

Hermes Investment Funds PLC

Hermes Japan Small and Mid Cap Companies Fund

12 January 2010

SIMPLIFIED PROSPECTUS

This Simplified Prospectus contains key information in relation to Hermes Japan Small and Mid Cap Companies Fund (the "Fund"), which is a separate fund of Hermes Investment Funds plc (the "Company"). The Company is an open-ended umbrella investment company with variable capital and with segregated liability between funds incorporated in Ireland on 23 October 2008 and authorised on 24 November 2008 by the Irish Financial Services Regulatory Authority pursuant to the European Communities (UCITS) Regulations, 2003, as amended. The Company has its registered office at Georges Court, 54-62 Townsend Street, Dublin 2, Ireland. At the sole discretion of the Directors, application may be made for the Shares of any or all of the Share Classes to be listed on the Irish Stock Exchange either at the time of the launch of the relevant Share Class or at any time thereafter. As at the date of this Simplified Prospectus, application has not been made to the Irish Stock Exchange in respect of any of the Share Classes of the Fund. The base currency of the Company is Sterling. The Company has nine funds which are listed below with the base currency of each fund:

- Hermes UK Small and Mid Cap Companies Fund Sterling
- Hermes UK Smaller Companies Fund Sterling
- Hermes Pan European Small Cap Companies Fund Sterling
- Hermes Global Emerging Markets Fund Sterling
- Hermes Quant Global Equity Fund Sterling
- Hermes Sourcecap European Alpha Fund Sterling
- Hermes Global Equities Selection Fund Sterling
- Hermes Japan Small and Mid Cap Companies Fund Sterling
- Hermes Japan Equity Fund Sterling

Potential investors are advised to read the full prospectus dated 21 October 2009, the Fund's supplement dated 12 January 2010 and any addenda and any amendments thereto (together, the "Full Prospectus") before making an investment decision. The rights and duties of the investor as well as the legal relationship with the Company are laid down in the Full Prospectus. Capitalised terms used in this Simplified Prospectus, unless otherwise defined, shall bear the meaning set out in the Full Prospectus.

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| Investment Objective: | The investment objective of the Fund is to achieve long-term capital appreciation. |
| Investment Policy: | <p>The Fund will seek to achieve its objective by investing primarily in a diversified portfolio of equity securities of small and mid-capitalisation companies which the Investment Manager has identified as undervalued. These equity securities will normally be listed or traded on Regulated Markets in Japan, but may alternatively be listed or traded on other Regulated Markets set out in Appendix I to the Prospectus.</p> <p>Small and mid-capitalisation companies include companies that fall within equity securities that comprise the MSCI Japan Small/Mid Index. The MSCI Japan Small/Mid Index is a market capitalisation weighted rules-based index of listed Japanese companies which comprise of companies with market capitalisation that</p> |

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| | <p>currently typically range from £100million to £3.5 billion, when the indices are periodically reviewed. The levels of capitalisation may, however, change over time. Stock selection is determined by the Investment Manager by analysis and projections of earnings and cash-flow generation compared with market valuation. This analysis is supported by direct contacts with companies, published research and value screenings.</p> <p>The securities in which the Fund may invest include equity securities such as ordinary shares and preference shares. The Fund may hold warrants as well as cash, and may also invest in convertibles (including both preferred stock and debt), although the Investment Manager intends to only invest in these securities to a very limited extent, to be held occasionally as alternatives to the underlying equity. These convertible debt securities will be issued by corporate issuers and may be fixed and/or floating and rated and/or unrated. The Fund will not invest more than 10% of its Net Asset Value in unrated debt securities. Convertible debt securities are debt securities that are convertible into equity securities of the issuer. The Fund will only invest in convertible debt securities if they are covered by the Company's risk management process.</p> <p>In making its investment decisions, the Investment Manager will take account of any CGRI Guidelines with regards to the holding of either individual securities or various categories or classes of securities. The CGRI Guidelines are intended to provide guidance on achieving best practice standards of corporate governance and equity stewardship and with the aim of adding value to and/or preserving value in the Funds.</p> |
| <p>Risk Profile:</p> | <p>Investors' attention is drawn to the following risk factors. A more detailed description of the risk factors that apply to the Company and the Fund is set out in the Full Prospectus.</p> <p>Investing in small and mid cap markets involves certain risks and special considerations. Further details are available under the heading "Risk Factors" in the full Prospectus.</p> <p>The value of investments may fall as well as rise, and investors may not receive back the amount invested.</p> <p>There is no assurance that the investment objective of the Fund will be actually achieved.</p> |
| <p>Performance Data</p> | <p>The Fund is newly established and, as such, no performance data is currently available.</p> |
| <p>Profile of a Typical Investor:</p> | <p>Suitable for investors seeking capital growth over a medium term time horizon and who understand and accept the associated level of risk attached to the Fund. This Fund may not be appropriate for all investors.</p> |
| <p>Distribution Policy:</p> | <p>Accumulating Classes are not intended to distribute dividends to the Shareholders in the Fund. The income and other profits will be accumulated and reinvested on behalf of Shareholders. Dividends, if paid, may be paid out of the net income of the Fund including interest and dividends earned by the Fund less expenses of the Fund.</p> <p>Distributing Classes are intended to declare dividends on the Shares of the Distributing Classes of the Fund out of the net income of the Fund including</p> |

