

Hermes Multi-Strategy Credit Fund

Factsheet 31 October 2019

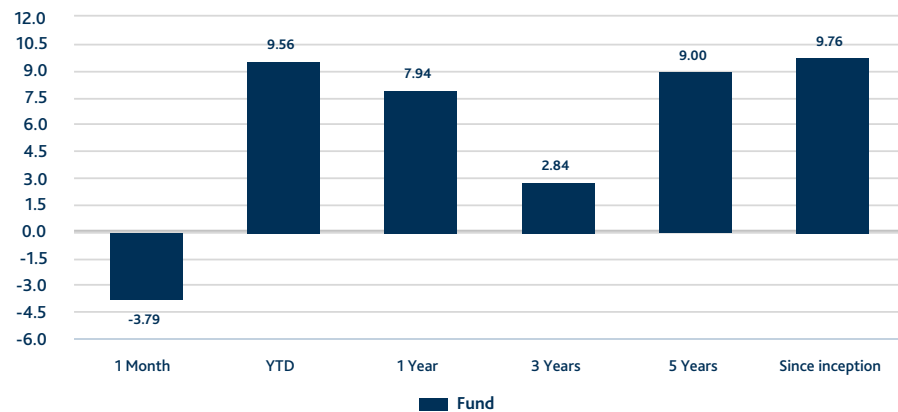
Objective: The investment objective of the Fund is to generate a high level of income by primarily investing in a diversified portfolio of credit securities including investment grade bonds, high yield bonds, credit default swaps and money market securities (including commercial bank loans) while exhibiting lower volatility relative to the global high yield market.

Fund information

Fund type	UCITS
Inception date	01 May 2014
Fund size (m)	£737.4 / €855.3 A\$1,385.1 / US\$954.3 S\$1,298.7
Lead Portfolio Manager	Fraser Lundie
Co-Portfolio Manager(s)	Andrey Kuznetsov
IA sector	£ Strategic Bond
No. of issuers	86
Concentration of top 10 holdings (%)	29.06
Base currency	US Dollar
Pricing	Daily
Valuation point	Close of business
Ongoing Charge (%)	0.72
Share class	F Sterling Dist
Min. investment	£100,000 or currency equivalent
ISIN (Dist)	IE00BKRCN768
Valoren	24292286
WKN	A112NV
Bloomberg ticker	HMSCFGI
Morningstar Rating	★★★★★
Citywire Rating	
FE Crown Fund Rating	

Share classes - whether Accm or Dist, hedged or unhedged - are available in other currencies
Ongoing Charge as at 30 June 2019 (estimated number)
Morningstar as at 30 September 2019
Citywire UK as at 30 September 2019, ratings have been awarded to the Portfolio Managers based on their risk-adjusted performance track record
FE Crown Fund Rating as at 01 July 2019

Fund performance as at 31 October 2019



Performance over one year is annualised

Monthly performance (%)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	Fund	-0.78	2.18	-0.65	-2.64	0.90	-0.41	-0.91	2.40	-3.62	1.44	-1.87	0.42	-3.66
2018	Fund	-4.33	2.55	-2.33	2.03	2.79	0.50	1.73	0.82	0.11	1.40	-0.84	-0.65	3.58
2019	Fund	-0.66	0.27	3.14	1.46	2.87	0.86	4.60	0.89	-0.24	-3.79	-	-	9.56

Rolling year performance (%)

	31/10/18 to 31/10/19	31/10/17 to 31/10/18	31/10/16 to 31/10/17	31/10/15 to 31/10/16	31/10/14 to 31/10/15
Fund	7.94	3.61	-2.73	35.16	4.65

Performance not available for all of the above period. Fund performance shown is valued at close of business. Performance shown is the F share class Sterling Distributing net of all costs and management fees since seeding on 09 July 2014. Subscription and redemption fees are not included in the performance figures. Funds with a mid-month inception date show part period performance for that month.

