

# Federated Hermes International Equity Fund

6/30/22

## Fund facts

### Performance inception date

8/1/97

### Benchmark

MSCI ACWI ex USA Index

### Morningstar category

Foreign Large Blend

### Lipper classification

International Multi-Cp Gro Fds

### Fund assets

\$1.3 billion

### Ticker symbols

R6 Shares - PEIRX

Institutional Shares - PIUIX

A Shares - PMIEX

C Shares - PIUCX

### Key investment team

Martin Schulz

Calvin Zhang

Bernard R. Horn, Jr.

Sumanta Biswas, CFA

Bin Xiao, CFA

Jason Crawshaw

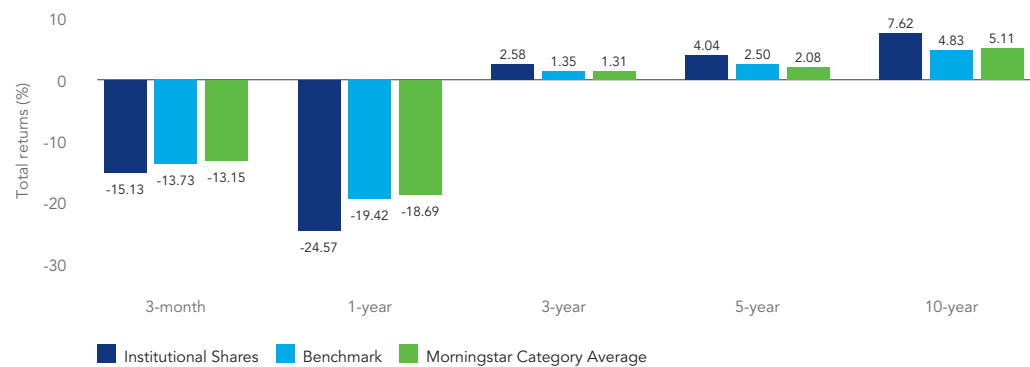
## Fund description

The fund seeks long-term capital appreciation by investing primarily in equity securities that are tied to numerous countries throughout the world in both developed and emerging markets. Employing a top-down approach to country selection and a bottom-up security selection process, the fund may invest in companies of any capitalization, and its allocation is typically split between growth and value stocks.

## Average annual total returns (%)

Performance shown is before tax.

	3-month	YTD	1-year	3-year	5-year	10-year	Since inception	Expense ratio*	
								Before waivers	After waivers
<b>R6 Shares</b>	-15.13	-23.40	-24.53	2.62	4.09	7.64	5.17	1.40	0.90
<b>Institutional Shares</b>	-15.13	-23.41	-24.57	2.58	4.04	7.62	5.16	1.48	0.94
<b>A Shares (NAV)</b>	-15.22	-23.54	-24.77	2.31	3.77	7.31	4.87	1.70	1.19
<b>A Shares (MOP)</b>	-19.88	-27.76	-28.91	0.40	2.60	6.71	4.63	1.70	1.19
<b>Benchmark</b>	-13.73	-18.42	-19.42	1.35	2.50	4.83	-	-	-



## Calendar year total returns (%)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Institutional Shares</b>	8.03	21.78	22.53	-12.54	33.27	0.49	1.00	-5.12	29.90	23.47
<b>Benchmark</b>	7.82	10.65	21.51	-14.20	27.19	4.50	-5.66	-3.87	15.30	-
<b>Morningstar Category Average</b>	9.72	9.30	21.59	-14.59	25.12	0.79	-1.59	-4.98	19.44	18.29

Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit [FederatedInvestors.com](http://FederatedInvestors.com). Maximum offering price figures reflect the maximum sales charge of 5.5% for A Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund. Total returns for periods of less than one year are cumulative.