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| | interest and dividends earned by the Fund less expenses of the Fund. Dividends will be declared twice yearly and paid within two months of the date on which they have been declared. |
| Fees and Expenses: | <p>Shareholders Expenses</p> <p>Subscription Fee up to a maximum of 5.25% of the Net Asset Value per Share</p> <p>Redemption Fee none</p> <p>Switching Fee none</p> <p>Annual Operating Expenses</p> <p>Investment Management Fee up to 1% of the NAV in respect of the Class F Shares. base annual investment management fee of up to 0.75% of NAV in respect of Class P Shares, plus (if applicable) a performance fee of 10% of the outperformance of the performance fee benchmark index. per Client Agreement in respect of Z Shares.</p> <p>Administrator Fee - The Administrator is entitled to a fee at a rate of up to 0.0075% of the Net Asset Value of the Fund accrued and calculated daily and payable monthly in arrears, subject to an annual minimum fee of Stg£25,000. This minimum fee may be increased by Stg£2,500 per annum for each additional share class created after the establishment of the Fund.</p> <p>Custodian Fee - The Custodian is entitled, out of the assets of the Fund, to a fee of 0.0025% of the Net Asset Value, accrued and calculated daily and payable monthly in arrears.</p> <p>The Fund is newly established and, as such, no total expense ratio data or portfolio turnover rate data is currently available.</p> |
| Taxation: | <p>The Company is resident in Ireland for tax purposes and is not subject to Irish taxation charges on income or capital gains. No Irish stamp duty is payable on the issue, repurchase, redemption or transfer of shares in the Company.</p> <p>Shareholders and potential investors should consult with their professional advisers in relation to the tax treatment of their holdings in the Company.</p> |
| Publication of Share Price: | The latest Price for Shares will be available during normal business hours every Business Day at the office of the Administrator and will be published daily on the following website www.hermes.co.uk . |
| How to Buy/Sell Units/Shares: | <p>You can buy, sell and switch Shares on any Dealing Day directly from:</p> <p>Hermes Investment Management Limited Lloyds Chambers 1 Portsoken Street London E1 8HZ England</p> |

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| | <p>Tel: +44 20 7680 3705 Fax: +44 20 7680 2421 Hours of business 9am to 5pm (Irish Time) Mon – Fri</p> | |
| Additional Important Information: | Directors of the Company | <p>Paul McNaughton Justin Egan Brian Collins Patrick Galligan</p> |
| | Custodian | <p>Northern Trust Fiduciary Services (Ireland) Limited Georges Court 54-62 Townsend Street Dublin 2 Ireland</p> |
| | Administrator, Registrar and Transfer Agent | <p>Northern Trust International Fund Administration Services (Ireland) Limited</p> |
| | Investment Manager | <p>Hermes Investment Management Limited Llyods Chambers 1 Portsoken Street London E1 8HZ England</p> |
| | Promoter | <p>Hermes Investment Management Limited</p> |
| | Auditor | <p>Deloitte & Touche, Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland</p> |
| | Legal Advisors | <p>William Fry</p> |
| | <p>Additional information and copies of the Full Prospectus, the latest annual and half yearly reports (if any) may be obtained (free of charge) from:</p> <p>Northern Trust International Fund Administration Services (Ireland) Limited Georges Court 54-62 Townsend Street Dublin 2 Ireland</p> <p>Tel (+ 353) 1 434 5002 Fax (+ 353) 1 434 5286</p> | |