Federated Hermes Sustainable Global Equity

Martin Todd
Portfolio Manager

One-year review: June 2024

Federated Hermes
Limited

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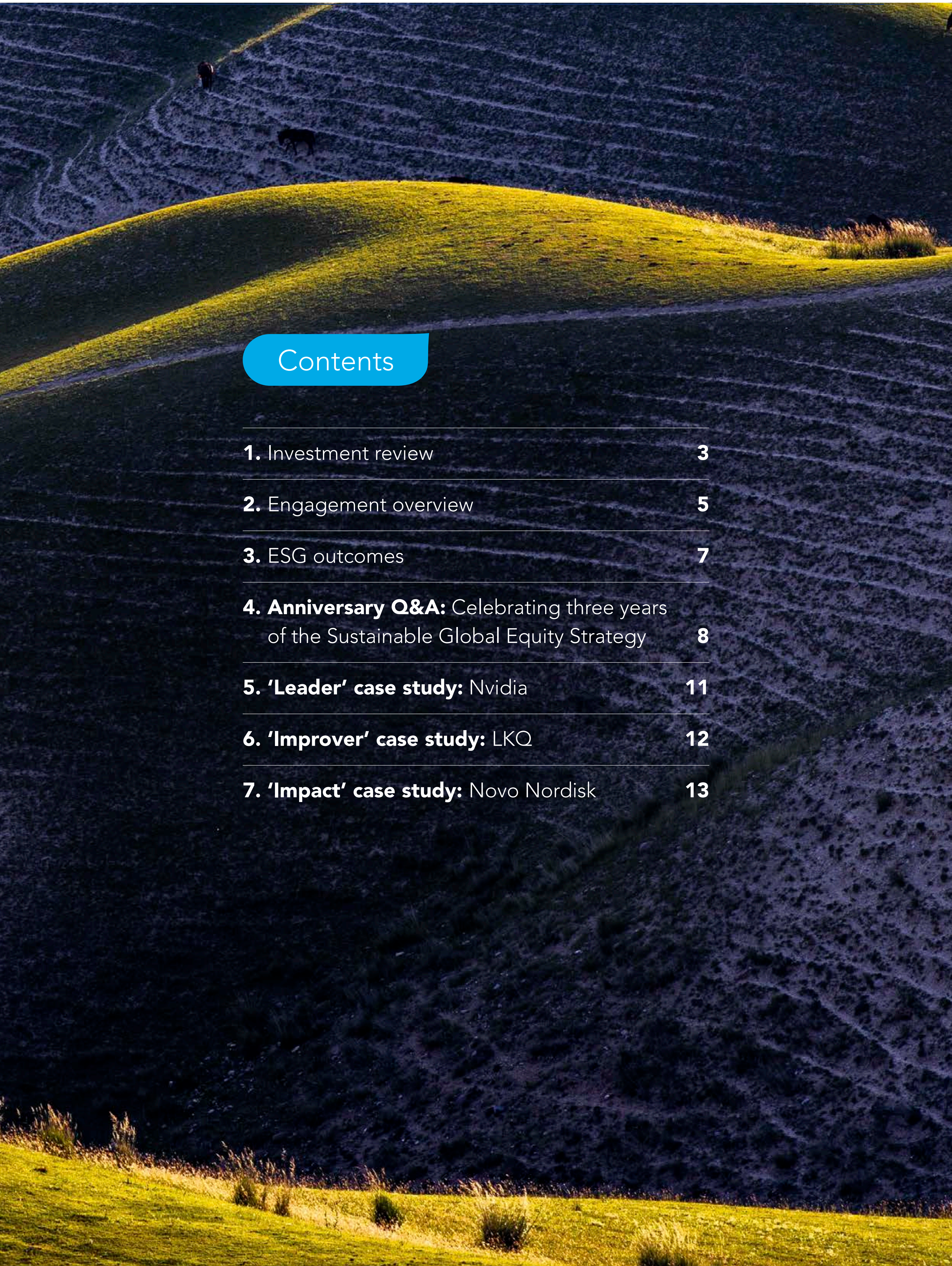

Contents

SECTION 1

Investment review

Market performance

The last year has seen strong returns for the market. The MSCI All-Country World Index is up 19.3% on the back of the global economy remaining in decent shape and inflation starting to melt away.[1] However, as 2024 has so far shown, the path has not been entirely smooth. The upward trajectory has faced headwinds from sticky inflation prints, weaker-than-expected economic data and the unwinding of the carry trade which has driven significant volatility.

Investors have predictably focused on three main factors: the economy, inflation and rate cut expectations. When they have tilted to the positive, it has driven the broader market higher, but when clouds have appeared the market has narrowed its focus onto artificial intelligence (AI) winners and large-cap tech.

In July, significant intra-market volatility drove a rotation out of large-cap growth into unloved parts of the market, and subsequently gave way to a broader risk-off stance.

Performance review: June to June

Past performance is not a reliable indicator of future returns.

Over the year to the end of June 2024, the Strategy delivered 22.76% (net USD) and outperformed the benchmark – (the MSCI ACWI) – by 3.38%.[2] Our outperformance was driven by strong stock selection in Information Technology (IT), Industrials and Consumer Staples, with stock selection within financials somewhat offsetting this.

Within Information Technology, Nvidia continues to benefit from the remarkable demand for its AI-related products and through its continued innovation and partnerships with industry giants. We believe the company is well positioned to retain its market leadership in accelerated computing and AI. Earnings reports this year have shown the sheer breadth of its customer base as enterprise is now investing in a significant way alongside the hyperscalers. TSMC is the market leader in next-gen node-processing technology[3] and, as the exclusive producer of Nvidia's H- and B-series AI chips, is in a unique position to benefit from this surge in demand. There are parallels with Novo Nordisk, the leading Danish healthcare company, which was a significant contributor over the period, posting better-than-expected quarterly results driven by the huge demand for its market leading obesity and diabetes drugs, Ozempic and Wegovy. These three businesses offer unique market positions in areas which are currently seeing demand accelerate as well as offering long-term, durable growth.

