

# Federated Hermes Impact Opportunities Equity Fund

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## Fund Investment Report



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## Fund information

### Investment objective

The Investment objective of the Fund is to achieve long-term capital appreciation.

### Investment policy

The companies held in the fund will have the potential to provide innovative solutions to societal needs delivering positive social and environmental impact. This will be achieved by investing globally in a diversified portfolio of companies of any size.

### Approach to ESG integration and stewardship

ESG integration and stewardship are integral to delivering sustainable returns. Through quantitative data and fundamental bottom-up research, we assess the absolute and change in ESG performance of companies. Engagement allows us to understand the effectiveness of their approach, the management of strategic issues and to exert positive influence.

## Fund information

Fund inception date	21 December 2017
Fund value	USD239.40m
Benchmark	MSCI All Country World IMI Index
Head of Impact Investing	Ingrid Kukuljan
Co-Fund Managers	Martin Todd Mark Sherlock
Base currency	US Dollar

## Market and Performance Review

Global equities continued to rise in June with optimism that economies were beginning to restart as lockdown restrictions were eased and governments alongside central banks continued to provide support.

The Fund underperformed the benchmark index in the period. Stock selection and asset allocation detracted from relative performance in the month. The underperformance was concentrated in the Health Care and Information Technology sectors.

On an individual stock basis Dexcom was the largest contributor; the company benefited from several broker target price upgrades in the month. Cogna Educacao's share price rose as we saw the market recovery broaden out into more cyclically exposed names. Lonza also outperformed; the company announced the appointment of a new CEO from Roche, which was well received in June.

Having been top contributors in May, Abcam and Sartorius were the largest detractors from relative performance in the month as investors took profit and we saw some market rotation. The resignation of Abcam's co-founder from the Board was announced during the month as he leaves to concentrate on his other early stage businesses. Sartorius released first quarter results that showed continued growth but noted that COVID created some uncertainty. LivaNova completed a private senior note offering during the month.

## Outlook

We expect a volatile second quarter earnings season as the effects of COVID come through in results. The outlook remains highly uncertain; therefore management teams are likely to retain cautious guidance. For many companies, visibility on a new normalised level of demand won't be evident until the fourth quarter at the very earliest, perhaps not until Summer 2021.

Nevertheless, we remain confident of the long-term outlook for our strategy; impactful companies are essential to help service the unmet needs of the environment and society and are therefore exposed to enduring sources of demand. COVID has resulted in a paradigm shift for responsible strategies in general as it has put focus on the critical need to build resilience in healthcare, food and water security, and across supply chains. It has also put climate change and worker rights under the spotlight. As governments worldwide look to fiscal stimulus to support re-opening economies, we believe that companies addressing the SDG's remain best placed to benefit.

## Fund breakdown

### Top 10 relative Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Qiagen	Germany	4.61	0.02	4.59
DexCom	United States	4.46	0.07	4.39
Lonza Group	Switzerland	4.36	0.07	4.29
Agilent Technologies	United States	4.32	0.05	4.27
Illumina	United States	4.33	0.10	4.23
Orsted	Denmark	4.26	0.04	4.22
Ansys	United States	4.15	0.05	4.10
Abcam	United Kingdom	3.91	0.01	3.91
CSL	Australia	4.05	0.17	3.88
Novo Nordisk	Denmark	4.03	0.21	3.82

### Top 10 absolute Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Qiagen	Germany	4.61	0.02	4.59
DexCom	United States	4.46	0.07	4.39
Lonza Group	Switzerland	4.36	0.07	4.29
Illumina	United States	4.33	0.10	4.23
Agilent Technologies	United States	4.32	0.05	4.27
Orsted	Denmark	4.26	0.04	4.22
Ansys	United States	4.15	0.05	4.10
CSL	Australia	4.05	0.17	3.88
Novo Nordisk	Denmark	4.03	0.21	3.82
Abcam	United Kingdom	3.91	0.01	3.91

