

# **HERMES LINDER FUND SICAV PLC**

**SV 100**

**Interim report and unaudited  
interim financial statements**

For the six-month period ended  
29 February 2020

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## **MANAGEMENT AND ADMINISTRATION**

<i>Directors:</i>	Mr. Ivan Fsadni Mr. Tom Anastasi Pace Mr. Claudio Palladini Mr. David Galea Souchet
<i>Secretary:</i>	Mr. Maximilian Galea
<i>Registered office:</i>	Level 14, Portomaso Business Tower, Portomaso, St. Julians, Malta.
<i>Country of incorporation:</i>	Malta
<i>Company registration number:</i>	SV 100
<i>Auditor:</i>	Deloitte Audit Limited, Deloitte Place, Mriehel Bypass, Mriehel, Malta.
<i>Investment manager:</i>	Praude Asset Management Limited, Level 14, Portomaso Business Tower, Portomaso, St. Julians, STJ 4011 Malta.
<i>Custodian:</i>	Bank of Valletta p.l.c. 58, Zachary Street, Valletta VLT 1130, Malta.
<i>Administrator and Registrar:</i>	BOV Fund Services Limited, TG Complex, Suite 2, Level 3, Brewery Street, Central Business District, CBD 3040 Malta.

## **DESCRIPTION**

### **1 Authorisation**

Hermes Linder Fund SICAV PLC is organised as a multi-fund investment company with variable share capital (SICAV) pursuant to the Companies Act, Cap 386 of the Laws of Malta, as registered on the 25<sup>th</sup> March 2009. The Company is licensed by the Malta Financial Services Authority as a Collective Investment Scheme under the Investment Services Act, Cap 370 of the Laws of Malta. As of 1 September 2010, the Company qualifies as 'Maltese UCITS' in terms of the Investment Services Act (Marketing of UCITS) Regulations 2011 (Legal Notice 241 of 2011).

As at 29 February 2020, the Company has established one sub-fund – Hermes Linder Fund, which has three classes of shares - Class A Voting Shares and Class B Voting Shares.

### **2. Risk warning**

Past performance is not necessarily a guide to future performance. The value of investments and the currency in which these are denominated may go down as well as up and investors may not always get back their initial investment. Investments in collective investment schemes should be regarded as a medium to long-term investment.

This interim report does not constitute an offer of units in the Fund. The opinions expressed are given in good faith and should not be construed as investment and/or tax advice.

### **3. Prospectus, Supplement and Key Investor Information Document**

Full information on the Fund is contained in the Prospectus, Supplement and Key Investor Information Document which are available from the registered office of the Fund or the Investment Manager.

## **MANAGER'S REPORT**

For the six month period ended 29th February 2020

### **Introduction**

Hermes Linder Fund is an open-ended collective investment scheme organised as a multi-fund limited liability company with variable share capital registered under the laws of Malta and licensed by the Malta Financial Services Authority in terms of the Investment Services Act (Chapter 370 of the Laws of Malta). The Company qualifies as a "Maltese UCITS" in terms of the Investment Services Act (Marketing of UCITS) Regulations 2011 (Legal Notice 241 of 2011).

### **Investment Objective**

Hermes Linder Fund aims to achieve long-term appreciation principally through value investing in listed securities.

### **Strategy & Investment Policy**

The policy adopted by the Fund has been that of investing most of its assets in securities quoted on the major exchanges of the developed world. The Fund focuses on value and is willing to withstand the added risks that are associated with small caps provided that the risk taken is adequately justified by prospective reward in the medium-long term. Positions are usually held, on average, for a number of years and the turnover is limited. On an ongoing basis, at least 20% of the assets are always invested in very liquid securities. Additionally, derivatives may be used mainly for efficient portfolio management and to a limited extent for investment purposes.

### **Report of the Investment Manager**

Hermes closed the half-year period from 1<sup>st</sup> September 2019 to 29<sup>th</sup> February 2020 with a performance of -1.7% for Class A and -2.19% for Class B. In the period from September to December 2019, Hermes was up 9.87% (Class A) and 9.51% (Class B). However, this positive performance was more than offset by the global stock market crash, driven by the COVID-19 crisis, which began on 20<sup>th</sup> February 2020.

The Fund is not managed in accordance with any benchmark. Merely as a point of reference we can note that, during the 6-month period under review, the Euro Stoxx 50 returned -2.84% and the Stoxx Europe 600 returned -1.01%. The Bloomberg Barclays EuroAgg Total Return Index (consisting of investment grade, euro-denominated, fixed-rate bonds including treasuries, government-related, corporate and securitized issuers) returned -0.48% during this time. The Eurekahedge European Hedge Fund Index (made up of 256 constituent funds investing exclusively in Europe) returned +1.01% during the same period.

