

## Federated Hermes Biodiversity Equity

Factsheet 30 September 2023

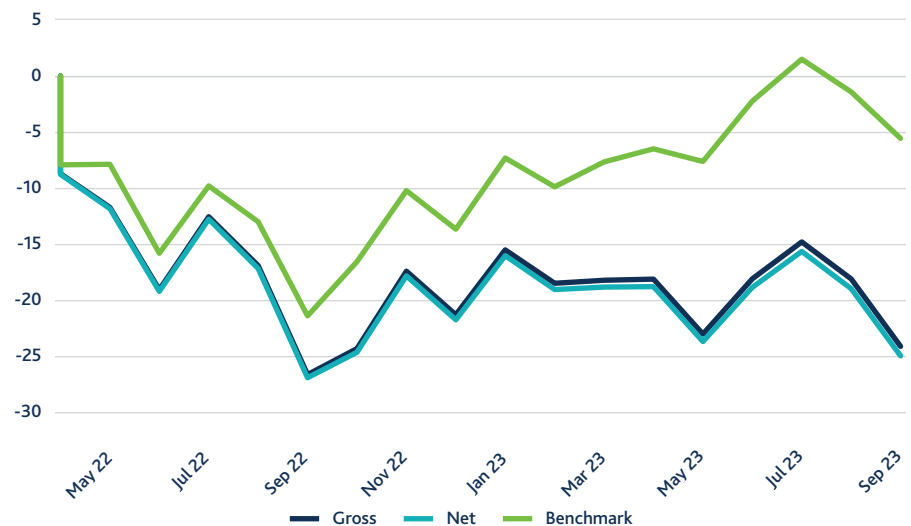
Objective: The Strategy aims to achieve capital growth over a rolling five year period; and to invest in companies that are helping to protect and restore biodiversity or are reducing the threat to biodiversity through their measurable contribution to reducing one or more of land pollution, marine pollution and exploitation, unsustainable living, climate change, unsustainable farming, or deforestation.

### Strategy information

Inception date	01 April 2022
Strategy size (m)	£48.0 / €55.4 A\$90.9 / US\$58.6
Benchmark	MSCI All Country World IMI Net
No. of holdings	36
Concentration of top 10 holdings (%)	39.71
Base currency	US Dollar
Lead Portfolio Manager	Ingrid Kukuljan
Deputy Portfolio Manager	Jordan Patel

### Strategy performance as at 30 Sep 2023

#### Strategy vs benchmark since inception (%)



#### Strategy performance (%)

	Q3	YTD	1 Year	2 Years	3 Years	Since inception
Strategy (Gross)	-7.36	-3.58	3.45	-	-	-16.82
Strategy (Net)	-7.54	-4.12	2.67	-	-	-17.44
Benchmark	-3.40	9.39	20.16	-	-	-3.75
Relative (Gross)	-3.96	-12.97	-16.72	-	-	-13.07
Relative (Net)	-4.13	-13.51	-17.49	-	-	-13.69

Performance over one year is annualised

#### Performance as at 30 September 2023 (%)

	YTD	2022	2021	2020	2019	2018
Strategy (Gross)	-3.58	-21.32	-	-	-	-
Strategy (Net)	-4.12	-21.77	-	-	-	-
Benchmark	9.39	-13.68	-	-	-	-

#### Rolling year performance (%)

	30/09/22 to 30/09/23	30/09/21 to 30/09/22	30/09/20 to 30/09/21	30/09/19 to 30/09/20	30/09/18 to 30/09/19
Strategy (Gross)	3.45	-	-	-	-
Strategy (Net)	2.67	-	-	-	-

Past performance is not a reliable guide to future performance

Performance shown in base currency both gross and net of fees

A full GIPS® disclosure report is available at the end of this document

## Strategy exposures

### Top 10 overweight holdings (relative %)

AECOM	5.33
Tetra Tech	4.76
Kerry	3.84
Xylem	3.82
Zoetis	3.77
Thermo Fisher	3.70
Ball	3.62
Brambles	3.53
Clean Harbors	3.43
Symrise	3.36

## Performance analysis

### Top 5 contributors & detractors (relative %)

UPM -Kymmene	0.53
Kingspan	0.50
Apple	0.37
Trimble	0.22
Trane Technologies	0.20
Tomra Systems	-0.91
Sunnova Energy	-0.86
Xylem	-0.66
DSM-Firmenich	-0.58
Vestas Wind Systems	-0.51

