

## Hermes Multi Strategy Credit Fund

Fund Summary, Q1 2020

# Our best global credit investments, with a focus on the downside

By combining global, high-conviction credit selection with defensive trades, we aim to generate strong capital returns and an attractive level of income.

Fraser Lundie, CFA

Head of Credit and Lead Credit Portfolio Manager

## Why Hermes Multi Strategy Credit Fund?

- ✓ **Truly global:** we exploit opportunities across the ratings spectrum in the US, Europe and emerging markets.
- ✓ **Downside defence:** we strive to shield our return-seeking positions using an array of trades with the potential to reduce losses.
- ✓ **High-conviction security selection:** by searching for the most attractive instruments across the capital structures of issuers worldwide, we seek robust capital returns and an attractive, consistent yield.
- ✓ **ESG integration:** proprietary analytical tools and engagement help us price ESG risks and deliver sustainable returns.
- ✓ **Quality income:** global, high-conviction, long-only positions balanced by defensive trades helps to achieve a high level of income.

## Portfolio Manager

Fraser Lundie, CFA

Lead Manager on our credit strategies since inception.



Andrey Kuznetsov, CFA

Co-portfolio manager on our range of credit strategies.



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## Fund information

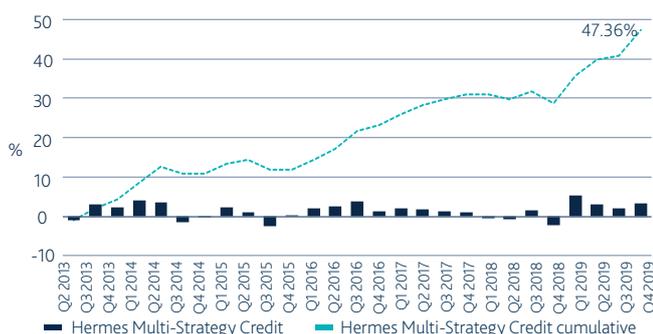
<b>Fund size (m)</b>	£748.9/€883.8/A\$1,411.3/US\$992.1
<b>Inception dates</b>	Fund: 1 May 2014 /Strategy: 31 May 2013
<b>Bloomberg ticker</b>	HMSCFUA
<b>ISIN (Accum)</b>	IE00BKRCNJ87
<b>Portfolio concentration</b>	Approx. 75
<b>Core holdings</b>	High-yield and investment-grade corporate bonds, loans, convertible bonds and derivatives

Targets cannot be guaranteed.

## Performance

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. 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.

### Gross strategy performance since inception in US Dollars (%)



### Rolling year performance (%)

Year to date the fund has returned 13.59% net of fees. On a cumulative basis the fund has returned 4.63% since inception.

End Date	31/12/2018 31/12/2019	31/12/2017 31/12/2018	31/12/2016 31/12/2017	31/12/2015 31/12/2016	31/12/2014 31/12/2015
<b>Fund</b>	<b>13.59</b>	<b>-2.47</b>	<b>5.51</b>	<b>9.38</b>	<b>0.40</b>

Fund performance relates to the F share class US Dollar Accumulating net of all costs and management fees since seeding on 07 May 2014, valued at close of business. Subscription and redemption fees are not included in the performance figures. Strategy performance shown is in USD, gross of fees. For illustrative purposes to demonstrate the long-term performance of the strategy. Citywire UK as at January 2020, ratings have been awarded to the Portfolio Manager based on their risk-adjusted performance track record. FE Crown fund rating as at 01 January 2020. Morningstar rating as at 30 November 2019.

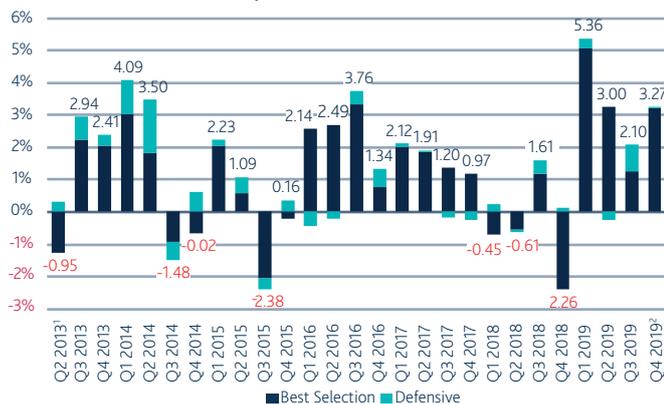
Source: Federated Hermes as at 31 December 2019.



Our dynamic investment process – focused on relative-value investing throughout the capital structures of issuers worldwide – enables us to adapt to all market conditions.

Andrey Kuznetsov, CFA  
Senior Credit Portfolio Manager

Our return-seeking and defensive trades have combined to generate attractive returns since inception



<sup>1</sup> Inception date: 31 May 2013. <sup>2</sup> Performance as at 31 December 2019 in USD, gross of fees.  
Source: Federated Hermes. The figure at the top of the columns is the sum of the positive and negative contributions.

Our dynamic investment approach enables us to respond to changes in the market with greater flexibility and express our convictions. Since the May 2013 inception of the Strategy, we have successfully navigated periods of turmoil including the taper tantrum and the bund market shock. During this time, our defensive trades helped preserve capital, allowing us to focus on capturing upside when opportunities arose.

## Investment philosophy and process

Exposure to the team's best long-only credit investments, combined with strategies that defend against market volatility, should generate positive absolute returns through the cycle. In seeking to achieve this, the fund is split into two strategic buckets:

**Best selection:** high-conviction, long-only investments in corporate bonds, loans, convertible bonds and derivatives comprising two-thirds of the portfolio.

**Defensive:** a range of bearish strategies, accounting for one-third of the portfolio, that aim to defend against market falls.

Identifying outperforming credit investments requires a broad mandate. The team researches the US, Europe and the emerging markets to exploit differences in the valuation and return prospects of securities. Crucially, this universe enables them to avoid chronically overvalued sectors and access better liquidity.

Finding a good credit name, however, is not enough. The team believes that security selection is equally as important as issuer selection, given the varying risks and return potential of different securities within each issuer's capital structure. Exploiting such relative value is core to generating positive returns.

Defensive trades, which include outright short, curve and capital structure trades, aim to defend the portfolio's performance in down markets.

### 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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