

## Hermes SDG Engagement High Yield Credit Fund

Fund Summary, Q1 2020

# Seeking positive outcomes for investors and society

Combining global, high-conviction credit investing with SDG-aligned engagement, we seek long-term outperformance and positive impact.

Mitch Reznick, CFA, Head of Research and Sustainable Fixed Income and Co-Portfolio Manager, Hermes SDG Engagement High Yield Credit Fund

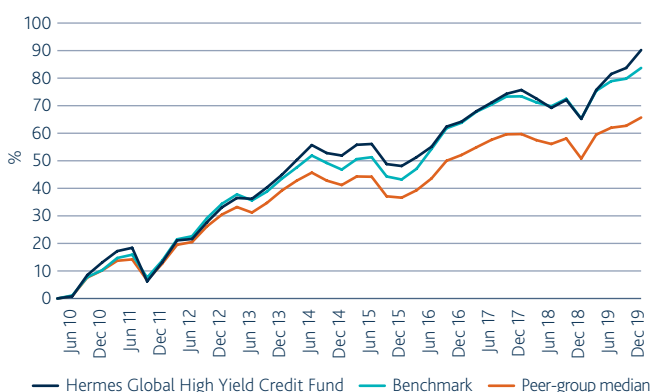
### Why Hermes SDG Engagement High Yield Credit?

The Fund aims to outperform the global high-yield market through high-conviction investment in companies with strong fundamentals that also demonstrate the potential, through engagement, to create positive change. We use the Sustainable Development Goals (SDGs) – an ambitious, universal set of objectives seeking global prosperity and environmental integrity by 2030 – as a framework for engagement. We believe that bondholder engagement supports the long-term viability and investment performance of businesses while also benefiting society and the environment. The global high-yield market offers great opportunities to identify companies with the willingness and ability to change their operations, products or services in order to generate additional benefits for society and the environment. Most high-yield issuers are yet to focus on creating positive change, enabling us to play an important role in their efforts to become impactful while also delivering attractive returns to investors.

- ✓ **SDG investing:** Our engagements seek positive change that strengthens the long-term performance of companies, sustaining both impact and corporate profitability.
- ✓ **Future leaders:** By investing and engaging to create change, we seek tomorrow's impact leaders rather than focus on those of today.
- ✓ **Investment strength:** Since 2004, the team's principal members have delivered attractive high-yield credit returns through relative-value investing across the capital structures of companies worldwide.
- ✓ **Engagement depth:** Our dedicated engager is supported by EOS at Federated Hermes, a leading global stewardship team, and the pioneering Hermes Responsibility Office.

### Performance: Hermes Global High Yield Credit Fund

Note: this track record is illustrative of the team's investment ability and not the expected returns of the Hermes SDG Engagement High Yield Credit Fund.



### Mitch Reznick, CFA

Head of Research and Sustainable Fixed Income  
Co-Portfolio Manager  
22 years' industry experience



### Fraser Lundie, CFA

Head of Credit Co-Portfolio Manager  
15 years' industry experience



### Aaron Hay

Lead Engager  
7 years' industry experience



### Strategy information

<b>Inception date</b>	2 October 2019
<b>Benchmark</b>	ICE BofAML Global High Yield Constrained Index, hedged to USD
<b>Universe</b>	Global high-yield credit
<b>Instruments</b>	Primarily high-yield corporate bonds
<b>Number of issuers</b>	Typically 75-100
<b>Base currency</b>	US dollar, hedged (no active currency positions are taken versus the benchmark)
<b>Liquidity</b>	Daily
<b>Tracking error</b>	Typically 2%-4%, ex-ante

The Company shall use the above benchmark for performance comparisons, as deemed appropriate. For the avoidance of doubt the Fund's objective is not to track the performance of an index or benchmark. The Fund does not charge any performance fees and, accordingly, no fees are paid to the Investment Manager on the basis of outperformance of an index or benchmark.