Ever since the 2008 financial crisis, central banks have been increasing the money supply without there being a corresponding increase in inflation. As a result, central banks are increasingly removing uncertainty from financial markets through massive intervention at any downturn. They provide an increasing amount of liquidity and they buy an ever-increasing amount of bonds and continue to enlarge the kind and the quality of the securities they buy, acting as a backstop and removing the worry of default from investors' minds for particular assets. Despite the resulting negative or very low yields for high-quality bonds which should disincentivise a long-term prudent investor, high-quality government bonds are still bought by the central banks or because of the regulation enacted by them and otherwise are bought by market players that look for short-term capital gains as they bet on the decrease of interest rates. It is quite clear that the market is distorted if long-term government bonds don't provide anymore an opportunity for long-term capital preservation to all those players that have this target.

As positive risk-free returns cannot be earned in the bond market, this creates a major problem for asset managers, pension funds and insurance companies. Consequently, these players then turn to the high-yield bond market where the risk/reward ratio is badly affected by the blind liquidity that goes into the overall bond market thanks to central banks' continuous intervention. Bond ETFs – often composed of very illiquid constituents – will add further potential issues as their growing size and disregard for quality and liquidity of constituents will become another factor of instability for the bond

## **MANAGER'S REPORT**

For the six month period ended 29th February 2020

market that will have to be, once again, addressed through the intervention of central banks. Equity ETFs are viewed as attractive due to their liquidity and their cost-effectiveness relative to active management. This causes abundant flows out of active management and into ETFs and so, the shares in the underlying indices outperform, leading to outperformance of the ETFs which, in turn, attracts further flows. Overall, liquidity is becoming more and more the driver of the performance of the market but any kind of selection is forgotten and this leaves the Manager very uncomfortable with joining the herd.

From another point of view, it can be noted that private equity is thriving but the multiples that are recognised in private equity transactions are often much higher than those recognised for comparable companies listed in public equity markets. In the opinion of the Manager, this is the evidence which shows where the real value lies. Nonetheless, it can be noted that private equity and ETFs share a common characteristic: when they are purchased by a professional investment manager, they involve a much lower degree of responsibility for the asset manager. The ETF performs in line with the chosen underlying index or basket of assets so the performance will be, by definition, in line. Private equity don't have daily or weekly or monthly NAVs and so it can take years before a disastrous investment in private equity reveals its poisonous character and in the meantime, the investor can sleep well.

Consequently, the Manager believes that the best value can be found in equity investments and in particular, in small and mid-sized companies with a history of reliable profitability, predictable future profits, not subject to displacement by technologies and having undemanding multiples relative to peers. All in all, the best value is in all those shares that are now out of fashion. Special care is also given to selecting companies with a strong solvency and liquidity position, the importance of which is highlighted during the current COVID-19 crisis. Sometimes bond markets can be interesting when it comes to corporate issuers that are in jeopardy. Overall, the Manager believes that the companies chosen are well-positioned to be able to weather this storm and that the value intrinsic to these names will become apparent both during the crisis and upon economic recovery. We will now individually examine the worst and best performers held by the Fund during the period under review.

The worst performer during the period under review was K+S - a provider of mineral products. The share price was strongly impacted by the weakening of the potash market. Adverse weather conditions as well as a temporary import ban on potash in China resulted in downward pressure on demand and prices. The position started to be reduced during the period under review and was eventually closed shortly after the end of the period due to concerns about the company's debt levels in an increasingly deteriorating environment.

The second and third worst performers during the period under review were the positions in the airports Flughafen Wien and Flughafen Zurich, falling 18.8% and 19.8% respectively during the period under review. The drop mainly occurred from 20<sup>th</sup> February onwards as the narrative surrounding the COVID-19 crisis turned increasingly negative and as the airport industry was communicating significant slowdowns in traffic and a high degree of uncertainty over their 2020 guidance. It was later announced that Flughafen Wien's March Traffic was down 66% and saw a 99% drop in the first half of April. A similar trend could be seen at Flughafen Zurich with March traffic down 63% and a 95% fall in the first half of April. Both airports have responded by introducing short-time working, reducing operating expenses, lowering capital expenditure and by cancelling the dividend. Both companies also have state aid packages available to them. The Manager is confident about the ability of these two resilient companies to weather this storm. COVID-19 consequences will have to be further assessed in the next months. Unrelated to the COVID-19 crisis, the Manager continued to reduce the exposure to Flughafen Zurich - the share which was the largest holding in the portfolio for more than 12 years and made astonishing returns. However, now, increasing regulation and the regulators' consciousness about the high return that airport operators have had in the last 10 years, especially when compared to their cost of capital, hint that the business doesn't have clearly bright perspectives to maintain Flughafen Zurich as the largest position of the Fund.

