



# HANCOCK HORIZON MICROCAP FUND

INSTITUTIONAL CLASS: HMIIX

INVESTOR CLASS: HMIAX

## PORTFOLIO MANAGEMENT INSIGHTS

- The U.S. economic recovery seemed to be stalling a bit as the calendar turned to 2021 due to a resurgence of COVID that began in the fall. However, as the quarter rolled along, the belief that the economic recovery would again reignite, began to take hold. This was brought about primarily by acceleration of the COVID vaccine rollout, combined with the passage of the \$1.9 trillion American Rescue Plan which was passed by Congress and signed by President Biden in early March. This legislation included a direct \$2,000 payment to many U.S. households which reenergized consumer spending as the COVID surge began to show signs of peaking. As the quarter came to a close, most economists expected the U.S. economic expansion to be on firm footing.
- Throughout the first quarter of 2021, the U.S. equity markets continued their impressive recovery from the pandemic lockdown that began one year ago. For the quarter, there was a continuation of the themes that prevailed in the fourth quarter of 2020 where value outperformed growth and smaller cap stocks ruled the day. The leadership of smaller cap names was no more evident than in the microcap space. In the first quarter microcap stocks (The Dow Jones US Total Stock Market Microcap Index) produced a return of +25.60% vs. +6.17% for large caps (S&P 500 Index).
- The Hancock Horizon Microcap Fund produced a total return of +22.60% for the quarter. While this was an impressive nominal performance compared to the overall U.S. equity market, the Fund slightly underperformed its benchmark for the quarter. The Fund’s exposure to the Healthcare and Consumer Discretionary sectors were bright spots for the quarter. Names such as Cassava Sciences, Fulget Genetics (both in Healthcare), Rocky Brands and Vuzix (both in Consumer Discretionary) all posted very strong performance for the quarter on a nominal basis, but our relative overweight positions, compared to the index, resulted in those names being strong contributors to the Fund’s overall performance. The Funds’ holdings in Utilities, Energy and Real Estate sectors were a drag on performance relative to the benchmark. While the Fund’s allocation to each of these sectors is small, their combined performance was an impediment for the quarter.

### TOP 3 CONTRIBUTORS % at Quarter End

| STOCK                  | WEIGHT |
|------------------------|--------|
| Cassava Sciences, Inc. | 0.77   |
| Fulgent Genetics, Inc. | 1.61   |
| Vuzix Corporation      | 1.10   |

### TOP 3 DETRACTORS % at Quarter End

| STOCK                                | WEIGHT |
|--------------------------------------|--------|
| Bluerock Residential Growth REIT Inc | 0.98   |
| Mitek Systems, Inc.                  | 0.89   |
| Arcimoto, Inc.                       | 0.11   |

## PERFORMANCE

|   | Average Annual Total Returns |              |         |        |        |                  |
|---|------------------------------|--------------|---------|--------|--------|------------------|
|   | Last Quarter                 | Year-to-date | 1 Year  | 3 Year | 5 Year | Since Inception* |
| Institutional Class                             | 22.76%                       | 22.76%       | 74.51%  | -0.74% | 5.68%  | 4.03%            |
| Investor Class                                  | 22.60%                       | 22.60%       | 74.04%  | -1.00% | 5.41%  | 3.76%            |
| Dow Jones US Total Stock Market Micro Cap Index | 25.60%                       | 25.60%       | 117.18% | 16.09% | 17.19% | 11.31%           |

\*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     | Benchmark |
| P/E Ratio              | 15.17    | 12.39     |
| P/B Ratio              | 1.93     | 1.70      |
| Avg. Mkt. Cap millions | \$604.79 | \$528.62  |
| Weighted Avg. Cap*     | \$667.32 | \$779.39  |
| Up Capture Ratio^      | 74.91    | -         |
| Down Capture Ratio^    | 97.82    | -         |

\*In Millions ^Since Inception Source: Morningstar

| QUARTERLY ATTRIBUTION ANALYSIS (%) |                   |                  |               |
|------------------------------------|-------------------|------------------|---------------|
|                                    | Allocation Effect | Selection Effect | Active Return |
| Communication Services             | 0.04              | 0.38             | 0.41          |
| Consumer Discretionary             | 0.09              | 0.47             | 0.57          |
| Consumer Staples                   | -0.01             | -0.23            | -0.24         |
| Energy                             | -0.54             | -0.72            | -1.26         |
| Financials                         | -0.36             | -0.99            | -1.36         |
| Health Care                        | -2.05             | 4.97             | 2.92          |
| Industrials                        | -0.06             | -0.61            | -0.67         |
| Information Technology             | -0.07             | -0.38            | -0.45         |
| Materials                          | 0.04              | -0.27            | -0.23         |
| Real Estate                        | 0.00              | -0.31            | -0.31         |
| Utilities                          | -0.01             | -0.16            | -0.17         |
| <b>Attribution Total</b>           | <b>-2.94</b>      | <b>2.15</b>      | <b>-0.78</b>  |

## FUND MANAGERS



**Steven Solomon, CFA, CFP**  
9 years with firm  
27 years in industry



**Stephen Cangelosi**  
3 years with firm  
30 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.

### Risk Disclosure:

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.

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