



Lloyds Chambers 1 Portsoken Street
London E1 8HZ
Tel: 020 7702 0888 Fax: 020 7702 9452
www.hermes.co.uk

Press Release

29 APRIL 2014

Hermes Fund Managers: Institutional investors believe emerging markets will continue to perform despite US tapering

- Nearly two thirds of institutional investors (63%) believe US tapering is set to continue unless employment trends worsen
- China (56%), India (46%) and South Korea (40%) are seen as the emerging markets most likely to perform best as the US tapers
- Nearly a half (46%) of institutional investors expect risk appetite among peers to increase over the next 12 months

Challenging the conventional picture that the tapering of stimulus in the US has caused instability in emerging markets, new research from Hermes Fund Managers has revealed institutional investors believe that despite the continuing of the taper, certain countries within this investment sector will nevertheless show positive performance over the next year¹.

Overall, 77.1% of investors believe at least one emerging market will be likely to perform strongly in the event of continued tapering. More than a half of the institutional investors surveyed see China (56%) as a top emerging market performer, with India (46%) and South Korea (40%) also likely to perform strongly in spite of continued tapering.

This is particularly significant, as nearly two thirds (63%) of those surveyed believe US tapering is set to continue unless US employment figures weaken dramatically.

With the current low yield environment driving institutional investors to riskier assets and sectors, such as the emerging markets, a sizeable proportion (46%) of those surveyed expect the risk appetite of their institutional peers to increase over the next 12 months.

Providing rigorous risk control with reassurance to investors about the potentially riskier assets they may be gaining exposure to and ensuring interests are aligned is of the utmost importance.

Gary Greenberg, Head of Hermes Emerging Markets and Lead Portfolio Manager, said: "There are still very attractive investment opportunities in emerging markets. Institutional investors recognise the need to identify these undervalued assets, and as our study shows, are acting upon it.

"No markets are perfect, but the flows in emerging markets are widely broadcast and well known. Between electoral uncertainty, economic slowdowns and even threats of war, many emerging markets are priced for disaster. This type of environment has historically correlated with strong future returns as good companies become severely underpriced."

-ENDS-

For further information, please contact:

Hermes Fund Managers

Jeannie Dumas
+44 (0)20 7680 2152
j.dumas@hermes.co.uk

Melanie Shelley
+44 (0) 20 7680 2110
m.shelley@hermes.co.uk

Katie Sunderland
+44 (0)20 7680 2315
k.sunderland@hermes.co.uk

¹ Based on interviews conducted online by Citigate Dewe Rogerson with 69 institutional investors in February and March 2014

Notes to Editors:

Source: Hermes Emerging Markets Survey April 2014

Hermes Fund Managers

Hermes is focused on delivering superior, sustainable, risk adjusted returns for our clients – responsibly.

We believe in **Excellence, Responsibility** and **Innovation**

- **Excellence:** We aspire to excellence in everything we do. This manifests itself most visibly in our investment performance. We will only offer products to our clients where we believe there is a strong investment thesis and where we can deliver sustainable alpha.
- **Responsibility:** We believe it is our responsibility to lead discussion and debate about the fiduciary responsibilities of fund managers to our clients, their stakeholders and, ultimately, society at large. We have always sought positive engagement with the firms in which we invest.
- **Innovation:** We have the entrepreneurial culture to identify forward-looking products that meet those needs, along with the resources and speed-to-market mentality to develop them rapidly.

Our structure provides wholesale, institutional and pension fund clients globally the benefit of access to a broad range of specialist, high conviction investment teams operating within an established and robust operating platform.

Hermes' investment solutions include:

- **Fixed Income:** Inflation-Linked, Government Bonds, Investment Grade, High Yield
- **Alternatives:** Commodities, Hedge Fund Solutions, Infrastructure, Private Equity
- **Equities:** Global, Emerging Markets, Small & Mid Cap, Europe, Asia Ex Japan
- **Real Estate:** Segregated, Unitised, Debt, UK, US Residential, European

Hermes manages assets on behalf of more than 200 clients* across these investment areas with £26.3 billion* assets under management. In Hermes Equity Ownership Services, we have one of the largest engagement resources in the industry, advising on more than £98 billion* of assets.

*Please note the total AuM figure includes £3.4bn of assets managed or under an advisory agreement by Hermes GPE LLP ("HGPE"), a joint venture between Hermes Fund Managers ("HFM") and GPE Partner Limited. HGPE is an independent entity and not part of the Hermes group. £0.4bn of total group AuM figure represents HFM mandates under advice. Source: Hermes as at 31 December 2013.