### Rolling annual performance (%)

	31/12/18 to 31/12/19	31/12/17 to 31/12/18	31/12/16 to 31/12/17	31/12/15 to 31/12/16	31/12/14 to 31/12/15
Hermes GHY <sup>1</sup>	15.12	-5.97	6.97	10.92	-2.54

### Past performance is not a reliable indicator of future results.

Performance shown is F EUR Acc share class net of fees from 1 June 2010. Inception date 11 May 2010. Benchmark: ICE BofA Merrill Lynch Global High Yield Constrained EUR Hedged. Peer group: Morningstar Global High Yield Bond – EUR Hedged. Source: Federated Hermes as at 31 December 2019. The performance of the Hermes SDG Engagement High Yield Credit Fund will be shown once it has generated a one-year track record.

The value of investments and income from them may go down as well as up, and you may not get back the original amount invested. Any investments overseas may be affected by currency exchange rates. Past performance is not a reliable indicator of future results and targets are not guaranteed.

<sup>1</sup>Hermes Global High Yield Credit Fund

█ Sustainable impact requires financial strength, so we target companies with robust credit fundamentals through the global, dynamic approach we have applied since 2004. █

Fraser Lundie, CFA

Head of Credit and Co-Portfolio Manager, Hermes SDG Engagement High Yield Credit Fund

## Investment approach

The Fund aims to generate long-term, risk-adjusted outperformance by investing in attractive high-yield credit instruments and engaging with the underlying companies to generate positive impacts that support the SDGs. To achieve this, we combine the global, dynamic investment approach developed by our Credit team with the engagement skills of the Fund’s Lead Engager and EOS, our firm’s stewardship team.

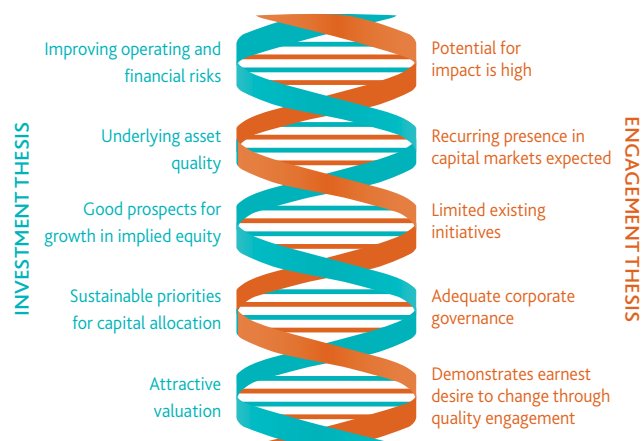
Portfolio companies must meet specific investment and engagement criteria. Each should have supportive fundamentals, cash-generative operations and be trading at attractive valuations. Their business lines, supply chains or product or service offerings must provide a foundation to create SDG-aligned impact, and their executive teams and boards must be willing to enter the long-term, transformative process of engagement. Each business must have a stable shareholder base and a long-term vision that shows a willingness to effect positive change. Our high-conviction, bottom-up security-selection process results in a portfolio of long-term holdings aligned with the duration of our engagements with the underlying businesses. By investing flexibly, we target opportunities to generate strong returns and income across geographies, instrument types and credit curves.

To gauge the opportunity for generating SDG-aligned impact, we use a one-to-five scoring system that assesses the credit fundamentals of a company and the scale of the opportunity to create change. Our scores are reviewed and changed in response to changes to the relevant investment and engagement theses, and portfolio holdings and position sizes are adjusted accordingly.

Believing that long-term bond and equity investors have a mutual interest in the sustainable growth of companies – which requires strong corporate governance and positive influence on society and the environment – we seek opportunities to collaborate with other financial stakeholders on objectives related to the SDGs.

### Profitability and positive change: two halves of the whole

To sustain positive change, impactful companies must be profitable. We therefore seek companies with attractive long-term investment fundamentals as well as the potential to play significant roles in helping to achieve the SDGs.



Source: Federated Hermes, Bloomberg as at 30 June 2018. For illustrative purposes only.

### Federated Hermes

Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns, and to contribute to positive outcomes that benefit the wider world.

All activities previously carried out by Hermes now form the international business of Federated Hermes. Our brand has evolved, but we still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important new strategies from the entire group.

#### Our investment solutions include:

Active equities, Fixed-income, liquidity, private markets and stewardship.

For more information, visit [www.hermes-investment.com](http://www.hermes-investment.com) or connect with us on social media:



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