## **MANAGER'S REPORT**

For the six month period ended 29th February 2020

On the positive side, the best performer during the period under review was CPL Resources - an Irish recruitment and temporary work company, operating mostly in Ireland and the UK. CPL's share price rose 30% during the period. The results released by CPL throughout the period under review continued to show strong revenue growth, exceptional profitability growth and impressive cash generation. This position was the fifth largest position in the portfolio at the start of the period.

Approximately a third of the shares held were sold at an average price of €8.16 (compared to a price at the start of the period of €6.20). This was only done to reduce the portfolio's exposure to the illiquid holdings in the Fund as the market crash was commencing. During the current market environment, the Manager is optimistic about the company's strong cash position and high-quality management, as well as its positioning as it works for the UK NHS and many pharmaceutical companies. The Manager would look to increase the position again in the future as opportunities arise.

The second-best performing position during the period was Acsm-Agam, an Italian utility. The Fund sold its 2.22m shares at €2.75 in February (vs. a market price of €1.74 at the start of the period) to Ascopiave as part of a larger deal (also involving other funds managed by the Manager) where Ascopiave purchased a 3.67% stake in Acsm-Agam. A2A, a competitor of Ascopiave, had recently bought 4.1% in Ascopiave with the probable aim of becoming an influential minority shareholder of Ascopiave and appointing a member of the Board of Directors and the Chairman of the audit panel. A countermove of Ascopiave was impossible due to the highly different size of the two operators. The Manager suggested that the management of Ascopiave buy the 3.67% stake in Acsm-Agam from the Fund and other funds managed by the Manager. By purchasing the shares, Ascopiave became the largest minority shareholder of Acsm-Agam with the right to appoint the Chairman of the audit panel. As A2A holds 41% of the shares of Acsm-Agam and 90% is held overall by A2A and other partners of A2A, Ascopiave was able to get the same weapon that A2A was supposed to be using against Ascopiave. This idea allowed the funds to sell their shares 1 euro per share higher than the market price at the time of the transaction.

The third best performing share was Sesa, up 46% over the period, showing strong growth trends both in terms of revenues and in terms of profitability. In the current environment, the share is doing well due to the increased trend of teleworking from which the business is benefitting.

The Fund also has a position in the Greenyard 2021 convertible bond which represented 3.13% of the Fund as at the end of the period under review. Greenyard is a Belgian seller of fresh, frozen and prepared fruit and vegetables. After various challenges in 2018 and 2019 including a listeria outbreak in one of its Hungarian factories and a subsequent recall, a guidance cut due to adverse weather conditions and pricing pressure as well as the company requiring a covenant waiver from its banks, the bond was trading at €57.44 at the beginning of the period under review. This increased to €69.34 by the end of the period. In this case, the risk/reward seemed quite interesting as Greenyard, the issuer of the bond, after the crisis it went through still deserved a market cap of at least €150 million while the bonds were discounting a sharp haircut. The successful repayment of the bond would provide a return of more than 20%.

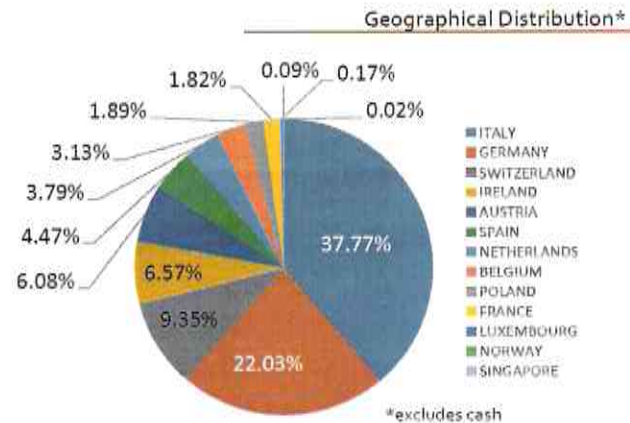
To conclude, the Manager will stick mainly to the previously described strategy of investing in high-quality small and mid-cap equities which have strong balance sheets to survive the crisis. Furthermore, at the time of writing, hedges are in place (shorting FTSE MIB futures) particularly to cover the country risk of the Italian part of the portfolio. The Manager will continue to review the risk/return of each individual security continuously as the COVID-19 crisis and its economic and policy implications continue to develop.