Our selection in Financials did detract somewhat from our relative returns over this period. Hong Kong-based insurer AIA was affected by deteriorating Chinese economic data points and investor sentiment at the start of the year. Notably, its shares rallied after announcing better-than-expected quarterly results and additional share buybacks, which suggest that the group has navigated the tough backdrop sensibly.

[1] Past performance is not a reliable indicator of future returns.

[2] Source: Federated Hermes as at 30 June 2024. Performance shown is the Federated Hermes Int'l Sustainable Global Equity Strategy Hedged to US$ Strategy. In US$, net of fees. Inception date: 30 June 2021. Benchmark: MSCI All Country World IMI Index hedged to US$.

[3] The technology node (also process node, process technology or simply node) refers to a specific semiconductor manufacturing process and its design rules.

Since inception performance (to end of June)

The end of the first half of 2024 marked the three-year anniversary of the Strategy. We launched the Strategy with the aim of generating attractive financial returns by investing in companies that, we believe, are helping to create a more sustainable future.

A great deal has happened since the launch – including the fallout from the pandemic, Russia's invasion of Ukraine, a spike in inflation, an energy crisis, bank failures and conflict in the Middle East – which has driven significant market volatility and encouraged a carousel of prevailing market trends, including growth, value, energy, and AI.

Despite these significant market rotations, we are proud to have delivered an annualised return of 6.04%,[4] outperforming the benchmark by 0.62%.

Our differentiated and dynamic approach to sustainable investing enables us to navigate a range of market environments and offers greater potential to deliver. We consider companies that we believe to be both best-in-class and the fastest improving for the portfolio, with a clear link between the environmental and social performance of the business and financial return. Having a lens which encompasses impactful companies (often quite 'growthy'), leaders (quality) and improvers (which are often more value in nature), gives the Strategy a diversification which has helped in the choppy markets we have experienced over the last three years. For example, owning and adding to improvers helped us in 2021/22.

In addition to defending well in a rotating market, over the past two years, in particular, we have also captured the upside from being invested in the companies which are helping to shape the future. We believe these accelerating structural trends in, for instance, AI and life sciences are enduring and the businesses we own remain well placed to continue to benefit. Nvidia's market position in graphics processing units (GPUs) is unique and should enable it to capture a significant portion of the capital expenditure investment expected in the segment over the next decade. Nvidia's GPUs are also 20-25x more power efficient than peers and enable its customers to reduce their carbon emissions and costs. Meanwhile, GLP-1[5] demand should drive double-digit annual growth for Novo Nordisk through to 2030, while significant barriers to entry in diabetes care make it difficult for new entrants. From a sustainability perspective, approximately 1.5 million deaths annually are directly caused by diabetes,[6] with many more linked to associated conditions such as cardiovascular disease, strokes and kidney disease.

While these areas of the market have done extremely well, we know that market leadership can change and our focus is broad. We look for leaders across the broad sweep of the market driving financial inclusion, for instance, or helping to reduce emissions in the infrastructure sector. Infrastructure investment is forecast to increase significantly over the next decade, particularly in the US.

A business such as Trane Technologies, which has performed well over the last three years, has oriented itself around providing the most energy efficient HVAC[7] systems to buildings and has committed to reducing a gigaton[8] of emissions from its customers footprints by 2030 – roughly 2% of world's annual emissions.[9] The company's investment in technology, its leading products, and its route to market means it is increasing market share in an industry which is vital to helping to reduce emissions. Its focus on sustainability and driving positive change through its products has helped reinforce its market position over time and has helped drive market-beating returns. It epitomises what we look for in companies.

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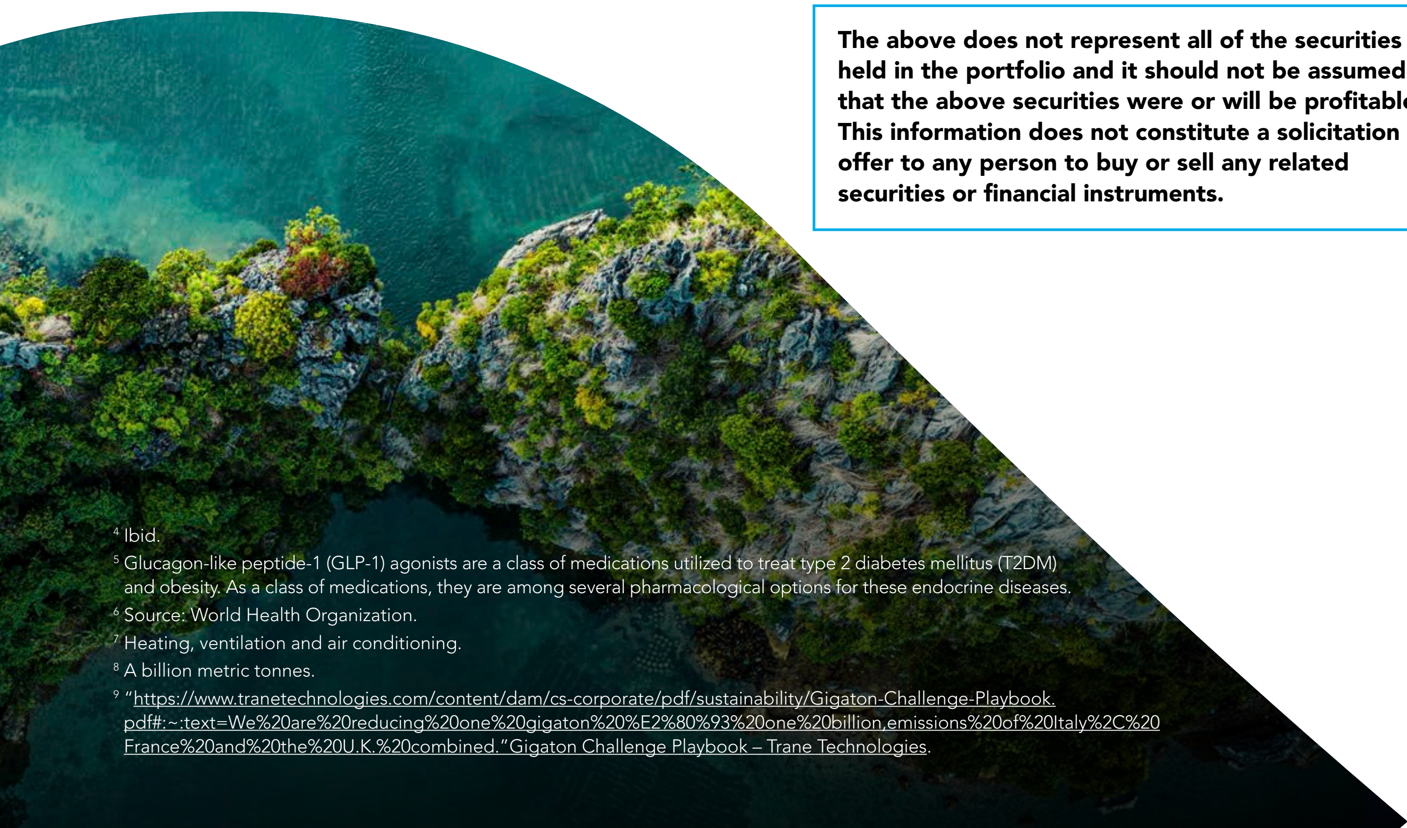


