

SHINING A LIGHT ON THE.....
Hermes Global Emerging Markets Fund

AT A GLANCE

Investment Objective	
The investment objective of the fund is to achieve long-term capital appreciation by investing primarily in a diversified portfolio of equity securities and equity related securities with an emerging markets bias, quoted or traded on regulated markets worldwide.	

Inception Date	1 st February 1993
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000PNTR

Management	
Manager Name	Start Date
Gary Greenberg	1 st July 2011

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	46.13%
Large	32.92%
Medium	18.52%
Small	2.43%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	53	
Assets in Top 10 Holdings	43.14%	
Name	Sector	% of Assets
Alibaba Group Holding Ltd ADR	Consumer Cyclical	7.21%
Taiwan Semiconductor Manufacturing Co..	Technology	6.84%
Samsung Electronics Co Ltd	Technology	6.73%
Tencent Holdings Ltd	Communication Services	6.70%
NMC Health PLC	Healthcare	2.87%
Bank Rakyat Indonesia (Persero) Tbk C...	Financial Services	2.86%
NARI Technology Co Ltd	Industrials	2.67%
Sberbank of Russia PJSC ADR	Financial Services	2.43%
AIA Group Ltd	Financial Services	2.42%
Techtronic Industries Co Ltd	Industrials	2.41%

Volatility Measurements	
3-Yr Std Dev (volatility)	18.45%
3-Yr Mean Return (average)	-1.16%

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FUND PERFORMANCE

Performance from 1st January 2014 to 28th February 2019:

	2014	2015	2016	2017	2018	2019	2020
Hermes Global Emerging Markets Fund	8.35%	-1.32%	30.06%	34.64%	-10.88%	20.05%	-7.73%
iShares MSCI EM ETF	2.62%	-11.15%	33.56%	24.43%	-9.25%	12.62%	-8.23%

Performance over 12 months, 3 years, 5 years and since fund manager tenure:

	1 year	3 years	5 years	Fund Manager Tenure
Hermes Global Emerging Markets Fund	5.28%	24.03%	61.49%	84.53%
iShares MSCI EM ETF	-0.01%	9.00%	31.95%	25.51%

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.

UPDATE....

***This update has been written at the time of Coronavirus Pandemic in 2020 which has impacted the global financial markets in a way that has never been seen before.**

The update with the management team was at a time when markets had fallen significantly. Up to the end of March the fund was down -18.57% against the benchmark which was down -21.31%. Under the tenure of Gary Greenberg, the funds' performance has been excellent, but Gary is due to step down and is currently working alongside Kunjal Gala who is the co-manager and looks set to take over the fund. There is therefore no guarantee that this performance will continue.

Much of the discussion was around the macro picture and the potential opportunities going forward. In terms of headwinds they currently see the following:

- Tight dollar liquidity
- Global/China slowdown impacting the rest of Emerging Markets
- Volatile energy markets and potential credit issues
- US election uncertainty
- Escalation of trade tensions between the US and China

In terms of tailwinds they see:

- Dovish central banks and benign inflation
- Trade war ceasefire
- Limited macro vulnerability across emerging markets (many have corrected their balance sheets)

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- Potential fiscal stimulus across developing and emerging markets
- Cheap valuations close to those in 2008
- Emerging markets being under owned and under loved

As a team they feel very positive about the long term prospects for the region; emerging markets are trading at a 38% discount to developed markets, valuations are attractive, companies tend to be in a better position in terms of cash flow and low debt. Then there is the growth and importance of emerging markets on the global economy, as well the level investment into infrastructure.

The expect to see potential shifts following this crisis some of these might include:

- Supply chains – a shift away from China
- Online presence becomes vital, and shift from offline to online increases significantly
- Retail – changing consumer behaviours
- Transport – preference for personal mobility away from public transport
- Automation within manufacturing

The fund has benefited from having no exposure to energy, little exposure to tourism and exposure to Tencent and China infrastructure companies. The holdings in India have hindered performance and currently they do not know the impact of the coronavirus on the country. They have IT exposure in India and have reduced weightings in favour of China and Korea.

In summary, the style of the fund is unlikely to change at this point in time. What is not clear is what happens when Gary steps down and whether Kunjal can maintain this track record.

The source of information in this note has been provided by Hermes and is correct as at March 2020. 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. We would also recommend that you receive advice before following up on any decision.