## MANAGER'S REPORT

For the six month period ended 29th February 2020



### Industrial diversification as at end February 2020



### Geographical Diversification as at end February 2020

#### Five largest holdings as at end February 2020

Rank	Security	Type	Country	Industry	Sub-Sector	% of Portfolio
1	Buzzi Unicem SpA	Equities	ITALY	Industrials	Building Materials & Fixtures	5.11%
2	Wuestenrot & Wuertembergische	Equities	GERMANY	Financials	Specialty Finance	4.45%
3	Flughafen Wien AG	Equities	AUSTRIA	Industrials	Transportation Services	4.04%
4	Schaltbau Holding AG	Equities	GERMANY	Industrials	Commercial Vehicles & Trucks	3.85%
5	Autostrade Meridionali SpA	Equities	ITALY	Industrials	Transportation Services	3.16%



## MANAGER'S REPORT

For the six month period ended 29th February 2020

### Asset Allocation as at end of February 2020

	% of NAV
Equities	93.80%
Bonds	3.36%
Cash	2.82%
Warrants	0.02%

### Published Net Asset Value Per Share, Number of Shares and Net Asset Value 31<sup>st</sup> August 2019

Share Class	Net Asset Value per Share	Number of Shares in Issue	Net Asset Value
A	€5,084.236	48,225.259	€245,188,638.08
B	€1,817.937	12,174.105	€22,131,756.99
C	N/A	N/A	N/A

### 28<sup>th</sup> February 2020

Share Class	Net Asset Value per Share	Number of Shares in Issue	Net Asset Value
A	€4,998.083	46,325.97	€231,541,072.83
B	€1,778.221	9,481.074	€16,859,452.34
C	N/A	N/A	N/A

**Note:** The opinions expressed are given in good faith and should not be construed as investment advice.

## UNAUDITED INTERIM FINANCIAL STATEMENTS

### UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION

as at 29 February 2020

	The Hermes Linder Fund SICAV p.l.c.	
	29.02.2020	31.08.2019
	€	€
<b>ASSETS</b>		
Financial assets at fair value through profit or loss	241,757,825	264,832,241
Accrued income	208,848	74,881
Receivables	1,467,062	-
Cash and cash equivalents (note 3)	5,338,054	2,916,763
<b>Total assets</b>	<b>248,771,789</b>	<b>267,823,885</b>
<b>LIABILITIES</b>		
Trade and other payables	377,488	502,732
<b>Total liabilities (excluding net assets attributable to holders of redeemable shares)</b>	<b>377,488</b>	<b>502,732</b>
<b>Net assets attributable to holders of redeemable shares</b>	<b>248,394,301</b>	<b>267,321,153</b>

The accounting policies and notes on pages 14 to 21 are an integral part of these interim financial statements.

These unaudited interim financial statements were approved by the board of directors, authorised for issue on 24 April 2020 and signed on its behalf by:



Mr. Ivan Fsadni  
Director



Mr. David Galea Souchet  
Director

**UNAUDITED INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE  
TO HOLDERS OF REDEEMABLE SHARES**

*for the period ended 29 February 2020*

	<b>The Hermes Linder Fund SICAV p.l.c.</b>	
	<b>01.09.2019- 29.02.2020</b>	<b>01.09.2018- 28.02.2019</b>
	€	€
<b>At beginning of period</b>	<b>267,321,153</b>	312,355,577
Creation of shares	<b>5,691,592</b>	28,951,230
Redemption of shares	<b>(21,146,062)</b>	(28,212,961)
Net change in net assets attributable to holders of redeemable shares	<b>(3,472,382)</b>	(16,537,227)
<b>At end of period</b>	<b><u>248,394,301</u></b>	<u>296,556,619</u>

**UNAUDITED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
for the period ended 29 February 2020

	<b>The Hermes Linder Fund ICAV p.l.c.</b>	
	<b>01.09.2019- 29.02.2020</b>	<b>01.09.2018- 28.02.2019</b>
	€	€
<b>Investment income</b>		
Dividend income	137,903	556,612
Interest income	610,039	130,744
Net (loss) on financial instruments at fair value through profit or loss	<u>(2,321,492)</u>	<u>(14,865,343)</u>
	<b>(1,573,550)</b>	<b>(14,177,987)</b>
<b>Operating expenses</b>	<u>(1,794,808)</u>	<u>(2,177,041)</u>
<b>Change in net assets attributable to holders of redeemable shares before withholding tax</b>	<b>(3,368,358)</b>	<b>(16,355,028)</b>
Withholding tax paid on behalf of holders of redeemable shares	<u>(104,024)</u>	<u>(182,199)</u>
<b>Change in net assets attributable to holders of redeemable shares</b>	<u><b>(3,472,382)</b></u>	<u><b>(16,537,227)</b></u>