*Futures holdings have been excluded from the Strategy exposures.*

*Relative performance of the top 5 contributors and detractors has been calculated geometrically.*

*\*The information shown is based on a representative portfolio of the composite.*

## Commentary

### Performance

The Strategy fell by 7.36% (-7.54% net) in Q3, underperforming its benchmark by 396bps (413bps net). Our underweight and strong stock selection in Information Technology boosted our relative return, but these effects were outweighed by the negative impacts of weak stock selection and our overweight in Industrials, weak selection in Utilities and Materials and our zero weight in Energy.

UPM-Kymenne, Kingspan and Trimble were the individual holdings that boosted our relative return the most over the quarter, and not owning Apple also contributed. UPM-Kymenne rose after reporting improving monthly orders, which should lead to easing destocking in H2. Kingspan rose after issuing a positive trading update and raising its guidance, driven by sales of products that help improve energy efficiency and reduce carbon emissions. Trimble rose after announcing a joint venture with AGCO that will combine their precision agriculture businesses.

Tomra Systems, Sunnova and Xylem detracted the most. Tomra Systems saw strong revenue growth and order intake, but its EBIT margins were lower than anticipated. It was also the victim of a cyberattack that resulted in some one-off costs. Sunnova Energy fell after raising capital (at a discount to its share price) to fund its considerably higher than expected growth plan. Sentiment towards the stock was also impacted by rising US Treasury yields, which affected the entire renewables sector. Xylem posted strong H1 results and upgraded its guidance, but a short-seller report and the earlier-than-expected departures of its CEO and CFO hit sentiment towards the stock.

### Activity

We opened a position in Cintas, the largest corporate clothing rental company in the US. It promotes circular practices by providing low-cost alternatives to single-use products. It is a well-managed, high-quality firm with a dominant market position.

### Outlook

The Strategy seeks to invest in quality businesses trading at attractive valuations and that also have a sustainable competitive advantage through their positive action towards biodiversity. With increasing awareness of and regulation governing biodiversity, we believe companies that are leading the way and helping protect and replenish biodiversity through their operations, products or services should benefit.

From a fundamental perspective, the portfolio has a significantly higher growth profile than its benchmark. We expect the Fund's EPS to increase by 18.0% in 2024 and another 15.1% in 2025, compared with 11.8% for its benchmark in 2024 and 8.2% in 2025, whilst trading at a 16.9x P/E (FY1/2) compared to the benchmark at 15.2x. As we are in an environment that has moved from an abundance of earnings growth to a relatively modest amount, we think this makes the Fund look attractive given its valuation is similar to that of the index.

*Note: The above does not represent all of the securities bought or sold in the Strategy and that it should not be assumed that the above securities were or will be profitable. A list of all purchases and sales for the period is available upon request.*

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The group offers access to capabilities that span equity, fixed income, private markets, multi-asset and liquidity management strategies, in addition to experienced stewardship.

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## GIPS® Compliance

Composite: Federated Hermes Biodiversity Equity  
 Index: MSCI All Country World IMI Net  
 Period Ending: 30/09/2023

### Annualized Returns (%)

	Composite Gross Return	Composite Net Return	Index
Q3 2023	-7.36	-7.53	-3.40
YTD	-3.57	-4.12	9.39
1 Year	3.45	2.67	20.16
3 Years	N/A	N/A	N/A
5 Years	N/A	N/A	N/A
10 Years (Annld)	N/A	N/A	N/A
15 Years (Annld)	N/A	N/A	N/A

### Annual Returns (%)

	Composite Gross Return	Composite Net Return	Index Return	Composite 3-Yr Std Dev*	Benchmark 3-Yr Std Dev*	Number of Portfolios	Dispersion**	Composite Assets (mil)	Firm Assets (bil)
2022	-21.32	-21.77	-13.68	N/A	N/A	N/A	N/A	37.48	627.39

\*Represents the 3-year annualized standard deviation for both the composite and index returns. The statistic is used to measure the volatility of composite returns.

\*\*Standard deviation is calculated using gross returns. Dispersion is not applicable ('N/A') for any period if fewer than five accounts are in the composite for that period.

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