[4] Ibid.

[5] Glucagon-like peptide-1 (GLP-1) agonists are a class of medications utilized to treat type 2 diabetes mellitus (T2DM) and obesity. As a class of medications, they are among several pharmacological options for these endocrine diseases.

[6] Source: World Health Organization.

[7] Heating, ventilation and air conditioning.

[8] A billion metric tonnes.

[9] "https://www.tranetechnologies.com/content/dam/cs-corporate/pdf/sustainability/Gigaton-Challenge-Playbook.pdf#:~:text=We%20are%20reducing%20one%20gigaton%20%E2%80%93%20one%20billion,emissions%20of%20Italy%2C%20France%20and%20the%20U.K.%20combined." Gigaton Challenge Playbook – Trane Technologies.

SECTION 2

Engagement overview

Alongside Federated Hermes' stewardship arm (EOS), we seek to drive positive change through board and executive-level interactions. Our engagements with portfolio companies take the form of face-to-face meetings with board members, chairs, lead independent directors and chairs of board committees. We also gather information relating to specific engagement objectives and issues through our interactions with divisional heads and investor relations teams. Our proprietary milestone system allows us to track our engagement progress through four key stages from initial raising of concerns through acknowledgement of the issue and commitment to change, to implementation.

We benefit from the wider research universe covered by EOS. The diverse team have backgrounds in law, banking, sciences, academia, accountancy, climate change and corporate strategy, and are collectively fluent in 10 different languages. This expertise, combined with their cultural understanding and connections, enables in-depth local language dialogues. As ever, voting and engagement is a good way to hold companies to account and is an important factor in our assessment of governance. We view it as a key part of demonstrating active ownership and ensuring companies are meeting the needs of shareholders.

Figure 1: Measuring progress – Milestones

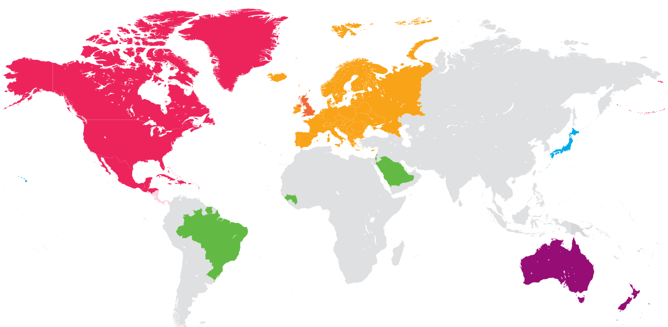
Source: Federated Hermes, as at 30 June 2024.

Engagement progress

Total number of engagement objectives: **79**

Number of companies engaged: **32**

Objectives by region:



North America **13**

United Kingdom **3**

Europe **7**

Emerging and developing markets **5**

Developed Asia **4**

Australia & New Zealand **0**

Voting

Voting is a key part of demonstrating active ownership and ensuring companies are meeting the needs of shareholders.

Meetings voted in favour:	Meetings where we voted against, against and abstained, or with management by exception:
33.3%	66.7%

Source: Federated Hermes, as at 30 June 2024.

Engagement objectives by theme

Source: Federated Hermes, as at 30 June 2024.

Issues and Objectives Engaged – Environmental

Source: Federated Hermes, as at 30 June 2024.

Issues and Objectives Engaged – Social

Source: Federated Hermes, as at 30 June 2024.

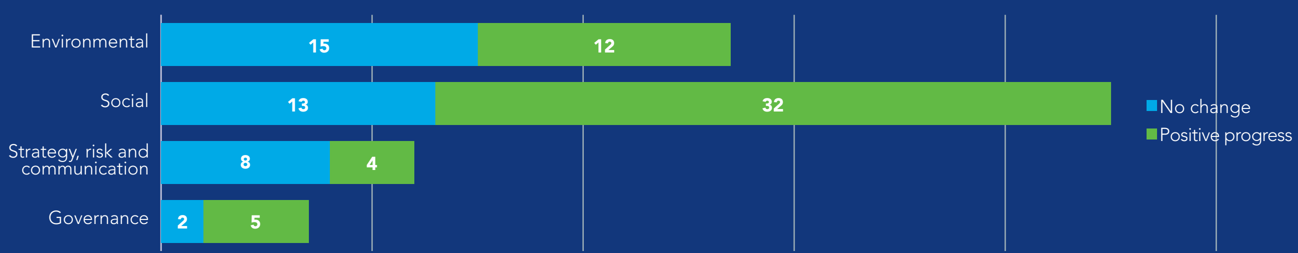
Issues and Objectives Engaged – Governance

Source: Federated Hermes, as at 30 June 2024.

Issues and Objectives Engaged – Strategy, Risk & Communication

Source: Federated Hermes, as at 30 June 2024.

Milestone status



Source: Federated Hermes, as at 30 June 2024.

