



# HANCOCK HORIZON QUANTITATIVE LONG/SHORT FUND

INSTITUTIONAL CLASS: HHQTX

INVESTOR CLASS: HHQAX

## PORTFOLIO MANAGEMENT INSIGHTS

- After seeing one of the steepest and quickest declines in history during the first quarter, stocks rallied back in dramatic fashion with the S&P 500 up over 20% for the second quarter. Perhaps the greatest catalyst for that has been the massive flood of liquidity provided by the Federal Reserve and central banks around the world in addition to very supportive fiscal policies. Markets also cheered the reopening of economies after being on lock down for a couple of months. As most astute investors are aware, the primary benefactor of the current environment continues to be Growth stocks, as the disparity in returns between Growth and Value are now at historical extremes. The Hancock Horizon Quantitative Long/Short Fund (Investor Class) returned 7.96% for the quarter, while the HFRX Equity Hedge Index returned 8.11%.
- Stock selection in Health Care, Consumer Discretionary, and an underweight to Utilities were positive contributors to performance. Stock selection in Energy, Information Technology, and Industrials were detractors.
- The net long equity position of the Fund decreased to the range of 50 - 53% by the end of the quarter from 66% at the beginning of the year. With forward PE levels approaching that of the 2000 "Tech Bubble", stock prices have defied the critics as they have rallied strongly, while earnings and other economic factors continue to show weakness. We believe that the recent rally has moved too much too fast and think it will take longer than what the market is anticipating for earnings to recover to levels that existed prior to the pandemic. From our vantage point risk remains elevated as we anticipate more volatility for the remainder of the year, therefore we are maintaining a defensive position. We continue to monitor general market conditions for opportunities and remain flexible to adapt to changing market dynamics.

### TOP 3 CONTRIBUTORS % at quarter end

STOCK	AVG. WEIGHT
Horizon Therapeutics Public Limited Company	1.76
Malibu Boats Inc Class A	1.44
Amazon.com, Inc.	2.12

### TOP 3 DETRACTORS % at quarter end

STOCK	AVG. WEIGHT
Teekay Tankers Ltd. Class A	1.14
Children's Place, Inc.	-0.43
Genesco Inc.	-0.42

## PERFORMANCE

	3 Months	Year-to-date	1 Year	3 Year	5 Year	10 Year	Since Inception
Institutional Class	7.97%	-11.22%	-6.80%	-0.64%	0.48%	7.00%	3.96%
Investor Class	7.96%	-11.32%	-6.99%	-0.73%	0.34%	6.79%	3.75%
HFRX Equity Hedge Index	8.11%	-6.30%	-2.11%	-0.12%	-0.26%	0.86%	0.23%
S&P 1500 Composite Index	20.77%	-4.08%	6.08%	9.91%	10.20%	13.75%	10.88%

Inception date is 9/30/08. Performance numbers over a year are annualized. *The performance data quoted represents past performance. Past performance does not guarantee 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, and 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. Expense ratio is 1.29% for Institutional Share and 1.54% for Investor Shares. The material represents the manager's assessment of the market environment at the time of the 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.

The HFRX Equity Hedge Index includes strategies that maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Equity Hedge managers would typically maintain at least 50%, and may in some cases be substantially entirely invested in equities, both long and short. The S&P 1500 Total Return index, a combination of the S&P 500, S&P MidCap 400, and S&P SmallCap 600 indices, provides a broad representation of the entire U.S. market, representing 87% of total U.S. equity market capitalization, and reflects the effects of dividend reinvestment. Index returns do not reflect any management fees, transaction costs, or expenses. It is not possible to invest in an index.

NOT INSURED

NOT GUARANTEED

MAY LOSE VALUE

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## MORNINGSTAR RATING

### Overall Morningstar Rating Institutional and Investor Class



Overall Morningstar Rating based on risk adjusted returns out of 183 Long/Short Equity Funds as of 6/30/20.

## FUNDAMENTALS

	FUND	S&P 1500
Avg. Mkt. Cap*	\$77,007.86	\$20,318.89
Weighted Avg. Cap*	\$194,691.57	\$357,547.51
Standard Deviation <sup>^</sup>	9.55	15.04
Up Capture Ratio <sup>^</sup>	43.39	-
Down Capture Ratio <sup>^</sup>	70.16	-

\*in millions; <sup>^</sup>rolling 5 year

## FUND MANAGERS

### Paula Chastain

22 years with firm

20+ years in industry

### Jacob Hartl, CFA

12 years with firm

20 years in industry

## 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>

## ABOUT THE HANCOCK HORIZON FUNDS

Hancock Horizon Funds, founded in 2000, manage 9 mutual funds in equity, state specific tax-free income, 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. With short sales, you risk paying more for a security than you received from its sale. Current and future holdings are subject to risk. There is no guarantee the fund will achieve its stated objective. Short sales losses are potentially unlimited and the expenses involved with the shorting strategy may negatively impact the performance of the fund. The Fund may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses. Investments in smaller companies typically exhibit higher volatility. REIT investments are subject to changes in economic conditions, credit risk and interest rate fluctuations.

© The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. As of 6/30/20 HHQAX and HHQTX were rated against 183 Long/Short Equity funds over a three-year period and 141 funds over a five-year period and 39 over a 10 year period. With respect to these funds, HHQTX and HHQAX received a rating of 2 stars for the three-year period, 2 stars for the five-year period, and 4 stars for the 10 year period. Past performance is no guarantee of future results. This information: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. © 2020 Morningstar, Inc. All rights reserved. The Morningstar Rating does not include any adjustment for sales loads. Other available shares classes may have different rankings.

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. Standard deviation is a measure of a portfolio's return dispersion and is a statistical measure of volatility that indicates the risk associated with a return series. 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. Beta is a measure of a stock's volatility in relation to the market.

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