Performance attribution - 1 month

Top 10 contributors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
DexCom	United States	4.46	0.07	6.79	0.21
Cogna Educacao	Brazil	1.22	0.00	24.30	0.19
Lonza Group	Switzerland	4.36	0.07	7.56	0.19
Syncona	United Kingdom	1.08	-	20.76	0.15
CSL	Australia	4.05	0.17	7.52	0.14
Umicore	Belgium	2.96	0.02	6.22	0.08
Siemens Gamesa	Spain	3.81	0.01	5.27	0.08
Bank Rakyat Indonesia	Indonesia	2.06	0.02	5.05	0.07
Pfizer	United States	-	0.34	-	0.07
Duerr	Germany	1.18	0.00	10.12	0.07

Top 10 detractors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Abcam	United Kingdom	3.91	0.01	-11.48	-0.63
Sartorius	Germany	3.79	0.02	-11.32	-0.61
LivaNova	United States	2.89	0.00	-10.02	-0.42
Emergent BioSolutions	United States	3.27	0.01	-5.24	-0.35
Apple	United States	-	2.97	-	-0.30
Ecolab	United States	2.96	0.09	-6.26	-0.29
Carl Zeiss Meditec	Germany	3.19	0.01	-4.84	-0.26
Qiagen	Germany	4.61	0.02	-1.52	-0.21
Xylem	United States	3.76	0.02	-2.06	-0.21
Orsted	Denmark	4.26	0.04	-1.77	-0.20

Top 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Cogna Educacao	Brazil	1.22	0.00	24.30	0.19
Syncona	United Kingdom	1.08	-	20.76	0.15
Duerr	Germany	1.18	0.00	10.12	0.07
Lonza Group	Switzerland	4.36	0.07	7.56	0.19
CSL	Australia	4.05	0.17	7.52	0.14
DexCom	United States	4.46	0.07	6.79	0.21
Umicore	Belgium	2.96	0.02	6.22	0.08
Straumann	Switzerland	1.78	0.02	6.08	0.05
Siemens Gamesa	Spain	3.81	0.01	5.27	0.08
Bank Rakyat Indonesia	Indonesia	2.06	0.02	5.05	0.07

Bottom 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Abcam	United Kingdom	3.91	0.01	-11.48	-0.63
Sartorius	Germany	3.79	0.02	-11.32	-0.61
LivaNova	United States	2.89	0.00	-10.02	-0.42
Ecolab	United States	2.96	0.09	-6.26	-0.29
Planet Fitness	United States	1.85	0.01	-5.86	-0.19
Emergent BioSolutions	United States	3.27	0.01	-5.24	-0.35
Carl Zeiss Meditec	Germany	3.19	0.01	-4.84	-0.26
Brambles	Australia	2.44	0.02	-3.14	-0.15
Blackbaud	United States	1.11	0.01	-2.61	-0.07
Xylem	United States	3.76	0.02	-2.06	-0.21

Performance attribution - 1 month

Sector level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Consumer Staples	-	7.69	-7.69	-	0.00	0.17	-	0.17
Energy	-	3.43	-3.43	-	0.00	0.11	-	0.11
Communication Services	-	8.68	-8.68	-	0.01	0.05	-	0.06
Real Estate	-	3.72	-3.72	-2.24	0.00	0.03	-	0.03
Utilities	4.26	3.17	1.08	-0.74	0.03	-0.04	-0.06	-0.07
Financials	5.55	13.27	-7.72	-1.52	0.04	0.02	-0.16	-0.11
Industrials	16.76	10.26	6.50	-0.78	0.12	-0.04	-0.26	-0.18
Consumer Discretionary	5.86	11.89	-6.03	-0.51	0.00	-0.12	-0.07	-0.19
Materials	5.92	4.95	0.97	-4.21	-0.01	0.00	-0.24	-0.25
Information Technology	7.74	20.05	-12.32	-5.49	-0.02	-0.47	-0.41	-0.89
Health Care	49.00	12.87	36.13	-1.10	0.20	-1.22	-0.71	-1.74
Foreign Exchange	-0.01	-	-0.01	-	-	-	-	-
Cash	3.84	-	3.84	-	-0.01	-0.10	-	-0.11