SECTION 3

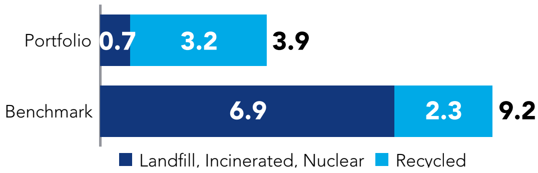
ESG outcomes

Environmental footprint:

The Strategy aims to have a smaller environmental footprint than the benchmark (the MSCI All-Country World Index). As at 30 June 2024, the portfolio's carbon, waste and water footprints measured as follows:

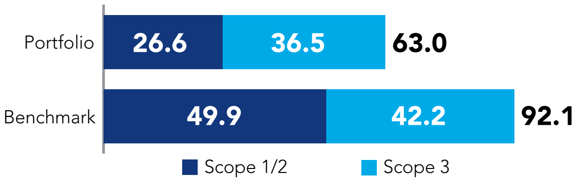
Waste footprint

tonnes/mn invested in portfolio currency



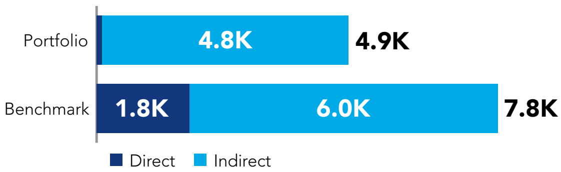
Carbon footprint

tonnes/mn invested in portfolio currency



Water footprint

m2/mn invested in portfolio currency



Source: TruCost, Federated Hermes as at 30 June 2024.

Scope emissions:

Scope 1, Scope 2, and Scope 3 is a classification system for greenhouse gas (GHG) emissions a firm creates through its operations, energy usage, and the wider value chain.

Scope 1 emissions – All direct emissions from the activities of an organisation or under their control. Including fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks.

Scope 2 emissions – Indirect emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy and eventually used by the organisation.

Scope 3 emissions – All other indirect emissions from activities of the organisation, occurring from sources that they do not own or control. These are usually the greatest share of the carbon footprint, covering emissions associated with business travel, procurement, waste and water.

SECTION 4

Anniversary Q&A: Celebrating three years of the Sustainable Global Equity Strategy

Our Sustainable Global Equity Strategy recently celebrated its third anniversary. In recognition of this milestone, the investment team discuss the Strategy's origins, the story so far and outline their plans for the future.

Fast reading:

- Launched three years ago, our Sustainable Global Equity Strategy was designed as a core allocation employing a sustainability lens to improve long-term financial returns.
- The portfolio comprises a wide range of company types from growth to quality and value, from small- and mid-cap through to mega-cap, and across both developed and emerging markets.
- Our deep ESG, impact and engagement expertise has contributed to sound long-term investment decisions, positioning the Strategy to thrive in a less-accommodating macroeconomic environment.

1.How did the Sustainable Global Equity Strategy come into being?

Martin: The Strategy brought together various capabilities we already had in house, so in that sense its roots go back years before launch. We had been running a specific segregated fund for an institutional client, which gave us the opportunity to explore the global equity universe through a sustainability lens. At the same time, we saw inherent value and potential in exploiting Federated Hermes' longstanding impact investing and engagement expertise. Having run a paper portfolio for 12 months prior to launch, we were convinced of the validity of our approach.

2. What does the Strategy offer?

Martin: The strategy offers investors a high-conviction global equity portfolio which can be a core allocation. The portfolio is invested across a wide range of compelling companies, from growth to quality and value, from small- and mid-cap all the way through to mega-cap, and across both developed and emerging markets. Above all, we're looking for attractive companies with the potential to deliver strong financial returns, and whose products, operations and activities contribute towards a more sustainable future.

Fundamentally, the Strategy is invested in strong businesses that are making the world a better place. For instance, through companies contributing to a cleaner environment, enterprises enabling us to live longer and better lives, and efficiently run, well governed businesses focused on the long term. Often these characteristics are not yet fully recognised and appreciated by the market, and therefore financially material. It provides the opportunity to identify and exploit mispricing by incorporating effective quantitative and qualitative analysis of these factors.

3. What sets the Strategy apart from its peers?

Martin: We're in a very fortunate position working within Federated Hermes. The firm has a long history in environmental, social and governance (ESG) integration, deep expertise across the impact investing spectrum, and a best-in-class engagement capability in the form of EOS, our dedicated stewardship arm. Each of these pillars help to drive a differentiated perspective on the investment opportunity.

From growthy Impact stocks, to quality (ESG) Leaders, and value in Improvers, we're not constrained to a narrow group of stocks. Instead, given the capabilities in-house, we can invest across these categories, and build a more diversified portfolio. Furthermore, given the unique resource we have in EOS, we are able to continue engaging with investee companies over the period of investment, staying close to the company as the investment thesis plays out.

4. What are the team's key strengths?

Martin: We work closely together as a unit, bringing energy and focus to the things our clients most value. Obviously, performance is at the top of that list, in terms of seeking to deliver strong financial returns through the Strategy's focus on sustainability. Also important to investors is our rigorous approach, built around consistent application of our investment process – a key element of that is the role of critical thinking and questioning every source.

Thirdly, we're committed to open and thorough reporting on the activities and performance of the Strategy. We also offer in-depth views on relevant investment themes and publish case studies of key portfolio holdings.

Finally, I'd flag patience and commitment as team virtues. Our track record as a business and rigorous investment approach gives us the confidence to ignore the noise and keep a steady focus on the long-term horizon. At the same time, we're professionals, so we don't let emotional attachment lead us to continue holding a stock if a company's situation has fundamentally changed.

It's important not to underestimate the role of psychology in today's markets, which have perhaps never been more affected by short-termism, greed and fear than they are now. It creates a lot of volatility that can be unsettling, particularly for less experienced investors, but also provides opportunities. We're happy to 'wait for the fat pitch', as they say in baseball.

> **"Our track record as a business and rigorous investment approach give us the confidence to ignore the noise and keep a steady focus on the long-term horizon."**
>
> Martin Todd, Portfolio Manager

5. What do individual team members bring to the Strategy?

Martin: The short answer is that they're good stock-pickers, which has enabled our strong hit-rate in terms of high-performing companies. A few important factors lie behind this. Most importantly, team members come from different cultural and professional backgrounds, ensuring cognitive diversity and a range of interests and opinions.

