

## HANCOCK HORIZON MICROCAP FUND

INSTITUTIONAL CLASS: HMIIX

INVESTOR CLASS: HMIAX

### PORTFOLIO MANAGEMENT INSIGHTS

- After experiencing a free fall for the record books in the first quarter, stocks roared back in Q2. The sharp recovery in stocks was due to massive fiscal and monetary stimulus combined with better than expected news on the economic front. The Purchasing Managers' Index (PMI) for both the manufacturing and service industries snapped back sharply in the second half of the quarter. Additionally, the housing industry remained remarkably robust and certainly benefited from a drop in mortgage rates. There is no doubt there is still much work to do for the economy to heal. However, all indications are that we should see a solid rebound in the second half of the year and the stock market is a forward looking indicator.
- One thing that certainly did not change in Q2 was the dominant performance of growth stocks. While cyclical or value stocks often outperform when economic data turns they simply could not keep up with growth in the quarter. However, unlike the first quarter, small cap stocks led the way and significantly outperformed large caps. For the quarter the Russell Microcap Index was up 30.5% vs. 21.8% for the Russell 1000. However, there was an even wider gap between value and growth in small caps. The Russell 2000 Growth Index ended the quarter up 30.6% while the Russell 2000 value had a negative return of -3.1%.
- While the Hancock Microcap Fund had a strong absolute return for the quarter 17.18%, it did not keep pace versus the Russell Microcap Index. Much of the underperformance was due to two sectors: Financials and Health Care. The Fund was overweight the Financial sector which struggled in the quarter due in part to the economic slowdown combined with the decline in interest rates. The other main detractor to the Fund's performance during the quarter was a significant underweight in the Health Care sector which produced the second highest returns in Q2. The Fund benefited from an overweight to Consumer Discretion which produced the best relative returns for the quarter.

### TOP 3 CONTRIBUTORS % at Quarter End

STOCK	WEIGHT
Zynex, Inc.	1.26
Citi Trends, Inc.	1.01
Mastech Digital, Inc.	1.20

### TOP 3 DETRACTORS % at Quarter End

STOCK	WEIGHT
Minerva Neurosciences Inc	0.30
Chembio Diagnostics, Inc.	0.15
Marlin Business Services Corp.	0.10

### PERFORMANCE

	Average Annual Total Returns					
	Last Quarter	Year-to-date	1 Year	3 Year	5 Year	Since Inception*
Institutional Class	17.25%	-26.17%	-26.20%	-10.98%	-3.42%	-3.23%
Investor Class	17.18%	-26.27%	-26.40%	-11.21%	-3.66%	-3.48%
Russell Microcap Index	30.54%	-11.21%	-4.77%	0.85%	2.86%	3.24%

\*Inception date is 5/29/15. Performance quoted represents past performance and is not indicative of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. For performance data current to the most recent month end, please visit [www.hancockhorizonfunds.com](http://www.hancockhorizonfunds.com). Fund returns include change in share value and reinvestment of distributions, unless otherwise indicated. The Institutional Class gross expense ratio is 1.30%, and the Investor Class gross expense ratio is 1.55%. The material represents the manager's assessment of the market environment as of the time of this writing and should not be relied upon by the reader as research or investment advice regarding any security, nor is it intended to be a forecast of future events or a guarantee of future results.

NOT INSURED


NOT GUARANTEED

MAY LOSE VALUE

# HANCOCK HORIZON MICROCAP FUND

FUNDAMENTALS		
	FUND	Russell Microcap
P/E Ratio	12.98	14.13
P/B Ratio	1.46	1.60
Avg. Mkt. Cap millions	\$423.23	\$267.92
Weighted Avg. Cap*	\$438.17	\$459.27
Up Capture Ratio^	72.54	-
Down Capture Ratio^	94.56	-
*In Millions ^Since Inception		
FUND MANAGERS		

QUARTERLY ATTRIBUTION ANALYSIS			
	Allocation Effect	Selection Effect	Active Return
Communication Services	0.04	0.09	0.12
Consumer Discretionary	-0.20	-0.69	-0.89
Consumer Staples	0.26	0.03	0.29
Energy	-0.01	-1.11	-1.12
Financials	0.10	-0.25	-0.16
Health Care	-0.60	0.56	-0.04
Industrials	-0.30	-1.17	-1.47
Information Technology	0.23	-0.96	-0.74
Materials	0.04	-0.57	-0.54
Real Estate	0.22	-0.10	0.12
Utilities	0.66	-0.01	0.66
<b>Attribution Total</b>	<b>0.44</b>	<b>-4.20</b>	<b>-3.76</b>



**Steven Solomon, CFA, CFP**  
8 years with firm  
26 years in industry



**Stephen Cangelosi**  
2 years with firm  
29 years in industry

### ABOUT THE HANCOCK HORIZON FUNDS

Hancock Horizon Funds, founded in 2000, manage 9 mutual funds in equity, state specific tax-free, and liquid alternative funds.

**To determine if the Fund is appropriate for you, carefully consider the Fund’s investment objectives, risks and charges and expenses. This and other information including additional share classes offered can be found in the Fund’s full or summary prospectus which can be viewed by visiting [www.hancockhorizonfunds.com](http://www.hancockhorizonfunds.com). Read it carefully before you invest or send money.**

Mutual fund investing involves risk, including possible loss of principal. Investments in smaller companies typically have higher volatility. Current and future holdings are subject to risk. REIT investments are subject to changes in economic conditions, credit risk and interest rate fluctuations. There are specific risks inherent in investing in small-cap and microcap companies. Small-cap and microcap companies have a higher risk of failure and typically experience a greater degree of volatility. Investing in microcap companies may not be appropriate for all investors. Diversification may not protect against market risk. There is no guarantee the Fund will achieve its stated objective. Holdings subject to change.

The Russell Microcap® Index measures the performance of the microcap segment of the U.S. equity market. Microcap stocks make up less than 3% of the U.S. equity market (by market cap) and consist of the smallest 1,000 securities in the small-cap Russell 2000® Index, plus the next 1,000 smallest eligible securities by market cap. The Russell 2000 is an index measuring the performance of approximately 2000 smallest cap American companies. The Russell 1000 is an index measuring 1000 of the largest companies in the U.S. equity market. The Russell 2000 Value Index is a composite of U.S. small cap companies that also exhibit value probability. The Russell 2000 Growth Index is a composite of U.S. Small Cap companies that exhibit a growth probability. Index returns do not reflect any management fees, transaction costs, or expenses. It is not possible to invest in an index.

The price to earnings ratio (PE Ratio) is the measure of the share price relative to the annual net income earned by the firm per share. The price-to-book ratio, or P/B ratio, is a financial ratio used to compare a company's current market price to its book value. Up Capture Ratio is a statistical measure used to evaluate how well or poorly a manager performs relative to an index during periods when the index has risen. Down Capture is used to evaluate relative performance during periods when the index has dropped. Allocation effect refers to sector allocation decisions and selection effect refers to stock selection decisions. Active return is the percentage gain or loss of an investment relative to the investment’s benchmark. Alpha is a measure of performance on a risk-adjusted basis.

Horizon Advisers serves as investment advisor for the Hancock Horizon Family of Funds. The Hancock Horizon Family of Funds is distributed by SEI Investments Distribution Co., which is not affiliated with Hancock Whitney Corporation, or any of its affiliates.