Risk profile

- Past performance is not a reliable guide to future performance.
- The value of investments and income may go down as well as up and you may not get back the original amount invested.
- Bonds Risk: Where the Fund invests in debt instruments (such as bonds) there is a risk that the entity who issues the contract will not be able to repay the debt or to pay the interest on the debt. If this happens then the value of the Fund may vary sharply in value or result in loss. Also the value of the debt instrument may go up or down with changing interest rates.
- Emerging Markets Risk: The performance of the Fund may have some dependence on the economic environment of emerging markets which may negatively affect the value of the Fund.
- Currency Risk: Currency fluctuations between the share class currency and the base currency of the Fund may adversely affect the value of an investment in the Fund.
- Loan Risk: The Fund may invest in secured or unsecured loans. Loans that are fully secured offer the Fund more protection than an unsecured loan, in the event of non-payment of scheduled interest or principal. However, there is no assurance that the sale of assets from a secured loan would satisfy the borrower's obligation. The loans in which the Fund intends to invest may not be rated by any internationally recognised rating service.
- Leverage Risk: The use of leverage may result in large fluctuations in the net asset value of the Fund, amplifying both gains and losses.
- Financial Derivative Instruments (FDIs) Risk: The Fund makes extensive use of FDIs, the value of which depends on the performance of an underlying asset. Small changes in the price of that asset may cause larger changes in the value of the FDIs, increasing either potential gain or loss. FDIs can be used to alter the exposure to underlying Investments. Depending on how they are used, FDIs may increase or decrease the overall volatility of the Fund and carry the risk of substantial loss in market conditions which are not expected by the Investment Manager at the time the FDIs are entered into.
- For more information on risks please refer to the Key Investor Information Document and Prospectus.

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Risk analysis

	Fund
Option Adjusted Spread (bps)	312
Duration Times Spread (%)	79.74
Average maturity (years)	8.35
Average-Weighted Coupon (%)	4.74
Yield-to-Worst (%)	3.87
Spread Duration (years)	3.03
Duration (years)	2.16

Instrument split

	Market Weight (%)
Bond	94.97
CDS (long risk)	21.39
Loan	3.14
Cash	1.15
FX	0.00
CDS Index	-14.49
CDS (short risk)	-54.03

Geographical split

Regions	Market Weight (%)
N America	31.81
United Kingdom	8.27
Latin America	6.41
E Europe	4.44
Asia Developed Markets	4.16
Asia Emerging Markets	1.00
Middle East & Africa	0.91
W Europe	-6.02

The yield that an investor receives may not be the same as the yield quoted above due to currency and fees.

Portfolio exposures

Market Weight	(%)
Telefonica	3.75
BHP Billiton	3.56
General Motors	3.47
ArcelorMittal	3.13
Toll Brothers	2.68
AerCap	2.59
Bank of Ireland	2.52
Commerzbank	2.49
Ardagh Packaging	2.47
Enbridge	2.40

Spread Duration	Years
Allergan	0.25
Kinder Morgan	0.24
Charter Communications	0.20
Suzano	0.18
Toll Brothers	0.17
Air Lease	0.15
AerCap	0.15
Hess	0.15
Enbridge	0.15
Barclays	0.15

Duration Times Spread	(%)
Phoenix	4.72
Kinder Morgan	4.37
Suzano	4.29
L Brands	4.08
Allergan	3.77
Range Resources	3.36
Charter Communications	3.27
EnLink Midstream	3.10
Domtar	3.03
Barclays	2.98

Market Weight represents the top ten exposures based on the valuation of the Fund.

Hermes Investment Management

Hermes Investment Management is focused on delivering superior, sustainable, risk-adjusted returns responsibly.

Hermes aims to deliver long-term outperformance through active management. Our investment professionals manage equity, fixed income, real estate and alternative portfolios on behalf of a global clientele of institutions and wholesale investors. We are also one of the market leaders in responsible investment advisory services.

Hermes investment solutions include:

High Active Share Equities, Private Markets, Credit and Responsible Investment Advisory Services.

Before making any investment (new or continuous) please consult a financial advisor as to its suitability.

Contact us:

If you have any questions, please let us know using the contact details below:

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SAI GLOBAL
 ISO 14001
 Environmental

