

**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 30th June 2022:

	2018	2019	2020	2021	2022
Federated Hermes Unconstrained Credit Fund	-3.28%	14.47%	10.11%	1.91%	-14.70%
Bloomberg Global Aggregate TR Hdg GBP	0.97%	6.46%	4.96%	-1.54%	-9.30%

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

	1 year	3 years	Since launch
Federated Hermes Unconstrained Credit Fund	-14.41%	-0.33%	5.98%
Bloomberg Global Aggregate TR Hdg GBP	-9.27%	-1.70%	0.76%

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	141.12	102.72	63.89	1.25	2.33	-

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

Credit Quality	
AAA	-
AA	-
A	-
BBB	-
BB	-
B	-
Below B	-
Not Rated	-

Top 5 Holdings – 371 bond holdings, 182 other holdings		
United States Treasury Notes 0.25%	-	3.03%
BHP Billiton Finance Ltd. 6.5%	-	1.47%
United States Treasury Notes 0.25%	-	1.45%
Dell International L.L.C. and EM...	-	1.43%
VMED O2 UK Financing I PLC 4.5%	-	1.13%

Fixed Income	
Effective Maturity	-
Effective Duration	-

UPDATE....

This is a strategy we recently added to the portfolios. Since launch it has outperformed the index but this year, like other fixed income assets, it has struggled to perform.

Just as a summary, they select assets through scoring across:

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

They look to invest 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.

The key factors impacting performance this year have been inflation, geopolitical uncertainty, and global growth concerns. The sell-off has not been normal and most fixed income asset classes have fallen. In areas where you would expect some stability, they have seen the opposite. So for example, global investment grade has underperformed vs global high yield.

There really has been no place for them to hide, however the uncertainty has opened opportunities. They do think that peak inflation is coming and that this will drop back. This is based on data coming through. What they need to see is stability in credit markets and they think we are close to that.

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The main splits are in developed investment grade, developed high yield, global financials, emerging markets, corporate hybrids, and structured credit. They have started to increase their European hedges and reduce the US hedges.

European Investment Grade Asset Backed Securities have provided some protection in this environment and are less correlate to global equities and fixed income markets. Although this has exposure to the consumer there are presently no signs of consumer stress. They are also finding opportunities in collateralized loan obligations. These are more volatile but they are still taking up these opportunities.

In summary, the credit market has seen some of its worst returns for many years and there has been a place to hide from this. It has however opened opportunities which the team are taking advantage of. They also believe we are close to the end point and the strategy is positioned to benefit from the turn in market sentiment.

The source of information in this note has been provided by Federated Hermes and is correct as of July 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 decide based on these notes we cannot take responsibility for this, and you should carry out your own research before deciding. We would also recommend that you receive advice before following up on any decision.