

Seeking outperformance connected with sustainable outcomes

Fund Summary, Q2 2021



“We target financial outperformance and positive outcomes through high-conviction investment in companies leading the sustainability transition.

– Martin Todd, CFA, Portfolio Manager

Why us?

- Seeking outperformance and outcomes:** Investing in attractive companies whose products, operations and activities help create a more sustainable future. We target superior financial and environmental performance relative to the benchmark.
- Thematic framework:** environmental sustainability, social inclusion, health and wellbeing, and efficient production and resource use are core themes driving our investment research.
- Disciplined exclusions:** from fossil fuels to weapons, tobacco and gambling, we exclude a range of industries inhibiting sustainable outcomes from the portfolio.
- Investment expertise:** proven stock-picking and thematic investment talent – in global and regional markets and throughout the capitalisation spectrum – supported by diverse experience and skills across the investment floor.
- Pioneering ESG and engagement:** innovative, proprietary ESG analysis that delivers insights beyond ratings, strengthened by engagement intelligence and effective stewardship from EOS at Federated Hermes.

Lead Portfolio Manager: Martin Todd, CFA

Martin joined the international business of Federated Hermes in March 2013 and has 16 years' industry experience in managing or co-managing portfolios of UK, European and global equities – often with a sustainable or impact focus. He has successfully managed the Federated Hermes Sustainable European Strategy, which has outperformed its benchmark index since 2017.

Fund information

Objectives	<ul style="list-style-type: none"> ● achieve capital growth over a rolling five-year period ● have a reduced environmental footprint compared to the benchmark
Benchmark	MSCI All Country World Index
Sustainability metrics	<ul style="list-style-type: none"> ● CO₂ emissions (tonnes/\$m invested)¹ ● Waste (tonnes/\$m invested) ● Water (m³/\$m invested)
Inception	January 2021
Concentration	30-50 companies
Typical tracking error range	4-10%
Active share (range)	>80%
Turnover (range)	10-40%
Exclusions	Fossil fuels, weapons, tobacco, alcohol, gambling, adult entertainment
ESG integration	Proprietary tools and third-party data feeds
Engagement & responsibility	Combined resource of more than 50 people drives engagement and policy advocacy

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. Investments in emerging markets tend to be more volatile than those in mature markets and the value of an investment can move sharply down or up.

Targets cannot be guaranteed. ¹ Includes scopes 1, 2 and 3 emissions.

“Companies leading the sustainability transition do more than have excellent ESG profiles: their products and services directly contribute to a more sustainable world.

– Martin Todd, CFA, Portfolio Manager

Investment philosophy and process

We are high-conviction, fundamental investors who target sustainable companies: profitable businesses whose products, operations and activities help create a more sustainable future. Our ability to identify these investment opportunities – and engage companies to sustain and strengthen their positive actions – is reinforced by best-in-class ESG and stewardship integration. Through this approach, we seek long-term transformative change and financial outperformance.

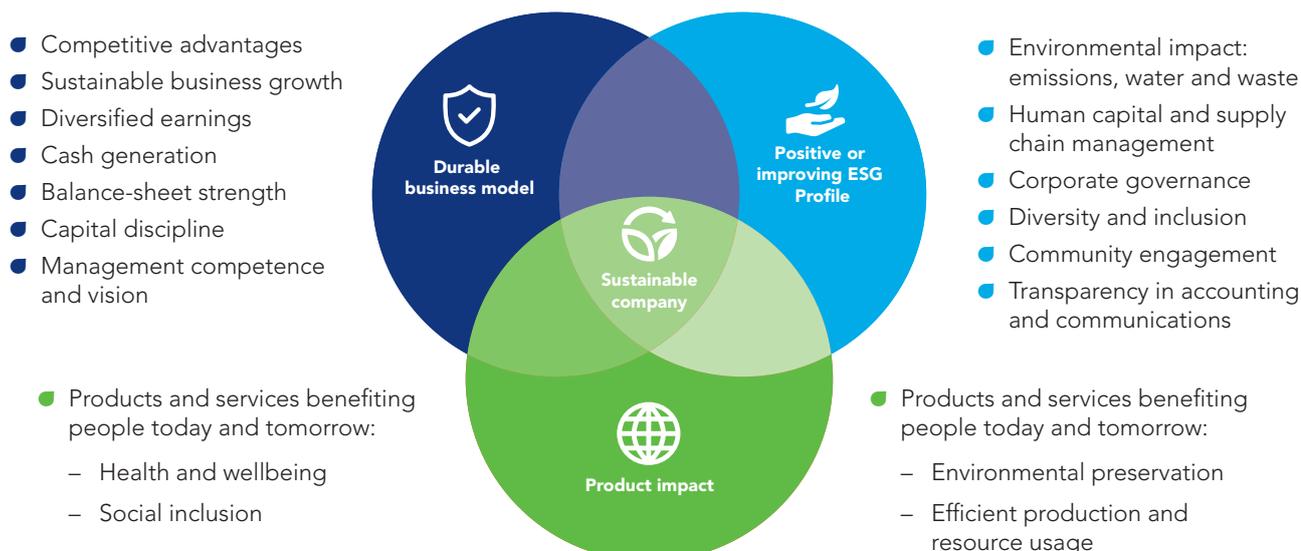
Broadly, our investment process consists of the following stages:

- Applying exclusions to the global equity universe to ensure that companies in industries restricting sustainable outcomes – from weapons to fossil fuels, alcohol, gambling and tobacco – are omitted from the portfolio.
- Searching the filtered universe through four thematic lenses: environmental preservation, social inclusion, health and wellbeing and efficient production and resource usage.
- Fundamental analysis of companies aligned with one or more of these themes for evidence of growth potential, financial resilience, ESG integrity, management quality and vision – and the resources and governance to be in charge of their own destinies.
- Combining these findings with sustainability factors, including companies’ balance of positive influences and alignment with the Sustainable Development Goals, to generate a proprietary Sustainability Score for each business.
- Throughout this process, we look for current or prospective changes – within companies, the industries they operate in or the wider world – that are underappreciated by the market and therefore not reflected in stock prices.

We invest for the long-term, allowing time for companies to grow and for positive change to be realised.

What defines a sustainable company?

For us, a sustainable company has three defining characteristics. First, it is profitable and resilient, strengthened by durable competitive advantages and a competent management team with ambition, vision and a willingness to invest for the future. Second, its operations show evidence of strong or improving ESG factors, verified by our proprietary analytical tools and engagement insights. Lastly, their products and services benefit people and the planet, for the current generation, and those that follow too.



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