Also, while team members have specific sector expertise, I believe in allowing them to explore the full range of investment opportunities, rather than being pigeonholed. As individuals they all embrace the freedom that offers to investigate any interesting area to find the best ideas. This helps give healthy context to their investment views. For example, Tej has strong expertise in tech but also covers a Chinese auto supplier within the portfolio.

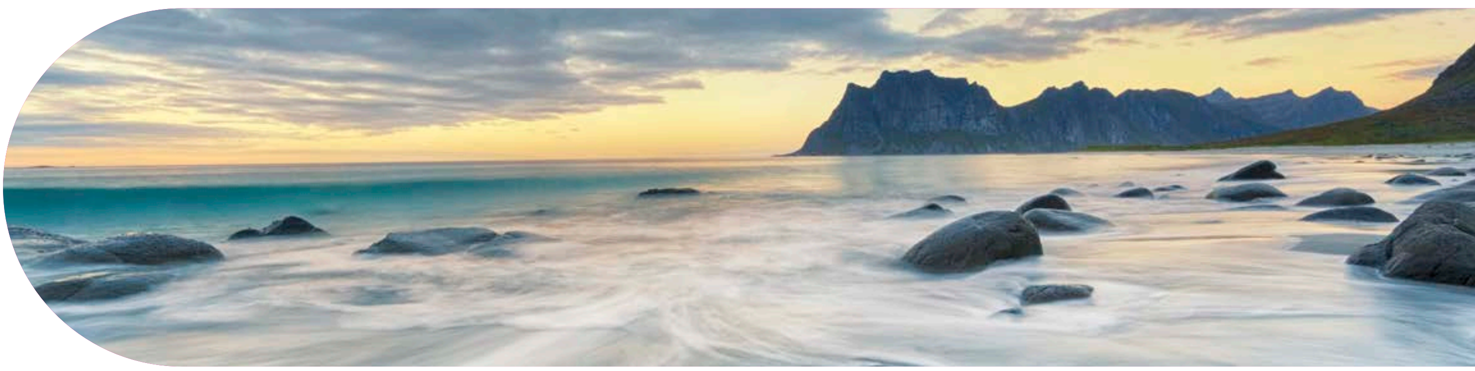
Tej: Prior to joining the team, I was a sell-side equity research analyst for a number of years covering the technology sector. This was valuable because I learned the significance of marrying industry and company fundamental analysis with sentiment, positioning and valuation when analysing stocks.

Davina: Similarly to Tej, I previously worked in sell-side equity research, specialising in Business Services. A diverse sector in and of itself and, encouraged by the team, I've had the latitude to explore different types of business model and industry, from environmental services to hospital providers.

6. Can you give examples of the team's investment approach?

Tej: Nvidia is a company I cover for the team. Its position at the forefront of accelerated computing, and artificial intelligence (AI) exposes it to multiple secular growth markets and offers the potential to drive both material productivity gains and environmental efficiencies. The firm's innovative DNA facilitates future growth in terms of total addressable market, while first mover advantage, network effects and scale provide a deep competitive moat.

With this stock, we are mindful that 50% of trading flow comes from retail investors, making sentiment and price/estimates momentum incrementally important in evaluating risk-reward. Combining thorough fundamental analysis with a microscopic focus on sentiment, positioning and valuation meant we held our long-term conviction when shares struggled in 2022 due to a cyclical data centre slowdown, China export controls and



higher interest rates. Our holding has subsequently generated material alpha as the bull narrative has increasingly dominated amid the paradigm shift caused by generative AI.

Davina: I have covered Rentokil for several years, a quintessential business services name with newfound industry leadership in US pest control. Rentokil's profile is that of a quality compounder with a durable competitive moat and exposure to structurally attractive end-markets.

The acquisition of Terminix – the largest transaction in pest control history – has not impaired the longer-term investment case, but has made for more volatile near-term performance. Our focus on the long-term and assessment of robust industry fundamentals gave us the conviction to initiate a position at an attractive entry point after last year's profit warning. Looking past the challenging near-term set-up, we continue to see scope for a meaningful rerating as the strategic and financial merits of the acquisition materialise.

7.How is sustainability integrated into the Strategy?

Martin: Our approach is always to use sustainability as a lens through which to view the future potential of a company. Positive societal outcomes are a highly desirable benefit of investing sustainably, but the core motivation for incorporating sustainability factors into our investment approach is to seek to deliver better risk-adjusted financial returns over the long term.

8.How important is it that the Strategy is actively managed?

Martin: There's no doubt that the rise of passive investing has been one of the most important dynamics in equity investing over the last decade. Understandably, people see it as a cheap way to achieve diversification, but there are risks attached to assigning capital based on benchmark weight rather than price discovery. For example, the current composition of the major indices leaves passive investors heavily exposed to mega-cap tech stocks.

Ultimately, over the long term, share prices reflect fundamentals. However, a constantly changing market creates disruption that can lead to opportunities for active managers with strong expertise to identify and exploit.

9. Has the Strategy achieved what you set out to do?

Martin: The Strategy is focused on a long-term horizon of five to seven years – and as far as Federated Hermes' senior management is concerned its 10-20 years – so it's still early days. Having said that, we had a number of objectives for the Strategy when we launched three years ago.

A key focus for the process we put together was to deliver less-volatile through-cycle financial returns. On that measure, we're proud of what we've delivered – particularly against such a tumultuous backdrop of rising interest rates, violent intra-market rotation, worsening geopolitics and the short-term impact of the energy crisis on share prices.

We foresaw a better risk-reward ratio for the universe of stocks we were interested in buying. In that respect too, we're happy with what we've achieved; our Sharpe ratio looks strong against our peers, indicating that the Strategy's excess returns reflect sound long-term investment decisions that cut through short-term volatility and investor sentiment.

At the same time, we recognised the potential of Federated Hermes' stewardship and engagement capability to bolster the team's quantitative and qualitative analysis and provide more comfort around corporate culture. This direct involvement with companies has paid off, providing the opportunity for greater diversification.