## UNAUDITED INTERIM STATEMENT OF CASH FLOWS

for the period ended 29 February 2020

	<b>The Hermes Linder Fund Sicav p.l.c.</b>	
	<b>01.09.2019- 29.02.2020</b>	<b>01.09.2018- 28.02.2019</b>
	<b>€</b>	<b>€</b>
<b>Net cash flows used in operating activities</b>	<b>(1,252,822)</b>	<b>(1,605,675)</b>
<b>Net cash flows generated from/(used in) investing activities</b>	<b>19,128,583</b>	<b>(18,459,712)</b>
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(15,454,470)</b>	<b>738,269</b>
<b>Net movements in cash and cash equivalents</b>	<b>2,421,291</b>	<b>(19,327,118)</b>
Cash and cash equivalents at beginning of period	<b>2,916,763</b>	<b>20,524,039</b>
<b>Cash and cash equivalents at end of period</b>	<b>5,338,054</b>	<b>1,196,921</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

At the reporting date, Hermes Linder Fund SICAV plc ("the Company"/the Fund) has constituted one sub-fund which is a segregated patrimony and is represented by different classes of shares. These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' and are consistent with the accounting policies used in the preparation of the audited financial statements for year ended 31 August 2019. These unaudited condensed interim financial statements have also been prepared in accordance with the requirements of the Malta Financial Services Authority's Investment Services Rules for Retail Collective Investment Schemes.

Hermes Linder Fund SICAV PLC is organised as a multi-fund investment company with variable share capital (SICAV) pursuant to the Companies Act, Cap 386 of the Laws of Malta, as registered on the 25th March 2009. The Company is licensed by the Malta Financial Services Authority as a Collective Investment Scheme under the Investment Services Act, Cap 370 of the Laws of Malta. As of 1 September 2010, the Company qualifies as 'Maltese UCITS' in terms of the Investment Services Act (Marketing of UCITS) Regulations 2011 (Legal Notice 241 of 2011).

The unaudited condensed interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are stated at their fair values and in accordance with International Financial Reporting Standards as adopted by the EU. The significant accounting policies adopted are set out below.

#### *Standards and amendments to existing standards effective during the period*

A number of new standards, interpretations and amendments to existing standards are effective for annual periods beginning after 1 September 2019 and earlier application is permitted; however, the Company has not early applied these new or amended standards or interpretations in preparing these financial statements.

Of those standards that are not yet effective, none is expected to have a material impact on the Company's financial statements in the period of initial application.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 2. Significant accounting policies

#### *Financial instruments*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

#### (i) Receivables

Receivables are classified with assets and stated at their nominal value unless the effect of discounting is material, in which case receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired.

#### (ii) Financial assets at fair value through profit or loss

##### ***Classification***

The Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below. In applying that classification, a financial asset or financial liability is considered to be held-for-trading if these are acquired principally for the purpose of selling in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading. The Company does not classify any derivatives as hedges in a hedging relationship.

#### (a) *Financial assets*

The Company classifies its financial assets as subsequently measured at amortised cost or measured at FVTPL on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

##### Financial assets at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortised cost include debt securities, term deposits, accrued income, other receivables (representing amounts receivable for transactions contracted for but not yet delivered by the end of the period) and cash and cash equivalents.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### (ii) Financial assets at fair value through profit or loss (continued)

##### Financial assets at Fair Value through Profit or Loss

A financial asset is measured at FVTPL if it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or its contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, the Company may irrevocably designate a financial asset as measured at FVTPL when doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company includes in this category, derivative contracts in an asset position and equity and debt instruments classified as held for trading. Financial assets managed, evaluated and reported on a fair value basis in accordance with the Fund's documented investment strategy are mandatory measured at FVTPL.

#### (b) *Financial liabilities*

##### Financial liabilities measured at amortised cost

Financial liabilities that are not classified at FVTPL are classified at amortised cost. Financial liabilities measured at amortised cost include other payables (representing amounts payable for transactions contracted for but not yet delivered by the end of the period) and overdrawn bank balances.

##### Financial liabilities measured at Fair Value through Profit or Loss

A financial liability is measured at FVTPL if it meets the definition of held for trading. The Company includes in this category, derivative contracts in a liability.

#### ***Recognition, derecognition and measurement***

Regular purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets or financial liabilities are initially recognised at fair value, and transaction costs for all financial instruments carried at FVTPL are expensed as incurred. Financial assets are derecognised when the rights to receive cash flows expire or the Company has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities at FVTPL category are included in the Statement of Comprehensive Income in the period in which they arise. Interest and dividends earned or paid on these instruments are recorded separately in 'other net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss' and 'dividend income' in the Statement of Comprehensive Income.

Debt instruments, other than those classified as at FVTPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the Statement of Comprehensive Income. Any gain or loss on derecognition is recognised in the Statement of Comprehensive Income. Financial liabilities, other than those classified as at FVTPL, are measured at amortised cost using the effective interest method.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### (ii) Financial assets at fair value through profit or loss (continued)

The fair value of financial instruments listed or dealt on a regulated market, is based on the latest available dealing price, appearing to the Directors. The fair values of unquoted investments are established by using valuation techniques. These include reference to recent financial statements and similar financial instruments as well as option pricing models.