Regional level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
EM Latin America	1.22	1.00	0.22	17.43	0.00	0.01	0.16	0.17
EM EMEA	-	1.54	-1.54	-	0.00	-0.01	-	-0.01
AC Asia Pacific	11.03	20.23	-9.20	-1.58	0.15	-0.09	-0.39	-0.33
North America	36.59	59.66	-23.07	-3.68	0.03	0.12	-1.34	-1.19
Europe and Middle East	47.33	17.56	29.76	-3.62	0.18	0.02	-1.74	-1.53
Foreign Exchange	-0.01	-	-0.01	-	-	-	-	-
Cash	3.84	-	3.84	-	-0.01	-0.10	-	-0.11

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June 2020

Country level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Switzerland	6.14	2.73	3.41	3.99	0.03	-0.03	0.24	0.24
Japan	2.48	7.44	-4.96	0.71	0.03	0.15	0.01	0.19
Brazil	1.22	0.64	0.58	14.96	-0.01	0.03	0.14	0.16
Belgium	2.96	0.30	2.66	2.31	0.02	0.00	0.07	0.08
Spain	3.81	0.66	3.15	1.15	0.02	0.00	0.05	0.07
Indonesia	2.06	0.18	1.88	-2.43	0.07	0.07	-0.07	0.07
Ireland	2.05	0.17	1.88	1.23	0.01	-0.02	0.03	0.02
Russia	-	0.36	-0.36	-	0.00	0.01	-	0.02
Israel	-	0.23	-0.23	-	0.00	0.01	-	0.01
Mexico	-	0.21	-0.21	-	0.01	0.00	-	0.01
Finland	-	0.30	-0.30	-	0.00	0.01	-	0.01
Qatar	-	0.10	-0.10	-	0.00	0.00	-	0.00
Thailand	-	0.29	-0.29	-	-0.01	0.01	-	0.00
Saudi Arabia	-	0.32	-0.32	-	0.00	0.00	-	0.00
Portugal	-	0.05	-0.05	-	0.00	0.00	-	0.00
Malaysia	-	0.23	-0.23	-	0.00	0.00	-	0.00
Austria	-	0.07	-0.07	-	0.00	0.00	-	0.00
Hungary	-	0.03	-0.03	-	0.00	0.00	-	0.00
Greece	-	0.03	-0.03	-	0.00	0.00	-	0.00
Colombia	-	0.02	-0.02	-	0.00	0.00	-	0.00
Pakistan	-	0.01	-0.01	-	0.00	0.00	-	0.00
Peru	-	0.03	-0.03	-	0.00	0.00	-	0.00
Poland	-	0.09	-0.09	-	0.00	0.00	-	0.00
Egypt	-	0.02	-0.02	-	0.00	0.00	-	0.00
Czech Republic	-	0.01	-0.01	-	0.00	0.00	-	0.00
Argentina	-	0.02	-0.02	-	0.00	0.00	-	0.00
United Arab Emirates	-	0.06	-0.06	-	0.00	0.00	-	0.00
Chile	-	0.07	-0.07	-	0.00	0.00	-	0.00
Singapore	-	0.35	-0.35	-	0.00	0.00	-	0.00
Sweden	-	1.01	-1.01	-	-0.01	0.01	-	0.00
Turkey	-	0.06	-0.06	-	0.00	0.00	-	0.00
Philippines	-	0.10	-0.10	-	0.00	0.00	-	-0.01
New Zealand	-	0.12	-0.12	-	0.00	0.00	-	-0.01
Canada	-	2.80	-2.80	-	-0.03	0.01	-	-0.02
Italy	-	0.68	-0.68	-	0.00	-0.02	-	-0.02
South Africa	-	0.45	-0.45	-	0.00	-0.03	-	-0.03
Norway	3.51	0.21	3.30	1.68	0.01	-0.11	0.06	-0.03
India	-	1.00	-1.00	-	0.00	-0.04	-	-0.04
Netherlands	-	1.14	-1.14	-	-0.01	-0.04	-	-0.04
Korea	-	1.46	-1.46	-	-0.04	-0.02	-	-0.06
Hong Kong	-	0.92	-0.92	-	0.00	-0.07	-	-0.07
Australia	6.49	1.97	4.52	-3.14	0.13	-0.01	-0.19	-0.07
France	-	2.77	-2.77	-	-0.02	-0.05	-	-0.07
Taiwan	-	1.61	-1.61	-	-0.02	-0.07	-	-0.09
China	-	4.56	-4.56	-	0.01	-0.25	-	-0.24
Denmark	8.29	0.64	7.65	-3.07	0.05	-0.13	-0.25	-0.33
United Kingdom	4.99	4.09	0.90	-7.15	0.00	-0.01	-0.38	-0.39
Germany	15.57	2.49	13.08	-8.59	0.08	0.28	-1.42	-1.05
United States	36.59	56.86	-20.27	-3.60	0.07	0.11	-1.34	-1.17
Foreign Exchange	-0.01	-	-0.01	-	-	-	-	-
Cash	3.84	-	3.84	-	-0.01	-0.10	-	-0.11

