

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 by investing primarily in a diversified portfolio of equity securities and equity related securities with an emerging markets bias quoted or traded on regulated markets worldwide.	

Inception Date	9 th December 2008
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000JT1L

Management	
Manager Name	Start Date
Gary Greenberg	1 st July 2011

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	56.60%
Large	29.28%
Medium	14.12%
Small	0.00%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	56	
Assets in Top 10 Holdings	39.36%	
Name	Sector	% of Assets
Tencent Holdings Ltd	Technology	6.48%
Samsung Electronics Co Ltd	Technology	6.04%
Taiwan Semiconductor Manufacturing	Technology	4.94%
Alibaba Group	Consumer Cyclical	4.88%
Industrial and Commercial Bank of China	Financial Services	3.48%
Naspers Ltd	Technology	2.97%
KB Financial Group	Financial Services	2.75%
AIA Group	Financial Services	2.70%
Techtronic Industries	Industrials	2.68%
Sberbank of Russia	Financial Services	2.46%

Volatility Measurements	
3-Yr Std Dev (volatility)	14.72%
3-Yr Mean Return (average)	16.99%

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FUND PERFORMANCE

Performance from 1st January 2013 to 30th April 2018:

	2013	2014	2015	2016	2017	2018
Hermes Global Emerging Markets Fund	9.06%	9.40%	-0.33%	31.36%	35.99%	-1.95%
iShares MSCI EM ETF	-5.82%	2.62%	-11.15%	33.56%	24.43%	-1.44%

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

	1 year	3 years	5 years	Since launch
Hermes Global Emerging Markets Fund	19.05%	55.18%	93.71%	298.74%
iShares MSCI EM ETF	13.22%	30.86%	38.03%	-

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.

UPDATE....

This is a fund we have followed since Gary became the manager in 2010. Since then the fund has returned 95% vs the index at 31%. Prior to this the performance had been average at best but Gary reorganised the fund and the performance improved.

The strategy is simple: Gary is looking for businesses he likes and buys where the opportunities are. These tend to be high quality businesses and investments are longer term rather than short term opportunities. In terms of style there is no fixed strategy. It tends to move between growth and value stocks.

Gary explained that there are many opportunities in emerging markets and no one country is the same. There are 24 countries with 24 different central banks and governments. Two thirds of the idea generation come from the company level but a third is overlaid with country level research.

China has been good for the fund and they do own Tencent, but this has been a holding for 5 years. They will reduce their exposure to China if the opportunities arise elsewhere but there are still opportunities with companies like Tencent and Alibaba who are expanding into India and other ASEAN countries.

In terms of other countries Brazil and Russia are coming out of recession but with Russia it is hard to find the opportunities although they have a couple of holdings. The fund is underweight Korea compared to the Asia index but with changes at Samsung this may filter to other companies and open opportunities.

There are risks with trade tensions with the likes of Korea, Taiwan and Mexico more likely to be impacted. One of the biggest risks is if interest rates rise quicker than expected and this would not be good for the region. In terms of valuations these have come down slightly but remain more attractive than developed markets.

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Gary feels we are mid cycle in emerging markets, compared to late cycle with developed markets and it is still an area which is under owned. When investors come back in this naturally pushes up the stock markets.

In summary, this fund over arches all research with ESG (environmental, social and governance) which tends to mean that these are better quality companies. Gary has turned the performance around and has delivered strongly for investors. It has a bias to China with Taiwan and India its second largest weightings. There is little to criticize on the fund and certainly is one for investors to perhaps consider against others in the market.

The source of information in this note has been provided by Hermes and is correct as at April 2018. 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.