

**SHINING A LIGHT ON THE.....  
Federated Hermes Asia ex Japan 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 portfolio of equity and equity-related securities of, or relating to, companies in, or companies that derive a substantial proportion of their revenues from, the Asia ex-Japan region. These companies will be listed or traded on a Regulated Market worldwide.

**Fund Factsheet Link**

<https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000OZCW>

**Management**

**Manager Name**

Jonathan Plnes

**Start Date**

1 October 2013

**FUND PERFORMANCE**

Performance from 1<sup>st</sup> January 2016 to 31<sup>st</sup> January 2022:

	2016	2017	2018	2019	2020	2021	2022
<b>Federated Hermes Asia ex Japan Fund</b>	28.59	33.08%	-10.79%	8.34%	6.02%	7.55%	0.64%
<b>MSCI AC Asia Ex JPN IMI NR LCL</b>	4.87%	34.25%	-12.73%	16.63%	22.38%	-0.24%	-3.12%

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

	1 year	3 years	5 years	Since launch
<b>Federated Hermes Asia ex Japan Fund</b>	2.65%	20.61%	41.55%	189.85%
<b>MSCI AC Asia Ex JPN IMI NR LCL</b>	-7.18%	29.13%	54.60%	95.98%

*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.*

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Tracking Error	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
6.94	-0.35	82.66	77.39	71.12	44.44	0.99	(0.50)	Value / Large

Volatility Measurements	
3-Yr Std Dev (volatility)	13.90%
3-Yr Mean Return (average)	6.44%

Investment Style Details	
Giant	35.18%
Large	37.83%
Medium	19.28%
Small	2.92%
Micro	0.00%

Top 5 Holdings – 61 Equity Holdings		
Samsung Electronics Co Ltd	Technology	7.10%
Baidu Inc	Communication Services	4.16%
ASE Technology Holding Co Ltd	Technology	4.15%
China Overseas Land & Investment	Real Estate	3.64%
TSMC	Technology	3.16%

Top 5 Sectors	
Technology	21.83%
Consumer Cyclical	18.47%
Financial Services	10.74%
Communication Services	10.73%
Industrials	9.41%

Top 5 Regions	
China	45.93%
South Korea	23.19%
Taiwan	14.58%
Hong Kong	4.86%
Japan	3.00%

### UPDATE....

The fund manager sees himself as contrarian, finding opportunities in parts of the market that are unloved. This approach means that they can go where the opportunities are and they are not tied to the benchmark. This is a strategy we have held in the past, but by their own admission 2019 and 2020 were tough years. Their style of investing was unloved and therefore this was reflected in the performance. This reversed in 2021 and the start of 2022, which has seen stronger performance.

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Quality is important to them but paying the right price for the level of quality is equally as important. Some examples of holdings include:

China Blue Chemical – this has been held for five years and has plenty of cash on the books

Cosco Shipping – this is delivering double digits but the share price, until recently, had not moved to reflect this

Bidu – is a reflection of the opportunities in China. This is a pretty stable business and starting to regain market share. It is also investing in smart cities and the regulatory environment is very much favouring them

They have recently added Tencent and this is the first time they have held this stock. It is only a small weighting and I did question why, if they have such conviction in the stock, they have such a small holding? I didn't really feel in the meeting I gained an answer on this. They also hold Naspers which has a stake in Tencent, but this only brings the overall weighting with it to around 1.65%. This is something we would want to explore further with the management team.

They have added some cement names, insurers and use the market dislocation to identify mispriced opportunities. This is a value strategy but not deep value. They were at pains to explain that they do hold growth, or value but it is more about where the opportunities lie and staying disciplined in terms of the value they pay for stocks.

In summary, this has always been a different Asia strategy, which is what drew us to it in the first place. The period of underperformance meant we had to consider different options. We were also concerned as the strategy was soft closed and we felt it restricted the flexibility we wanted. They have indicated that the fund capacity should avoid this happening in the future. We like the strategy and style but would want to monitor and understand more about the "conviction" holdings, like Tencent, which don't seem to really add much value to what they are doing.

*The source of information in this note has been provided by Hermes and is correct as of January 2022. 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.*