#### **Impairment**

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Debt securities that are determined to have a low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and supportable information that is relevant and available without undue cost or effort. In this regard, the Company has an internal credit scoring system in place that analyses the credit quality of the counterparties accordingly. Such credit scoring system takes into consideration both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, and also considers the counterparties' macroeconomic context.

The Company has elected the rebuttable presumption from IFRS 9 by assuming that the credit risk on a financial asset has increased significantly if the financial asset is more than 30 days past due.

Moreover, if the counterparty becomes downgraded by two notches (or more) based on the credit score assessment, the Company deems the financial asset's credit risk to have increased significantly.

Moreover, the Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

The maximum period considered when estimated ECLs is the maximum contractual period over which the Company is exposed to credit risk.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

(iii) Trade payables and other payables

Trade payables and other payables are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

(iv) Realised and unrealised gains and losses

Investment transactions are recorded on a trade date basis. Realised gains or losses on investments are calculated on a weighted average cost and are disclosed within net gain on financial assets at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

(v) Convertible bond

The convertible bond represents a hybrid contract with an embedded derivative. The Company does not account for the embedded derivative separately and designates the entire instrument as at fair value through profit or loss upon initial recognition and is subsequently re-measured to its fair value at the end of each reporting period. The Company designates hybrid contracts as a financial asset or financial liability at fair value through profit or loss when such contracts contain one or more embedded derivatives and when it is permitted to do so.

(vi) Net assets attributable to shareholders

The liability to participating shareholders is presented in the statement of financial position as "Net assets attributable to holders of investor shares" and is determined based on the residual assets of the Company after deducting all other liabilities.

(vii) Margin account

Margin accounts represent cash deposits held with brokers as collateral against open futures and option contracts and are included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Company classifies that asset in its statement of financial position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### *Revenue recognition*

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

(ii) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established. Dividend income relating to exchange-traded equity securities and dividend expense relating to exchange-traded equity securities sold short are recognised in the statement of profit and loss and other comprehensive income on the ex-dividend date.

#### *Taxation*

The taxation of collective investment schemes is based on the classification of funds into prescribed or non-prescribed funds in accordance with the Collective Investment Schemes (Investment Income) Regulations, 2001.

The Company qualifies as a non-prescribed fund in terms of these regulations on the basis that the value of the fund's assets situated in Malta are less than eighty-five per cent of the value of its total assets.

Accordingly the income and capital gains of Hermes Linder Fund SICAV plc are not subject to Malta income tax pursuant to the provisions of the Income Tax Act (Chap. 123).

Foreign tax withheld on dividend income is accounted for when the Company recognises the related dividend in the statement of profit or loss and other comprehensive income.

#### *Currency translation*

The interim financial statements of the Company are presented in €, which is the currency used for the financial statements and the currency in which the Company's share capital is denominated, in accordance with the provisions of article 187 of the Companies Act (Cap. 386). The sub-fund's functional currency is the currency of denomination of the sub-fund as stipulated in the prospectus.

Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction.

Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in the statements of profit or loss and other comprehensive income.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, fiduciary and margin deposits.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 3. Bank Balances

The bank balance disclosed within the Unaudited Interim Statement of Financial Position as at 29 February 2020 amounted to €5,338,054 (2.15% of Net Asset Value) (31 August 2019: €2,916,763 – 1.09% of the Net Asset Value) and held with Bank of Valletta plc.

### 4. Related Party Disclosures

During the period, the Fund entered into transactions with key management personnel as set out below:

Mr. Claudio Palladini is a director and founder member of the Fund. Mr. Tom Anastasi Pace is both director of the Fund and director of Praude Asset Management Limited, the investment manager of the Fund. During the period under review, the Fund incurred management fees amounting to €1,508,378 (2019: €1,726,795). Directors' fees amounting to €14,959 (2019: €10,712) were incurred during the period.

### 5. Fair Value Estimation

IFRS 7 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of financial assets of listed equity securities and quoted debt securities are based on quoted market prices at the close of trading on the reporting date (Level 1 for active markets, Level 2 for inactive markets).

The fair value of over-the-counter foreign currency forward derivative contracts is determined using quoted spot and forward exchange rates at the measurement date and present value calculations based on high credit quality yield curves in the respective currencies (Level 2). The fair value of corporate debt securities having no quoted price available at the measurement date is based on the last quoted market price available adjusted by a discount for additional credit risk, lack of marketability, illiquidity and pricing uncertainty (Level 3).