Market capitalisation

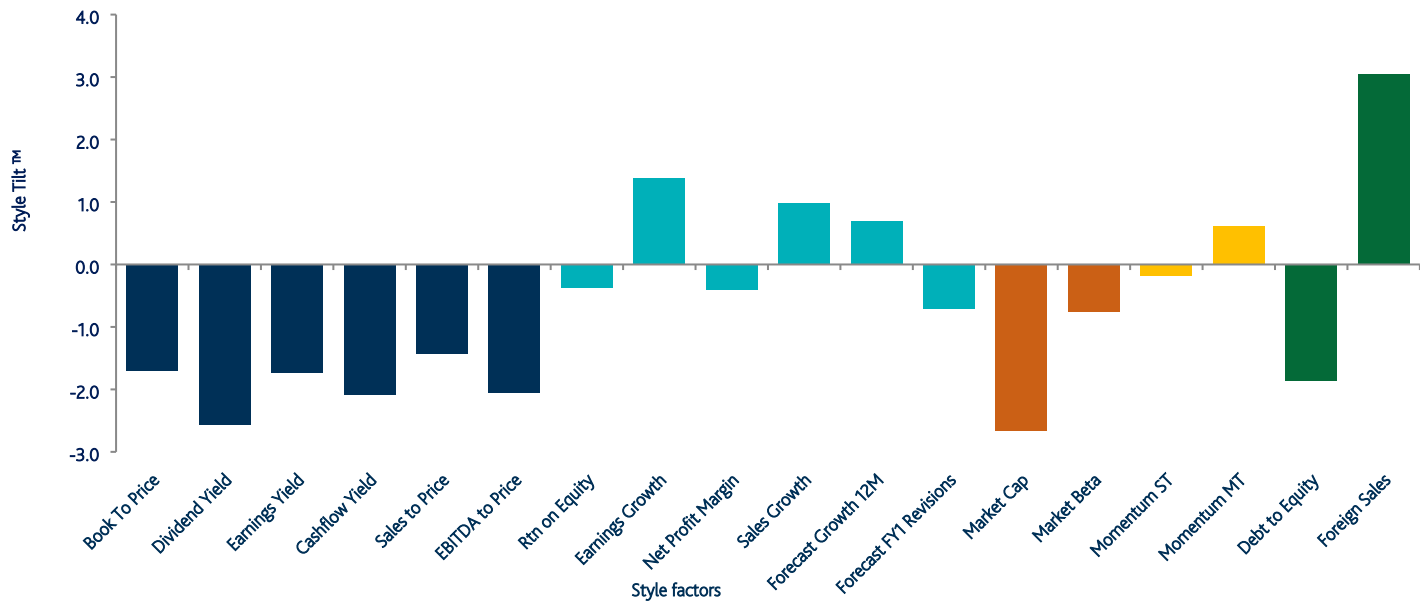
	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
0 - 1B	-	2.05	-2.05	-	-0.01	0.04	-	0.04
1 - 5B	24.20	10.12	14.08	-5.47	-0.08	-0.06	-1.24	-1.37
5 - 10B	6.70	8.23	-1.53	-4.74	0.02	0.00	-0.42	-0.41
10 - 20B	25.21	10.54	14.66	-3.67	0.18	-0.04	-1.08	-0.95
20B+	38.98	69.05	-30.07	-0.84	0.23	-0.08	-0.50	-0.35
Common Stock Funds	1.08	-	1.08	-	0.00	0.16	-	0.15
Unclassified	-	0.01	-0.01	-	0.00	0.00	-	0.00
Foreign Exchange	-0.01	-	-0.01	-	-	-	-	-
Cash & Synthetic Cash	3.84	-	3.84	-	-0.01	-0.10	-	-0.11



