

INSURANCE ASIA NEWS

Institutional Asset Management Awards
2025



“Federated Hermes is one of the few asset managers with the skill set to participate in and derive value from this specialised asset class.”



★ Best Investing Product/ Strategy

Federated Hermes Trade Finance Strategy

Best Investing Product/ Strategy

The Federated Hermes Trade Finance Strategy is designed to offer investors a source of uncorrelated inflation-adjusted return, with low volatility, reducing reliance on traditional return drivers.

The trade finance investment philosophy centres on financing essential goods vital to populations, particularly in emerging economies where the trade finance gap is most pronounced. This allows investors to help bridge the gap by co-investing with major corporations and financial institutions alongside leading global banks. As trade volumes have surged in recent years, this sector presented a compelling opportunity for strong deal margins and sustainable growth.

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.

Global merchandise trade volumes reached US\$25tn in 2022 – up from approximately US\$14tn in 2007 – bolstered by rapid growth in so-called south-south trade (between developing countries), which is forecast to represent 40% of global trade by 2030. With this trend, a diversified pool of trade transactions can deliver the pure alpha that investors seek.

Federated Hermes was one of the pioneers in this asset class in 2010 and since inception the strategy has always focused on diverse duration, diverse transaction structure and diverse sector exposure.

The strategy aims to seek an income-derived total return, which is mainly achieved via investing in trade finance, structured trade, export finance, import finance, supply chain financing and project finance assets.

It aims to deliver strong current income through a high-quality portfolio with an average life of under two years. Leveraging robust diversification in a portfolio of idiosyncratic risks, it seeks to limit credit duration risk, maintain low return volatility and generate high risk-adjusted returns.

The strategy has a strong and competitive track record. Since inception in 2010, Federated Hermes has had positive gross monthly returns 90% of the time. Diversification is maintained by lead arranger, borrower, region, country sector and transaction security, setting the strategy apart from the competition.

Federated Hermes is one of the few asset managers with the skill set to participate in and derive value from this specialised asset class. Every trade finance transaction is different and entails its own set of risks and details. Participation in a trade finance loan syndicate, including willingness from loan originators to include participants, is a controlled and limited process taking years of experience and participation within the trade finance market.