\* The fund's expense ratio is from the most recent prospectus. The expense ratio may reflect voluntary fee waivers and/or expense reimbursements determined by the fund's Advisor and its affiliates. The voluntary waivers and/or reimbursements, if applicable, are in effect up to but not including the later of 8/1/22 or the date of the fund's next effective prospectus.

## Investment process – two distinct managers



### Portfolio statistics

Weighted median P/E (NTM)	12.1x
Weighted median market cap	\$16.8 b
Weighted median price/book	2.1x
Number of securities	68

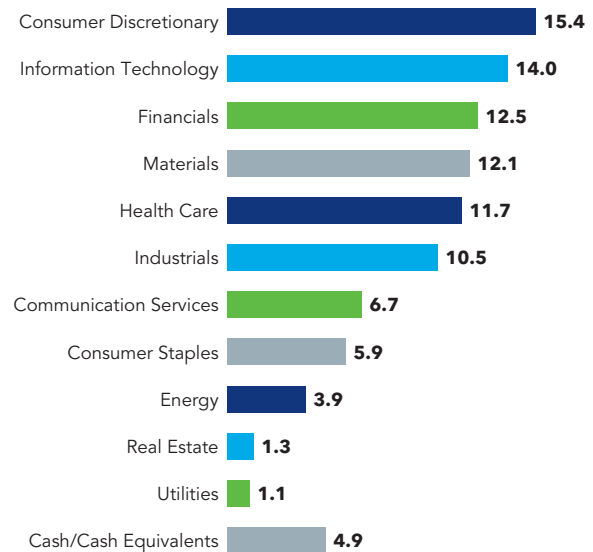
### Top holdings (%)

Federated Hermes International Growth Fund <i>United States</i>	48.4
Popular, Inc. <i>Puerto Rico</i>	1.4
Marubeni Corp. <i>Japan</i>	1.2
Methanex Corporation <i>Canada</i>	1.2
Deutsche Telekom AG <i>Germany</i>	1.1
Jazz Pharmaceuticals Plc. <i>Ireland</i>	1.1
Kia Corp. <i>South Korea</i>	1.1
SKF Aktiebolaget <i>Sweden</i>	1.1
The Toronto-Dominion Bank <i>Canada</i>	1.1
Hannover Rueck SE <i>Germany</i>	1.0
Total % of portfolio	58.7

### Top country weightings (%)

United Kingdom	13.5	Sweden	3.4
Japan	12.2	Ireland	2.6
South Korea	6.8	Taiwan	2.5
Canada	6.5	Singapore	2.1
China	5.8	Netherlands	2.0
Germany	5.8	Belgium	1.9
France	5.7	Italy	1.5
Switzerland	4.4	Puerto Rico	1.4
Norway	3.8	Cash/Cash Equivalents	4.9

### Sector weightings (%)



Portfolio composition is based on net assets at the close of business on 6/30/22 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes. Because this is a managed portfolio, the investment mix will change.

## Highlights

- International stock markets broadly outperformed relative to the U.S., led by emerging markets
- Volatility remained elevated
- Value outperformed growth
- Oil and most energy prices climbed while metals declined as recession fears escalated
- Agricultural commodities were mixed as markets weighed looming recession risks against supply disruptions from weather, food protectionism and the war in Ukraine
- Inflation pressures remained, leading the U.S. Federal Reserve (Fed) and many other central banks to continue to raise interest rates
- The Federated Hermes International Equity Fund underperformed its benchmark due to underperformance of both growth and value components

## Looking back

Markets refocused on the battle against inflation as most central banks became more hawkish, raising interest rates at a faster pace. Fears of recession drove outperformance in value and defensive stocks. Energy stocks continued to catch a bid as Russia countered European sanctions on gas exports. The MSCI Europe Index declined, performing roughly in line with developed markets. Europe faced more pressure as raw material shortages, energy constraints, higher yields and China's Covid situation increased the risk of demand destruction and a global recession. Manufacturing activity across most of the continent remained expansionary.

