

Hermes Investment Funds PLC

Hermes Sourcecap European Alpha Fund

12 January 2010

SIMPLIFIED PROSPECTUS

This Simplified Prospectus contains key information in relation to Hermes Sourcecap European Alpha 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.

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 and equity related securities with a European bias (including Russia and Turkey) quoted or traded on Regulated Markets.</p> <p>The Investment Manager will seek to invest in growth-oriented companies with accelerating levels of income and cash flow. Primary research is undertaken in order to identify companies and industries undergoing fundamental change that are not recognised by other investors in the market. The key criteria used in company and industry level analysis are franchise value, valuation levels and forces for change. The Investment Manager's approach is a bottom-up stock selection driven approach where, in very general terms, approximately 60% of the Fund's assets</p>

	<p>will be invested based on stock specific selections and approximately 40% will be invested based on thematic and sector specific selections. These allocation ratios are given for illustrative purposes and may change from time to time. Generally, the Investment Manager focuses on entities with a free market capitalisation of €1 billion or more.</p> <p>The securities in which the Fund may invest include equity securities such as ordinary shares and preference shares, rights (which are issued by a company to allow holders to subscribe for additional securities issued by that company), global depositary receipts (“GDRs”), American depositary receipts (“ADRs”), exchange-traded and over-the-counter financial derivative instruments such as warrants and currency forwards. The Fund may also invest in investment grade corporate fixed rate convertible debt securities with a minimum rating of BBB by Standard & Poor’s or Baa by Moody’s or an equivalent rating by another rating agency listed or traded on a Regulated Market. Convertible debt securities are debt securities that are convertible into equity securities of the issuer. If the Fund gains exposure to securities issued by companies domiciled in Russia, it will do so through investment in GDRs and ADRs.</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 Russian securities involves certain risks and special considerations not typically associated with investing in other markets. 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>

	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>

	<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	Paul McNaughton Justin Egan Brian Collins Patrick Galligan
	Custodian	Northern Trust Fiduciary Services (Ireland) Limited Georges Court 54-62 Townsend Street Dublin 2 Ireland
	Administrator, Registrar and Transfer Agent	Northern Trust International Fund Administration Services (Ireland) Limited
	Investment Manager	Hermes Investment Management Limited Llyods Chambers 1 Portsoken Street London E1 8HZ England
	Sub-Investment Manager	Hermes Sourcecap Limited Llyods Chambers 1 Portsoken Street London E1 8HZ England
	Promoter	Hermes Investment Management Limited
	Auditor	Deloitte & Touche, Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland
	Legal Advisors	William Fry
	<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>	

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