10. How does this set you up for the future?

Above all, it means we feel confident as we anticipate a future where the macroeconomic environment looks very different to the 2010s – in that the cost of capital has returned to normal levels. Our process was developed with this scenario in mind, so we feel well placed to navigate the evolving market environment.

To learn more about our Sustainable Global Equity Strategy, please click here.

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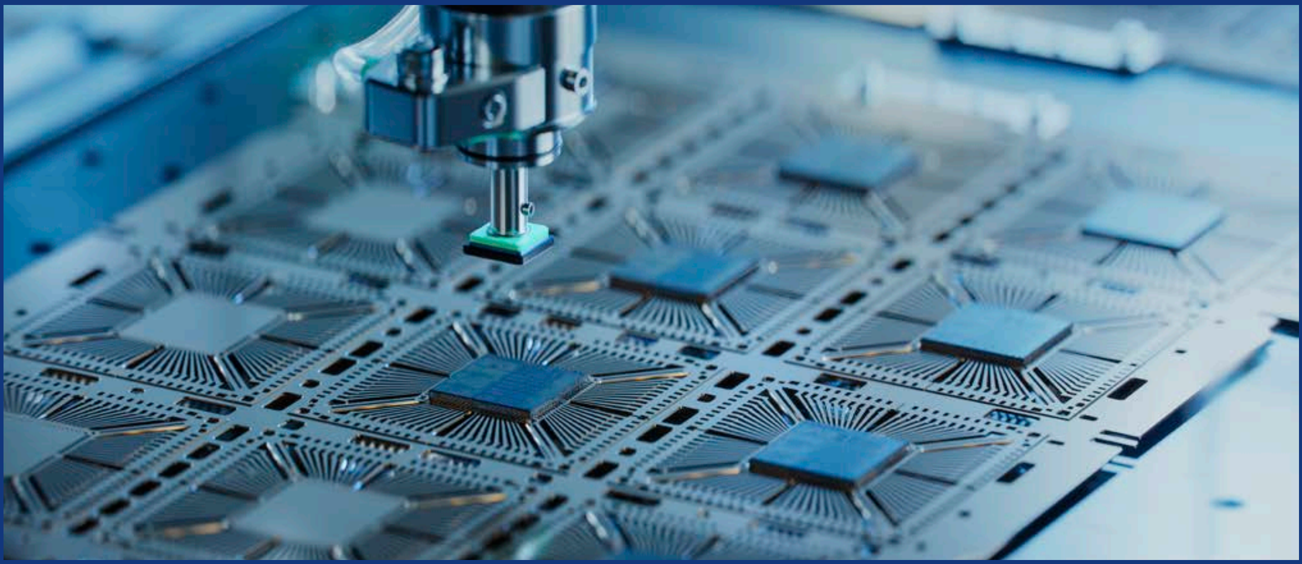
SECTION 5: CASE STUDY

LEADER

Nvidia

Nvidia Corporation is an American multinational computing platform company. Its products include graphics cards, chips and application programming interfaces (APIs) for supercomputers, cloud computing, workstations, mobile phones and autos. Significantly, it is a dominant supplier of hardware and software that is tailored for artificial intelligence (AI) applications.



Nvidia founder and CEO Jen-Hsun Huang has predicted that over the next four to five years, data centre infrastructure and hardware spend will double to US$2tn[10]; Nvidia's dominant market position in this field leaves it well positioned to capitalise on this trend.

Why we're invested

Nvidia's commitment to ongoing innovation make it a true impact enabler in AI and cloud computing fields in which it has a strong presence.

- **Driving sustainability:** Through AI, the company can contribute significantly to delivering on the UN Sustainable Development Goals (SDGs).[11]
- **Reducing emissions:** The firm's cloud computing offering can help small- and medium-sized enterprises (SMEs) reduce their carbon footprint by up to 80% compared to on-premises IT infrastructure.[12]
- **Underappreciated potential:** Its potential to drive productivity gains and facilitate the shift to autonomous vehicles is yet to be fully appreciated by the market.
- **Product quality:** Nvidia's graphics processing units (GPUs) are up to 30 times more efficient than the competition.[13]
- **Environmental performance:** The company ranks positively on carbon intensity versus its peers, while its energy, water use, and hazardous waste intensity are also best in class.
- **Strong social and governance:** Nvidia invests heavily in its people, is working to improve diversity, and has an independent board.

The company is at the forefront of accelerated computing and AI which has the potential to drive material productivity gains and environmental efficiencies. It is exposed to multiple secular growth markets and its innovative DNA facilitates future total addressable market (TAM) expansion. It also has deep competitive moats, insurmountable to disrupt because of the company's first mover advantage, network effects and scale.

Our evaluation of sentiment, positioning and valuation is a continuous process; however, we are always mindful that 50% of trading flow in the stock comes from retail investors. This means that sentiment and price/estimates momentum are incrementally important in evaluating risk/reward. Combining thorough fundamental analysis with a microscopic focus on sentiment, positioning and valuation meant we held our long-term conviction when shares struggled in 2022.