The MSCI Japan Index declined in line with developed markets, driven by the weakening yen. The Bank of Japan continued to maintain its yield curve control policy. While large exporters dominate Japan's stock market and generally benefit from a weaker yen, recessionary fears and rising input costs weighed on sentiment.

The Shanghai Shenzhen CSI 300 Index outperformed, recovering some lost ground from last quarter. The yuan weakened. Investors grew optimistic on China's economic recovery in the face of loosening quarantine restrictions, supportive fiscal and monetary policy and the likely end of the crackdown on the tech industry.

Indian markets declined again and the rupee ended the quarter near all-time lows. India is one of the most vulnerable countries in Asia to higher oil prices, but the country began to counteract this headwind by increasing imports of cheap Russian crude.

Southeast Asian markets outperformed as the MSCI ASEAN Index declined less than other regions. The region garnered more attention and inflows as beneficiaries of higher commodity prices and the ongoing recovery in international travel and leisure.

Latin America underperformed the rest of the emerging markets as inflation remained high and political risks increased across the region. The MSCI LATAM Index lost over 20% during the quarter while the MSCI EM Index lost nearly half that.

## Performance

The Federated Hermes International Equity Fund returned -15.1% (Institutional Shares at NAV) for the quarter ending June 30, 2022. That compares to its benchmark, the MSCI ACWI ex USA Index, which returned -13.7% during the period.

### Performance contributors

- Positive country allocation effects came from an overweight to the U.K. and underweights to Australia and Taiwan
- Positive sector allocation effects came from overweights to Consumer Discretionary and Health Care, along with an underweight to Industrials

### Performance detractors

- Negative country allocation effects came from overweights to Korea and Argentina and underweight to China
- Negative sector allocation effects came from overweights to Materials and Information Technology and underweight to Consumer Staples

*Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit [FederatedInvestors.com](https://www.federatedinvestors.com).*

## How we are positioned

During the quarter, we added to China, Denmark and Italy. We reduced positions in Sweden, Korea and Colombia.

We seek to reduce exposure to the U.K. and EMU Europe and expect to selectively add to Japan and resource-rich markets including the Middle East, Australia and Norway. While retaining overweight positions in Technology and Health Care, we expect to continue to increase our exposure to more resilient and defensive growth companies as the global economy wrestles with rising inflation and interest rates, post-Covid reopening inside and outside of China and geopolitical risk.

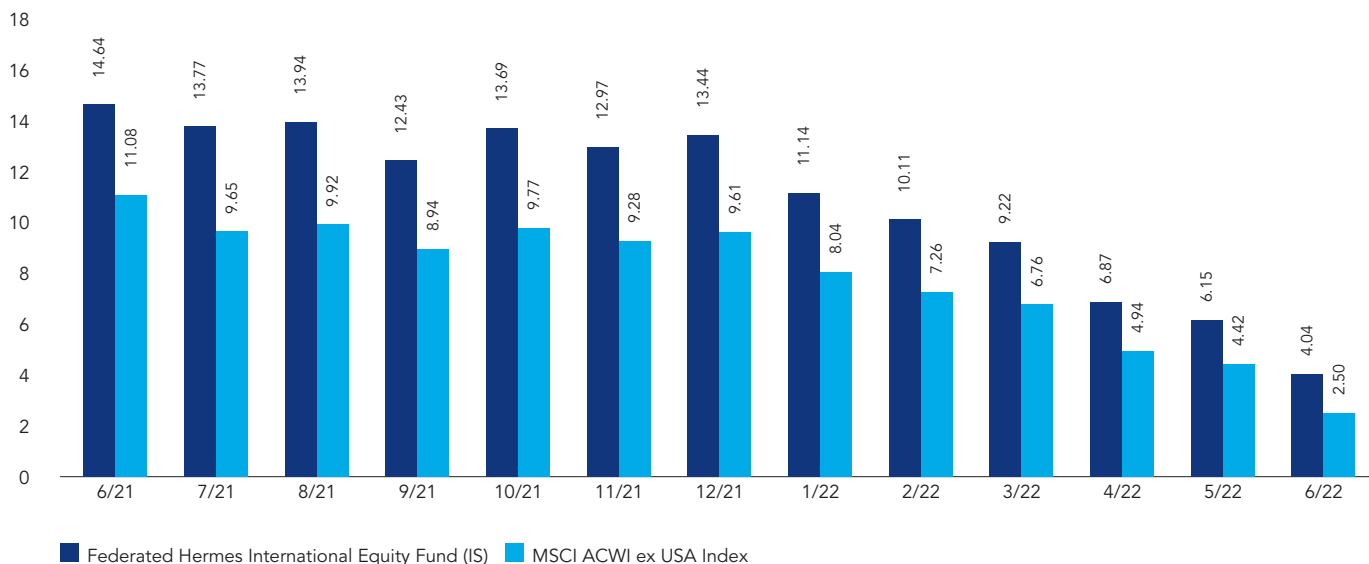
Our dual-manager approach gives us the ability to perform in various market cycles, the freedom to identify the best investments worldwide and the benefit of adding diversification across all markets.

