

## SHINING A LIGHT ON..... HERMES GLOBAL EMERGING MARKETS FUND

### Update....

This remains, we believe, a hidden gem for those seeking a fund that invests in emerging markets. When speaking to the fund manager it is often his thoughts on global markets which are as important as where and how he invests.

Gary started by explaining that Emerging Markets are not a homogenous group, some are commodity based, some are manufacturing but what is clear is that for many the old emerging market model is out of date.

He turned to specific countries and started with China. He explained there are challenges with the country, as examples he feels the currency will weaken further, the industrial slowdown is likely to entrench and rising debts are something to watch. But he feels the market has discounted a lot of bad news and some reforms are starting to come through. As a country he is neutral but believes there are opportunities to be found.

In India reforms have been limited so far but there are lots of positive infrastructure projects taking place and reforms at state level. The country is also benefiting from cheap oil and he is finding good opportunities to invest. Turning to Brazil he explained the country is now in its second year of recession and the market at one point this year was down 81% from its peak. Recovery in Brazil is down to a change in government.

With this backdrop Gary explained that his remit remains which is to find good quality companies trading cheaply. An example in China is Hangzhou Hikvision who develop security systems, they have grown quickly and are now a globally competitive company recently signing deals with Bosch and Honeywell.

In India, Container Corporation has an 80% market share and with Japan investing in freight routes across India the company is well placed to benefit. Another company is Richter Gedeon Nyrt which is a Hungarian multinational pharmaceutical and biotechnology company.

Using these examples Gary explained that profitability is there helped by lower capital spending and productivity is starting to outpace page growth. The fund is about the companies but the macro does play a part, two countries of interest are Chile and Peru but at the moment the companies are not there.

Sector wise the fund is skewed towards IT and financial services with its country bias towards, India, China and Taiwan.

In summary Gary continues to outperform the index and is bullish that value from emerging markets will come through. We remain of the view that for those looking to invest in emerging markets this is a fund to consider.

# LWM Consultants Ltd

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## Fund performance

Performance vs iShares MSCI Emerging Markets 2011 to 29 February 2016 is shown below:

	2011	2012	2013	2014	2015	2016
<b>Hermes Global Emerging Market Fund</b>	-17.88%	8.27%	7.91%	8.35%	-6.27%	0.35%
<b>iShares MSCI Emerging Markets</b>	-20.53%	9.50%	-7.31%	2.62%	-11.15%	0.14%

Performance over 1, 3 and 5 years:

	1 Year	3 Years	5 Years
<b>Hermes Global Emerging Market Fund</b>	-6.26%	5.79%	8.94%
<b>iShares MSCI Emerging Markets</b>	-15.23%	-18.97%	-14.35%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

*The source of information in this note has been provided by Hermes and is correct as at March 2016. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well rise.*