The following tables analyse the fair value hierarchy within the Fund's financial assets at fair value through profit or loss:

<b>29 February 2020</b>	<b>Total EUR</b>	<b>Level 1 EUR</b>	<b>Level 2 EUR</b>	<b>Level 3 EUR</b>
<i>Financial assets held for trading</i>				
- Equity instruments	<b>233,428,448</b>	<b>233,428,448</b>	-	-
- Debt instruments	<b>8,270,373</b>	<b>8,270,373</b>	-	-
- Derivative financial instruments	<b>59,004</b>	<b>59,004</b>	-	-
	<b>241,757,825</b>	<b>241,757,825</b>	-	-

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 5. Fair Value Estimation (continued)

31 August 2019	Total EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
<i>Financial assets held for trading</i>				
- Equity instruments	258,297,201	258,297,201	-	-
- Debt instruments	6,505,834	6,505,834	-	-
- Derivative financial instruments	29,206	29,206	-	-
	<u>264,832,241</u>	<u>264,832,241</u>	-	-

The fair values of other financial assets and financial liabilities are not materially different from their carrying amounts.

Cash and cash equivalents include deposits held with banks.

The fees payable and accruals represent the contractual amounts and obligations due by the Fund for settlement of expenses.

The puttable value of redeemable shares is calculated based on the net difference between total assets and all other liabilities of the Sub-Fund in accordance with the offering documents. A demand feature is attached to these shares, as they are redeemable at the holders' option and can be put back to the Sub-Fund at any dealing date for cash equal to a proportionate share of the Sub-Fund's net asset value attributable to the share class. The fair value is based on the amount payable on demand, discounted from the first date that the amount could be required to be paid. The impact of discounting in this instance is not material. As such, Level 2 is deemed to be the most appropriate categorisation for net assets attributable to holders of redeemable shares.

### 6. Subsequent events

By 11 March 2020, the World Health Organisation declared COVID-19 as a pandemic. The duration and future economic impact of COVID-19 pandemic is difficult to predict. However, the Directors of the Company and Investment Manager are actively monitoring the developments closely, to be able to appropriately reflect its potential effects on the Company. As of the date these financial statements have been authorised for issue, based on information available, there is no impact on company's ability to continue as a going concern caused by COVID-19.

## UNAUDITED SUPPLEMENTARY DISCLOSURES

### Portfolio Statement

as at 29 February 2020

	Market Value 29.02.2020 EUR	% of Net Assets
<b>QUOTED EQUITIES</b>		
Actia Group	512,576	0.21
Adesso AG	6,513,136	2.62
Andritz AG	2,078,758	0.84
ASR Nederland NV	2,260,807	0.91
Autostrade Meridionali SpA	7,856,384	3.16
Avio SpA	6,588,657	2.65
Bam Groep NV	2,603,414	1.05
Basic Net	3,398,553	1.37
Bauer AG	1,965,464	0.79
Brunel Intl	1,046,414	0.42
Bucher Industries AG	2,179,485	0.88
Buzzi Unicem SpA	12,708,000	5.12
Cattolica Assicura	1,983	0.00
Cementir Holding SpA	7,653,318	3.08
Cpl Resources PLC	7,684,256	3.09
Dalata Hotel Group PLC	4,073,272	1.64
DPA Group NV	1,817,339	0.73
Duerr AG NPV	295,575	0.12
EI.En. SpA	2,729,128	1.10
Emak SpA	1,777,500	0.72
FBD Holdings	1,171,716	0.47
Figeac Aero	230,258	0.09
Fjord1 ASA	231,724	0.09
Flughafen Wien AG	10,058,125	4.05
Flughafen Zurich AG	7,050,003	2.84
FNM SpA	3,973,725	1.60
GPI SpA	613,340	0.25
GPO Catalana Occid	4,165,069	1.68
Hamburger Hafen und Logistik A	4,225,940	1.70
Helvetia Holding AG	5,229,872	2.11
ICT Group NV	1,705,204	0.69
Interpump Group SpA	2,209,619	0.89
Irish Continental Group PLC	1,033,613	0.42
Italian Wine Brands SpA	5,040,678	2.03
Jungfraubahn Holding AG	3,094,691	1.25
K & S AG NPV	2,263,128	0.91
Kinghero AG	-	-
Koenig & Bauer AG	1,996,031	0.80
Krones AG	3,552,159	1.43
La Doria SpA	2,507,690	1.01