Fund characteristics

Top 10 concentration (%)*	Active share (%)**	Dividend yield (%)***	Market cap (millions)***	Earnings yield (%)***
42.48	98.92	1.06	27,368.37	4.36

Fund Style Skyline™



Source: \*Northern Trust. \*\* Barra. \*\*\*Style Research, Market Cap is the Portfolio Weighted Average.

## Risk analysis

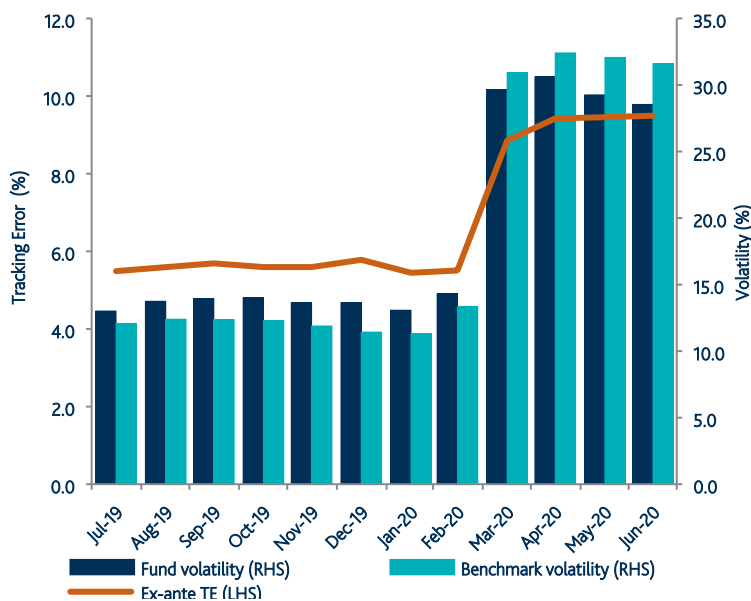
### Top 10 contributors to risk (ex-ante)

	Country of incorporation	Tracking error (%)
Qiagen	United States	10.58
Abcam	United Kingdom	9.02
Sartorius	Germany	7.55
Lonza Group	Switzerland	6.97
Novo-Nordisk	Denmark	6.89
Emergent BioSolutions	United States	6.83
CSL	Australia	6.81
DexCom	United States	6.79
Orsted	Denmark	6.47
Illumina	United States	4.36

## Risk attribution

	Tracking error (%)	Fund beta	Fund volatility (%)	Benchmark volatility (%)	Information ratio	Sharpe ratio
Ex-ante	9.49	0.86	28.54	31.61	-	-

### Tracking error (TE) and volatility history (ex-ante)



### Fund statistics

Number of stocks (Fund)	31
Number of stocks (Benchmark)	8785

## Contact us

If you have any general questions concerning your investment, or specifically related to the content of this Fund investment report, please let us know using the contact details below.

Hermes Client Services [ClientServices@hermes-investment.com](mailto:ClientServices@hermes-investment.com)

Hermes Marketing [Marketing@hermes-investment.com](mailto:Marketing@hermes-investment.com)

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