

**SHINING A LIGHT ON THE.....
Federated Hermes Unconstrained Credit Fund**

AT A GLANCE

Investment Objective
The investment objective of the Fund is to generate capital growth and a high level of income over the long term.

Inception Date	30 th May 2018
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000ZWJN

Management	
Manager Name	Start Date
Andrew Jackson & Fraser Lundie	30 th May 2018

FUND PERFORMANCE

Performance from 30th May 2018 to 31st May 2021:

	2018	2019	2020	2021
Federated Hermes Unconstrained Credit Fund	2.29%	12.40%	8.45%	-2.98%
Vanguard Global Bond Index	0.77%	6.63%	5.54%	-2.46%

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

	1 year	Since launch
Federated Hermes Unconstrained Credit Fund	-3.28%	20.99%
Vanguard Global Bond Index	-0.15%	10.61%

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	Credit Quality
6.67	112.89	(11.92)	63.89	0.96	3.87	Medium/Low

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Volatility Measurements

3-Yr Std Dev (volatility)	7.91%
3-Yr Mean Return (average)	6.56%

Credit Quality

AAA	7.01%
AA	1.92%
A	1.56%
BBB	28.09%
BB	53.73%
B	6.23%
Below B	0.72%
Not Rated	0.74%

Top 5 Holdings – 336 bond holdings, 144 other holdings

United States Treasury Notes 0.62%	-	5.80%
United States Treasury Bills 0%	-	2.88%
Germany (Federal Republic Of) 0%	-	2.36%
BHP Billiton Finance Ltd. 6.5%	-	1.81%
SIG Combibloc PurchaseCo S.a r.l...	-	1.40%

Fixed Income

Effective Maturity	9.63
Effective Duration	4.70

UPDATE....

Navigating the fixed income market is tricky and these types of strategies are seen as flexible investments which enable the investment to choose where to invest. The primary aim of the fund is to generate capital growth and a high level of income over the long term. They look to achieve this by investing in developed and emerging market investment grade and high yield corporate bonds, credit default swaps, loans, government securities, convertible bonds, preferred stocks, credit index options, interest rate instruments and other credit derivatives.

They use options to protect the investments on the downside but also create long term value for investors. They also use a dynamic credit allocation solution which enables the maximise the total returns thought the cycle. This means that they move between different credit instruments. The strategy tends to outperform during periods of volatility but underperform where there is limited volatility.

The strategy was able to perform strongly during 2020 but has dropped back this year. They think there will be a correction in the markets and the strategy is positioned to benefit should this happen. Overall, they feel that the global economy is on track for a strong recovery, but this does not mean there won't be bumps in the road.

In terms scoring and selecting assets, this is split into three areas:

1. Fundamentals (40%) – looking at return potential, credit fundamentals and loss given defaults
2. Market factors (40%) – looking at current value, technical, spread volatility, interest rate sensitivity, correlation

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3. Attributes (20%) – looking at liquidity, complexity, alpha generation

The scope of the instruments they can invest in means they can provide diversification. They also see there are plenty of opportunities, you just need to look for them, and this means working hard to deliver throughout the cycles to deliver both capital growth and income.

In summary, there are number of different strategies offering similar outcomes. This has delivered strongly since launch and the managers have demonstrated their ability to actively move across the different asset classes. For those investors looking for access to fixed income but want to pass the choice to someone else, then this may be a fund to consider. We would recommend that this is compared to other strategies before deciding on whether to use it.

The source of information in this note has been provided by Federated Hermes and is correct as at June 2021. 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.