 2.5B	17.81	23.45	-5.63	2.04	0.02	0.09	0.25	0.36
2.5 - 5B	37.37	21.24	16.13	-2.02	-0.15	-0.05	-0.66	-0.86
5 - 10B	26.22	27.08	-0.86	1.11	0.18	0.00	0.15	0.34
10B+	16.33	27.96	-11.63	-0.56	0.01	-0.08	-0.13	-0.20
Unclassified	-	0.28	-0.28	-	0.00	-0.01	0.00	-0.01
Foreign Exchange	0.00	-	0.00	-	0.00	0.00	0.00	0.00
Cash & Synthetic Cash	2.27	-	2.27	-	0.01	0.02	0.00	0.03



Fund characteristics

Top 10 concentration (%)*	Active share (%)**	Dividend yield (%)***	Market cap (millions)***	Earnings yield (%)***
26.75	98.39	1.60	6,201.47	5.78

Fund Style Skyline™



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

### Risk analysis

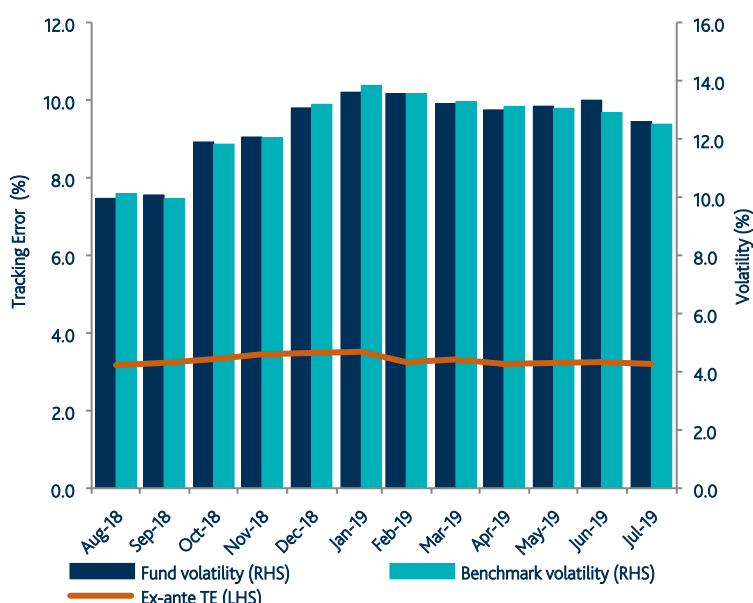
#### Top 10 contributors to risk (ex-ante)

	Country of incorporation	Tracking error (%)
AMN Healthcare Services	United States	5.94
Techtronic Industries	Hong Kong	4.98
RPM International	United States	4.54
Woodward	United States	4.07
Middleby	United States	3.57
Clean Harbors	United States	3.53
Aptar	United States	3.39
Genesee & Wyoming	United States	3.37
Silicon Laboratories	United States	3.34
Fortune Brands Home & Security	United States	3.07

### Risk attribution

	Tracking error (%)	Fund beta	Fund volatility (%)	Benchmark volatility (%)	Information ratio	Sharpe ratio
Ex-ante	3.20	0.97	12.60	12.51	-	-

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



### Fund statistics

Number of stocks (Fund)	54
Number of stocks (Benchmark)	7215

## 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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