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Glossary of terms

Accm or Accumulating	Instead of income derived from the fund's shares being paid to investors as dividends, this income is re-invested within the fund to buy further shares.
Average Weighted Coupon Benchmark	Figure derived by weighting the coupon of each bond by its relative size in the portfolio.
Bloomberg Ticker Bond	A standard against which the performance of a security, mutual fund or investment manager can be measured. Generally, broad market stock and bond indexes are used for this purpose. A string of characters or numbers used to identify a listed company or entity on financial services news services.
Citywire Rating	An asset that allows an investor to lend money to a borrower (such as a corporation or government) for a defined period in exchange for interest being paid to the lender throughout the term of the loan and the loan being paid at maturity. Citywire provides a rating of individual fund manager performance, rather than rating funds. Fewer than 25% of managers tracked qualify for a Citywire Fund Manager Rating. The ratings range downwards from AAA to AA, A and +.
COB	Close of business.
Coupon	The rate of interest paid on a bond, which is expressed as a percentage of the nominal or face value. Coupons are typically paid semi-annually. The coupon on a fund level is the weighted average of all of the coupons on the underlying investments.
Credit	An asset class that focuses on investment in instruments that allow entities (such as corporations and governments) to borrow money in order to fund activities. Interest is paid by the borrower to the lender in instalments (known as 'coupon payments') throughout the term of the loan and the loan is expected to be repaid at a defined date in the future. Borrowers receive a 'credit rating' that indicates how risky the loan is likely to be and how likely it is that the borrower will fail to make repayments. More risky borrowers will be expected to pay a higher interest rate to compensate the borrower for the risk.
Credit Default Swap (CDS)	CDS is an insurance contracted by two parties on one underlying issuer facing a risk of default. CDS long risk represents an investment purchased to make a profit from the price of the underlying investment rising. CDS short risk represents an investment purchased to make a profit from the price of the underlying investment falling. CDS Index is an index containing multiple CDS's.
Credit Exposure	The total amount of credit extended to a borrower by a lender and the maximum value that will be lost if the counterparty defaults on the loan.
Credit Spread	The yield spread, or difference in yield between different securities, due to different credit quality.
Duration	A measure that helps approximate the degree of price sensitivity of a bond to changes in the interest rates. Although stated in years, duration is often explained as an estimate of the percentage price change of a bond in response to a one percent change in interest rates. Bonds with higher duration have a greater sensitivity to changes in interest rates and will generally experience a more significant drop in value as interest rates rise so carry a higher degree of risk.
Duration Times Spread (DTS)	DTS equals credit spread multiplied by duration. This is a volatility measure of spread duration.
FE Crown Fund Rating	Ratings are compiled using three key measurements of a fund's performance. A five FE Crown Fund Rating reflects the highest tier.
Future	A financial contract obligating the buyer to purchase an asset (or the seller to sell an asset) at a predetermined future date and price.
High-Yield Bond	A Bond that has a lower credit rating than other Bonds, increasing the potential risk of loan default. In return for the increased risk, the Bond will pay a higher interest rate ('yield') than investment grade Bonds.
IA Sector	The IA sectors divide funds available in the UK, including some offshore (EU) funds, into smaller groups., to allow you to make like-for-like comparisons between funds in a sector.
ISIN	International Securities Identification Numbers (ISIN) uniquely identify a financial security for trading and settlement purposes.
Loan	Money lent to an entity under a contractual arrangement agreed between the borrowers and lender, in exchange for interest throughout the life of the loan and expected repayment of the loan at maturity.
Maturity	The period of time for which a financial instrument remains outstanding. Maturity refers to a finite time period at the end of which the financial instrument will cease to exist and the principal is repaid with interest. The term is most commonly used in the context of fixed income investments, such as bonds.
Morningstar Rating	A ranking ranging from one to five stars, with five being the best, given to publicly traded mutual funds by the investment research firm Morningstar.
Modified duration	A measure of risk for fixed income securities as it predicts the sensitivity of the value of the fund's portfolio to a change in interest rates. The higher the value the greater the volatility of the fund's performance resulting from changes to interest rates. If the modified duration of a fund is 5 then the average price movement of the fund resulting from a +/- 1% change in interest rates is 5%.
Ongoing Charge	Estimated charges taken from the Fund over one year.
Overweight / Underweight	A situation where a portfolio holds an excess or lesser amount of a particular security when compared to the security's weight in the underlying benchmark portfolio.
Portfolio Exposures	A measurement of how much a fund is invested in a particular financial security and/or market sector and/or industry. The measurement is usually represented as a percentage of the overall fund or a percentage relative to its benchmark.
Principal	The original sum invested.
Relative Curve Positioning by Duration Contribution	The total duration of a bond portfolio is composed of various duration 'contributions' or exposure along the yield curve. The portfolio has exposure to various sectors of the yield curve (specifically 0-5yrs, 5-15yrs, 15-30yrs, +30yrs) and this exposure is then compared to the index to give the relative exposure, with a positive being an overweight exposure, and a negative an underweight.
Spread Duration	A measure of the percentage change in a bond price for a 1% change in credit spread.
Valuation Point	The time at which the assets of a fund are priced.
Yield	A figure that shows the income return you receive from a bond. The yield displayed is the 'Effective Yield' of the fund; which takes into account reinvestment of all of the underlying bond coupon payments.
Yield Curve	A line that plots the interest rates at a set point in time having equal credit quality but differing maturity dates.
Yield to Worst	It is the lowest potential yield that can be received on a bond without the issuer actually defaulting. This figure is derived by weighting the Yield to Worst of each bond by its relative size in the portfolio.

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