LU-VE SpA	7,140,224	2.87
Mayr Melnhof Karton AG	1,086,779	0.44

## UNAUDITED SUPPLEMENTARY DISCLOSURES

### Portfolio Statement

as at 29 February 2020

	Market Value 29.02.2020 EUR	% of Net Assets
<b>QUOTED EQUITIES (Continued)</b>		
Melia Hotels Intl	2,224,960	0.90
NB Aurora SA	413,196	0.17
NH Hotel Group SA	2,899,253	1.17
OHB SE	4,203,956	1.69
Openjobmetis Spa agenzia per i	6,538,486	2.63
Orsero SpA	6,487,637	2.61
Palfinger AG	394,332	0.16
PSB Industries SA	544,850	0.22
Rosenbauer International AG	1,515,409	0.61
Safilo Group NPV	7,403,327	2.98
Savencia SA	3,238,733	1.30
Schaltbau Holding AG	9,576,730	3.86
Sesa SpA	5,890,298	2.37
Siti B&T Group SpA	416,241	0.17
SMT Scharf AG	867,834	0.35
Sogefi SpA	1,333,066	0.54
Somec NPV	779,366	0.31
Stalexport Autostrady SA	955,184	0.38
SUESS MicroTec SE	1,425,934	0.57
T T J Holdings Ltd	49,195	0.02
Talgo	1,845,076	0.74
Technotrans AG	884,002	0.36
Total Produce	2,393,357	0.96
Vaudoise Assurances Holding SA	5,736,537	2.31
Wacker Neuson SE	5,952,223	2.40
Warsaw Stock Exchange	3,751,195	1.51
Wiit NPV	301,321	0.12
Wuestenrot & Wuerttembergische	11,083,143	4.46
<b>Quoted Corporate Bonds</b>		
Greenyard 3.75% 2021	7,697,073	3.10
Piteco SPA 4.5% 2020	573,300	0.23

### Derivatives – Equity warrants

D Amico 2019 WTS	16,478	0.01
GPI 2021 WTS	29,500	0.01
VEI 1 2023 CVD.WT	13,026	0.01

## UNAUDITED SUPPLEMENTARY DISCLOSURES

### Statement of Changes in the Composition of the Portfolio

The composition of the portfolio, detailed in the Portfolio Statement on pages 22 to 23, in comparison with the Portfolio Statement as at 31 August 2019 stood as follows:

	<b>% of net assets 29.02.2020</b>	<b>% of net assets 31.08.2019</b>
Quoted Equities	<b>93.97</b>	96.62
Quoted Convertible Bonds	<b>3.33</b>	2.43
Warrants	<b>0.02</b>	0.01



## UNAUDITED SUPPLEMENTARY DISCLOSURES

### Salient statistics and information about the sub-fund

Period ended 29 February 2020

Hermes Linder Fund SICAV PLC is a Collective Investment Scheme organised as a multi-fund with variable share capital under the laws of the Republic of Malta and licensed by the Malta Financial Services Authority under the Investment Services Act (Chap. 370).

The Investment Objective of the Sub-Fund is to achieve long-term appreciation principally through value investing mainly in the major equity markets.

<b><u>Salient Statistics</u></b>	<b><u>29.02.2020</u></b>
<b>Shares in issue as at 29 February 2020 (€ A Class)</b>	<b>46,325.970</b>
<b>Shares in issue as at 29 February 2020 (€ B Class)</b>	<b>9,481.074</b>
	€
<b>Net asset value as at 29 February 2020</b>	<b>248,394,301</b>
Net asset value as at 31 August 2019	267,321,153
	€
<b>Net asset value per share as at 29 February 2020 (€ A Class)</b>	<b>4,997.952</b>
<b>Net asset value per share as at 29 February 2020 (€ B Class)</b>	<b>1,778.126</b>
Net asset value per share as at 31 August 2019 (€ A Class)	5,084.236
Net asset value per share as at 31 August 2019 (€ B Class)	1,817.937

#### **Net asset value per investor share**

The net asset value per share is determined by dividing the net asset value of investor shares by the shares in issue at the end of the reporting period.

### **Information for investors in Switzerland (unaudited) As at 29 February 2020**

The Company is an umbrella investment company with capital incorporated in Malta. It has appointed Société Générale, Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland, as representative and paying agent for Switzerland. The prospectus, the Key Investor Information Document (KIID), memorandum and articles of association and a list of the purchases and sales made on behalf of the Company can be obtained from the representative, Société Générale, at the address above, free of charge.

Investors should contact the Swiss representative at the above address should they require additional information, e.g. on performance including the composition of the relevant indices where applicable.

#### **Total Expense Ratios – Unaudited**

The TER ("Total Expense Ratio") is expressed as a percentage.

#### **TER**

		<b>29.02.2020</b>	31.08.2019
Hermes Linder Fund	Class A	<b>1.16%</b>	1.23%
Hermes Linder Fund	Class B	<b>2.16%</b>	2.23%

This index is calculated in accordance with the directive on the calculation and publication of the TER and PTR issued by the Swiss Funds and Asset Management Association ("SFAMA") on 16 May 2008. The TER indicates all fees and charges applicable retrospectively to the assets of the SICAV (operating expenses) as a percentage of the net assets of the SICAV itself. The TER does not include transaction costs or other costs arising from the hedging of currency risks.