

**SHINING A LIGHT ON THE.....  
Federated Hermes GEMs SMID Equity 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 small and mid-capitalisation 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. The Investment Manager will not invest in companies that generate revenue from the production of tobacco or controversial weapons. The Fund will follow a long only equity strategy.

<b>Inception Date</b>	8 <sup>th</sup> October 2018
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000010TLX">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000010TLX</a>

Management	
<b>Manager Name</b>	<b>Start Date</b>
Kunjal Gala	8 <sup>th</sup> October 2018

**FUND PERFORMANCE**

Performance from 1<sup>st</sup> January 2019 to 31<sup>st</sup> October 2021:

	2019	2020	2021
<b>Federated Hermes GEMs SMID Equity Fund</b>	17.62%	17.23%	2.48%
<b>MSCI Emerging Markets SMID NR</b>	8.03%	10.79%	12.01%

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

	1 year	3 years	Since Launch
<b>Federated Hermes GEMs SMID Equity Fund</b>	18.35%	44.75%	43.00%
<b>MSCI Emerging Markets SMID NR</b>	29.38%	40.06%	35.17%

*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	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
6.51	0.19	-	95.92	86.76	44.44	0.91	2.09	Growth/Mid

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Volatility Measurements	
3-Yr Std Dev (volatility)	16.93%
3-Yr Mean Return (average)	13.12%

Investment Style Details	
Giant	4.66%
Large	32.60%
Medium	36.49%
Small	17.46%
Micro	4.38%

Top 5 Holdings – 67 Equity Holdings		
SITC International Holdings Co Ltd	Industrials	3.76%
Sinbon Electronics Co Ltd	Technology	3.31%
Accton Technology Corp	Technology	3.09%
Mahindra Logistics Ltd	Industrials	3.04%
NICE Information Service Co Ltd	Financial Services	3.03%

Top 5 Sectors	
Technology	25.88%
Industrials	25.66%
Financial Services	15.37%
Consumer Cyclical	14.00%
Basic Materials	5.85%

Top 5 Regions	
India	20.50%
Taiwan	18.40%
South Korea	15.48%
China	14.04%
Mexico	5.14%

## UPDATE....

The fund was launched on 8 October 2018, and has now reached its three-year anniversary. For this reason, the team are promoting the strategy. The team are behind the successful large cap strategy, and this was established to invest in stocks which they couldn't necessarily hold in the large cap fund. There is currently an overlap of around 35%, but they expect this to come down overtime.

In terms of style, this follows the main strategy with a focus on quality, and long-term investment timeframe. They believe that small and mid-cap companies are at the forefront of change in emerging markets. Some of the themes that the strategy taps into include 5G, cloud, banking for all and premiumisation.

This has expanded to include electrification (advancement of the smart grid with multi stakeholder interactions), hydrogen (expanding usage to include for example, fuel for transport and power, heat for industry and buildings and feedstock for chemicals and products), cybersecurity (as we move to a more digital world, the threat is greater, and niche technologies in this area), e-commerce (ex-China) (long runway for growth in e-commerce across emerging markets), and biotechnology.

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Some examples of holdings include:

SITC International - China-based shipping logistics company

DBAPPSecurity - Next generation cyber security

Beijing Sinohytec - Pioneer of China's hydrogen energy industry

Sinbon Electronics - Leading player in green energy and power saving

VA Tech Wabag – India's largest water technology company (water and sewage treatment facilities)

They have exposure to e-commerce in Russia and three companies in Poland who relate to the e-commerce landscape. They have been selling down some of the holding in India as the valuations are elevated.

They don't tend to invest in IPOs and tend to avoid high leveraged businesses.

In summary, this has a three-year track record and has outperformed the index, although there has been a pull back in performance over the last 12 months. This does provide investors with a different opportunity set within emerging markets and uses the same process and team as the successful large-cap strategy. We would be happy to move this to our watchlist as we do more work to understand the current underperformance.

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