

## INSURANCE ASIA NEWS

Institutional Asset Management Awards  
2023



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Saker Nusseibeh, CBE  
CEO of Federated Hermes Limited

## Best ESG Strategy

### Federated Hermes Limited

**An early pioneer of responsible investing, Federated Hermes Limited understands very well that integration of ESG considerations into the investment process is critical to a portfolio manager's ability to achieve sustainable long-term outperformance.**

Senior managers from across Federated Hermes Limited, including the firm's CEO, are involved in developing their approach to responsible investment, including stewardship and portfolio management policy.

EOS, the firm's in-house stewardship business, is one of the largest stewardship businesses globally and has been at the forefront of the development and evolution of responsible investment.

It has one of the world's largest teams dedicated to sustainable investing. EOS is central to the depth of resources the investment team can call on, composed of individuals with a diverse mix of backgrounds, skills and perspectives, which highlight high-risk behaviour specific to ESG.

Federated Hermes Limited launched EOS over 17 years ago. It now has \$1.3 trillion (as at 31 December 2022) assets under advice and provides active ownership of companies on behalf of Federated Hermes and over 40 global asset owners.

The existing sustainable and impact global listed equities strategies have grown from \$383.3 million in AUM as of 30 June 2018, to \$2,722 million as of 31 December 2022. Additionally, the impact fixed income strategy and sustainable fixed income strategy have \$1,052 million in AUM.

In 2022, the firm launched the Federated Hermes Biodiversity Equity Fund, in affiliation with the UK's Natural History Museum. The fund seeks to invest in companies helping to protect, restore, or reduce the threat to biodiversity, and had grown to \$38 million as at 31 December 2022.

The fund defined six investable themes: land pollution, marine pollution and exploitation, unsustainable living, climate change, unsustainable farming, and deforestation. The fund looks for best in class companies, which help preserve or replenish biodiversity. For each company, they analyse financials, ESG factors, and complete a biodiversity assessment to determine company impacts and dependencies.

The influence that Federated Hermes Limited is able to exert in the ESG space is demonstrated by its extensive stewardship assets under advice and the key role it has played in developing the Principles for Responsible Investment.

The overriding aim is to deliver investments that enrich investors while benefitting society and preserving the environment. Federated Hermes Limited has led the way in the evolution of investing through a sustainability lens.



## Best Investing Strategy

### Federated Hermes Trade Finance Strategy



**Ihab Salib**  
Senior Vice President, Senior Portfolio Manager  
Head of International Fixed Income Group

**Federated Hermes has spent over ten years developing partnerships and analytic skills to access the market efficiently. This gives it unique access to evaluate each trade finance transaction.**

**Trade finance is an asset class that requires specialised experience including intensive legal and operational due diligence, a deep understanding of risk and how to mitigate it, and relationships with the largest global banks.**

The Federated Hermes Trade Finance Strategy benefits from the experience and extensive relationships of the in-house investment team. The strategy offers investors the potential for a source of uncorrelated return, with low volatility and high relative income return that adjusts with inflation.

As the worldwide demand for trade continues to grow, a diversified pool of trade transactions can deliver the pure alpha that investors seek, by exploiting inefficiencies using short duration transactions.

The team maintains diversification by lead arranger, borrower, region, country sector and transaction security. This is something that few existing trade finance peer products offer.

The income-derived total return is generated from investing in trade finance, structured trade, export finance, import finance, supply chain financing and project finance assets of entities, including sovereign entities.

This fairly unusual strategy strives to achieve high current income through a quality portfolio with a less than two-year average life. It delivers limited credit duration risk, low volatility of returns, high risk-adjusted returns uncorrelated to most major indices.

Federated Hermes has spent over ten years developing partnerships and analytic skills to access the market efficiently. This gives it unique access to evaluate each trade finance transaction to customize risk and take stock of each transaction as a unique structure. Investors can participate in global trade growth, traditionally the domain of commercial banks.

Since the strategy's inception in 2010, there have been 138 positive gross monthly returns out of 153 months as of 31 December 2022.

The Federated Hermes team has relationships with more than 50 entities and typically has transactions sourced from more than 30 institutions in the portfolio at any given time. Internal research accounts for 100% of all research conducted for the trade finance strategy.

The strategy can be tailored for different client needs. For example, the firm has created a feeder fund with specific attributes and bespoke and enhanced reporting for a client group in Japan. In the US, Federated Hermes created a fund that was able to accommodate both taxable and tax exempt clients in a 40 Act format.