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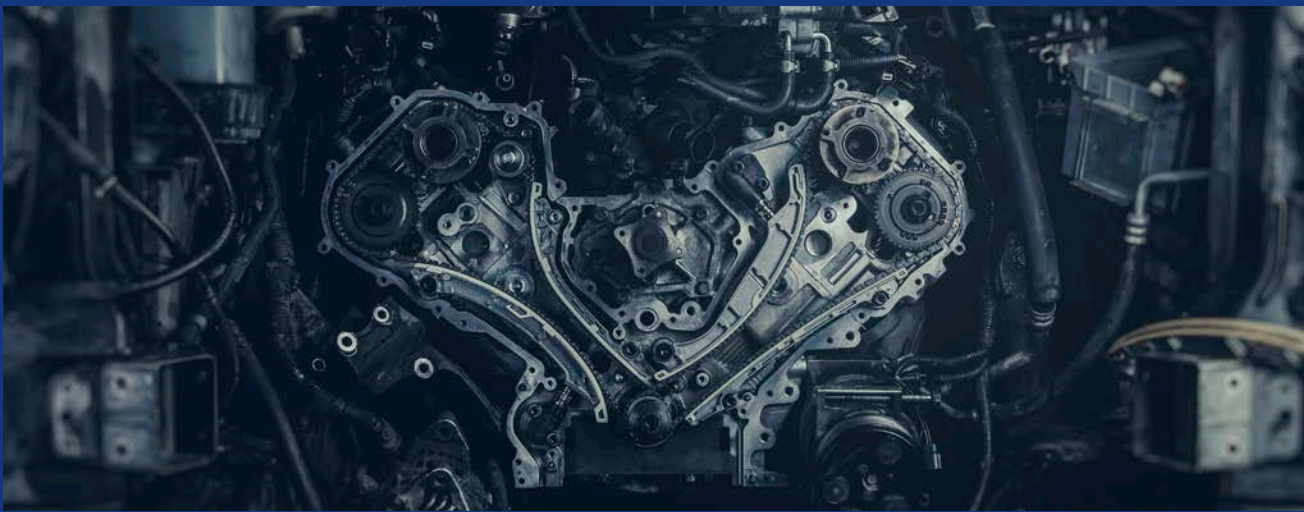
[10] DCD, as at February 2024.
[11] https://sdg-action.org/can-ai-help-us-achieve-the-sdgs/
[12] https://blogs.nvidia.com/blog/spark-rapids-energy-efficiency/
[13] Source: company data, The Verge: 'Nvidia reveals Blackwell B200 GPU, the 'world's most powerful chip' for AI', March 2024.

SECTION 6: CASE STUDY

IMPROVER

LKQ Corporation

LKQ is an American provider of alternative and speciality parts to repair and accessorise automobiles and other vehicles. The company has operations in North America, Europe and Taiwan. As the largest recycler of automobiles in the world, circularity is at the heart of its business model.



Why we're invested

LKQ is a market-leading distributor of alternative and salvaged auto parts with a durable competitive moat. Its recycling activities intrinsically generate a positive environmental impact; and it is well positioned to sustain its commitment to automotive circularity as the proportion of electric vehicles (EVs) around the world increases.

The company stands to benefit from tailwinds from rising complexity, cost per part and greater alternative part utilisation, which we believe will support future growth. The company's European platform integration also offers ongoing margin expansion and free cash flow (FCF) generation opportunities.

Engagement progress

LKQ is supporting battery recycling capacity growth and has acquired two hybrid battery remanufacturers. Remanufactured batteries typically cost about one third of a new one, enabling growth of the second-hand market.

LKQ is a large operation, spanning 26 countries and about 45,000 employees. A large proportion of workers are paid by the hour and on modest incomes; many doing dangerous work. As a result, there is significant scope for the company to reduce its own operational emissions footprint, and to address social inequalities by investing in its employees. The CEO has made commitment to break the cycle of intergenerational poverty, putting in place a number of benefits to help address the financial insecurities its employees face.

We have ongoing engagement with the new CEO and wider management team, seeking;

- Ongoing investment in people (including pay) to shift towards a 'living wage plus' employment model with expanded internal career development paths resulting in lower turnover and accident rates;
- Raising of ambition with respect to operational emissions;
- Further organic and inorganic investment in expansion of their EV battery remanufacturing capability.

ESG case

LKQ recycle 90% of 900,000 end-of-life vehicles annually, with 13 to 15 million recycled auto parts sold per year,[14] resulting in approximately 600,000 of CO_2 emissions avoided per annum.[15]

We are seeing fundamental changes in the automobile market as EVs replace traditional internal combustion engines (ICEs). EV batteries are the most expensive component of an EV vehicle; however, a lack of recycling capability and capacity poses a challenge for accelerated adoption and development of a second-hand EV market.

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[14] LKQ Europe is committed to becoming a net-zero emissions company | LKQ Europe.
[15] Net Purpose calculations.

SECTION 7: CASE STUDY

IMPACT

Novo Nordisk

Novo Nordisk is a Danish multinational healthcare company with a strong heritage in treatments for diabetes. Founded in 1923, it employs more than 59,000 people across 10 R&D centres, 16 production sites and 80 offices around the world, marketing its products in 170 countries.

Novo Nordisk has received considerable attention recently thanks to the runaway success of its weight-loss drug Wegovy. The company has been a pioneer in the medical treatment of obesity, helping bring its treatment as an illness into the mainstream.

Why we're invested

Diabetes and obesity are health issues that have a severe impact on both sufferers and wider society. Addressing diabetes is proven to have broader health benefits, including reducing cardiovascular problems and kidney disease, while obesity is strongly linked to heart disease, arthritis and cancer. Novo Nordisk is one of two market leaders in medication for the former, and a trailblazer in medical treatment of the latter.

Wegovy's active ingredient is semaglutide, which belongs to the group of medications known as GLP-1s and acts as an appetite suppressant. Semaglutide is also marketed by Novo Nordisk at a slightly lower dose for the treatment of type-2 diabetes, under the brand name Ozempic.

The success of the company's GLP-1 franchise in both the diabetes and obesity markets is driving a sustained period of exceptional growth through to the end of this decade. By forging the path into medical treatment of obesity, their medicines are helping address the huge costs to healthcare systems and society associated with obesity.

The SELECT cardiovascular outcomes trial, which involved 17,604 obese adults with established cardiovascular disease in 41 countries, found a 20% reduced incidence of heart attack, stroke or death from heart disease.[16] The holistic cost savings associated with this intervention make a strong economic case for using these medicines, which has led to expectations of an obesity market as big as US$130bn by 2030.[17]

The success of the company's GLP-1 franchise in both the diabetes and obesity markets is driving a sustained period of exceptional growth through to the end of this decade.

The company's vertically integrated approach and strong capital allocation framework has led to >60% return on invested capital (ROIC) and exceptional shareholder value creation.

Engagement

We have had a series of engagements with Novo Nordisk regarding selling and marketing practices concerning their obesity business, as well as off-label use of the product. We were encouraged to see the inclusion of a reinforced Code of Conduct & Business ethics at their Capital Markets Day (CMD), which aims to address these issues.

[16] Novo Nordisk company announcement, published 8 August 2023.
[17] Goldman Sachs, as at June 2024.

