

## 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. The Fund will seek to achieve its objective over a rolling period of any five years, by investing at least 80% in a diversified portfolio of equity securities and equity related securities of, or relating to companies in, or companies that derive a large proportion of their revenues from, global emerging markets. The Fund will invest at least 67% of its assets in companies listed or traded on a Regulated Market worldwide.

Inception Date	
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000PNTR">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000PNTR</a>

Management	
Manager Name	Start Date
Kunjala Gala	1 <sup>st</sup> September 2020

### FUND PERFORMANCE

Performance from 1<sup>st</sup> January 2016 to 30<sup>th</sup> November 2020:

	2016	2017	2018	2019	2020
<b>Federated Hermes Global Emerging Markets Fund</b>	30.06%	34.64%	-10.88%	20.05%	15.06%
<b>iShares MSCI EM ETF</b>	33.56%	24.43%	-9.25%	12.62%	9.74%

Performance over 12 months, 3 years, and 5 years:

	1 year	3 years	5 years
<b>Federated Hermes Global Emerging Markets Fund</b>	19.97%	27.18%	118.30%
<b>iShares MSCI EM ETF</b>	15.40%	14.70%	81.73%

*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.*

Tracking Error	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
4.21	111.96	101.33	58.33	1.06	2.40	Blend/Large

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Volatility Measurements	
3-Yr Std Dev (volatility)	16.05%
3-Yr Mean Return (average)	8.35%

Investment Style Details	
Giant	55.77%
Large	29.30%
Medium	10.52%
Small	1.84%
Micro	0.00%

Top 5 Holdings – 54 equity holdings, 46% in the top ten		
Alibaba Group Holding Ltd ADR	Consumer Cyclical	9.09%
Tencent Holdings Ltd	Communications Services	7.70%
Taiwan Semiconductor Manufacturi...	Technology	6.46%
Samsung Electronics Co Ltd Parti...	Technology	6.37%
Techtronic Industries Co Ltd	Industrials	3.40%

Top 5 Sectors	
Technology	25.52%
Financial Services	19.14%
Consumer Cyclical	15.83%
Communication Services	15.63%
Industrials	10.34%

Top 5 Regions	
China	33.03%
Taiwan	13.60%
South Korea	12.74%
India	11.69%
Hong Kong	7.12%

## UPDATE....

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

This was our first one-to-one meeting with the new fund manager. Kunjal started by explaining that he has known Gary for many years and when Gary joined Hermes, Kunjal came across shortly after in 2012.

In 2014 Kunjal joined a 2-year rotation programme within Hermes which led to him becoming co-manager in 2016. Gary is due to retire in 2022 and as part of that transition, Kunjal became lead manager this year and Gary remains as the Head of the Team. All members of the team will report to Kunjal in 2021.

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We talked about whether there was a desire to change anything. Kunjal explained that there have been some changes to the team and some changes in the way they look at things, but these have been implemented during the last four years as co-manager.

These changes include a dedicated head of sustainability and increased dedicated Asia resource. They have also increased Latin America resource to identify some strategic investments and changed the way they look at ESG, with this being at the beginning.

Moving forward some of the areas they are looking at include climate change and emissions. This is about looking at how companies are positioned towards climate change and then the use of big technology (AI) in research.

In terms of the process nothing has changed. We discussed climate change and Kunjal explained that they have already looked at around 40 to 50% of the holdings and identified where companies are. Most companies have already started looking at this. In warmer climates some of the issues include adapting to a warmer world and also looking at companies that might benefit from a warmer world i.e., those that can reduce the impact.

The fund continues to be tilted towards growth and quality. There has been a marginal shift to cyclical value. They have reduced their weighting to China as they believe there are risks especially around the reliance on American technology and equipment. So, although they see opportunities, they believe there is vulnerability on the road to self-sufficiency.

With increased resource in Latin America, they have identified strategic opportunities, especially around digitisation and ecommerce.

In summary, our previous updates have covered the process. This fundamentally was to understand whether there were any significant changes. Nothing has changed on the process. What has happened is more around improving what is there. It is also about looking at changes that need to be considered, especially around a warmer world. In my last update I was concerned that the manager had not put their stamp on the fund. It seems that work has been done in the background and now it will be a question of seeing how this translates to performance over the coming 12 months.

*The source of information in this note has been provided by Hermes and is correct as at December 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.*