PERFORMANCE

Rolling year performance (%)

	30/06/2023 to 30/06/2024	30/06/2022 to 30/06/2023	30/06/2021 to 30/06/2022	30/06/2020 to 30/06/2021	30/06/2019 to 30/06/2020
Federated Hermes Sustainable Global Equity Strategy	22.76	26.67	-23.30	-	-

Source: Federated Hermes as at 30 June 2024. Composite inception date: 30 June 2021. Returns are in USD net of fees. The information shown is supplemental to the GIPS® compliant composite report provided in the Appendix. **Past performance is not a reliable indicator of future returns**.

APPENDIX

Schedule of Rates of Return and Statistics

Composite: **Federated Hermes Sustainable Global Equity**

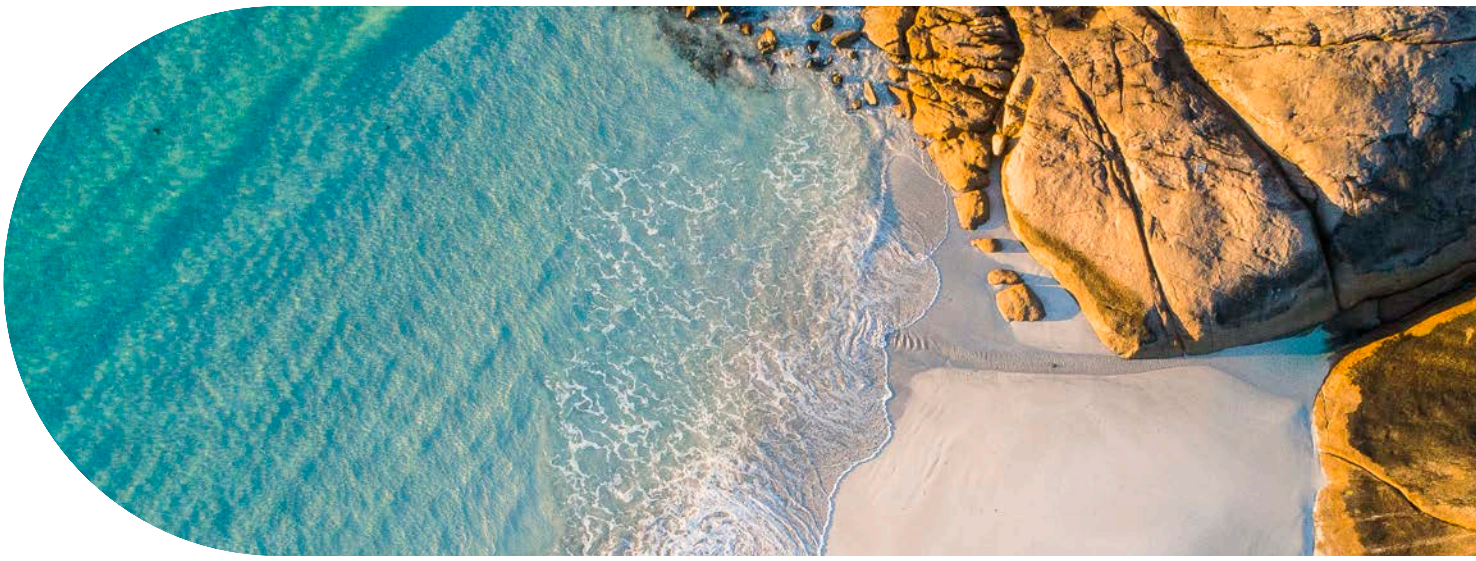
Index: **MSCI All Country World (net)**

Periods ending: **30-Jun-24**

	Returns (%)		
	Composite Gross Return	Benchmark	Composite Net Return
Q2 24	1.99	2.87	1.80
YTD	13.55	11.30	13.12
1 Year	23.69	19.38	22.76
3 Years (Annlzd)	6.85	5.43	6.05
Jul-21 – Jun-24 (Annlzd)^^	6.85	5.43	6.05

^^Represents composite inception period. See page 2 for additional notes to the schedule of rates of return and statistics

The composite includes all discretionary portfolios following the Sustainable Global Equity strategy run by the Federated Hermes Sustainable Global Equity team (London Office) and has an inception date of 1 July 2021. The objective of the strategy is to achieve capital growth over a rolling five-year period and have a reduced environmental footprint compared to the benchmark. The composite benchmark is the MSCI AC World (net) Index, which is designed to measure the equity market performance of all countries and covers all large and mid-market capitalisation securities. The benchmark is market-cap weighted and rebalanced on a quarterly basis. The return is calculated on a total return basis net of withholding tax. This composite was created in August 2021. Performance shown for 2021 is for a partial period starting 1 July 2021. Federated Hermes claims compliance with the Global Investment Performance Standards ("GIPS®") and has prepared and presented this report in compliance with the GIPS® standards. Federated Hermes has been independently verified for the period of January 1, 1992, through March 31, 2024. The verification report is available upon request. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. The management fee schedule for this strategy is 0.75% per annum. Gross of fees returns have been calculated gross of management/custodial fees and net of reclaimable withholding taxes, but after all trading commissions.



Schedule of Rates of Return and Statistics

Composite: **Federated Hermes Sustainable Global Equity**

Index: **MSCI All Country World (net)**

Periods ending: **30-Jun-24**

Year	Composite Gross Return	Composite Net Return	Benchmark Return	*Composite 3-Yr Std Dev	*Benchmark 3-Yr Std Dev	Number of Portfolios	**Dispersion	Composite Assets (mil)	Firm Assets (bil)
2021	4.94	4.55	5.55	N/A	N/A	<5	N/A	29.0	634.2
2022	(19.49)	(20.09)	(18.36)	N/A	N/A	<5	N/A	28.7	627.4
2023	27.16	26.21	22.20	N/A	N/A	<5	N/A	55.5	720.0

*Represents the 3-year annualized standard deviation for both the gross composite and the index returns. Statistic is used to measure the volatility of composite returns.

**Standard deviation is calculated using gross returns. Standard deviation is not applicable (N/A) for any period if fewer than five accounts are in the composite for that period. (See footnote 5)

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