Central banks continue to tighten monetary policy and increasingly discuss the drainage of liquidity. Yields are moving higher, impacting longer-duration assets. Because excess liquidity is being drained and savings rates are normalizing at a time when interest rates are rising, volatility is expected to remain elevated.

Investors are monitoring economic growth and the implications of high relative levels of debt in developed and developing markets. The U.S.-China relationship is also worth monitoring. Concerns about geopolitics and trade, as well as rising populism and authoritarianism, remain. Global inventory levels will be key to monitor as the world potentially moves to secularly higher inventory levels. We remain vigilant and closely monitor the evolution of Covid, economic growth, currency exchange rates and geopolitical and policy risks. We continue to look for companies in high-growth regions with strong balance sheets and strong management teams that have a clearly defined growth strategy.

See disclosure section for important disclosures and definitions.

## 5-year rolling returns vs. MSCI ACWI ex USA Index (%)



Source: Morningstar, Inc. Performance for 5-year periods (1-month shift) from 7/1/17 - 6/30/22.

Returns are for Institutional Shares. Other classes of shares are available whose performance will vary due to different charges and expenses.

## Risk statistics

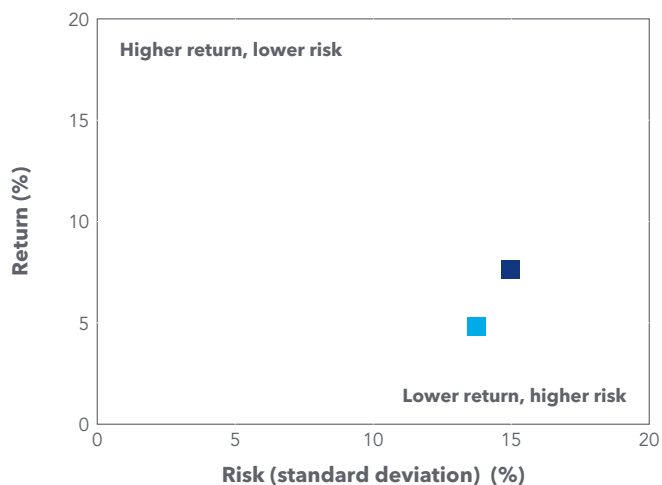
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	20.33	17.99	16.55	14.96
<b>Beta</b>	1.14	1.12	1.07	1.04
<b>Correlation</b>	0.98	0.97	0.97	0.96
<b>Up capture ratio</b>	115.54	110.08	107.40	107.77
<b>Down capture ratio</b>	110.50	103.48	100.34	93.75

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. MSCI ACWI ex USA Index

**See disclosure section for important definitions.**

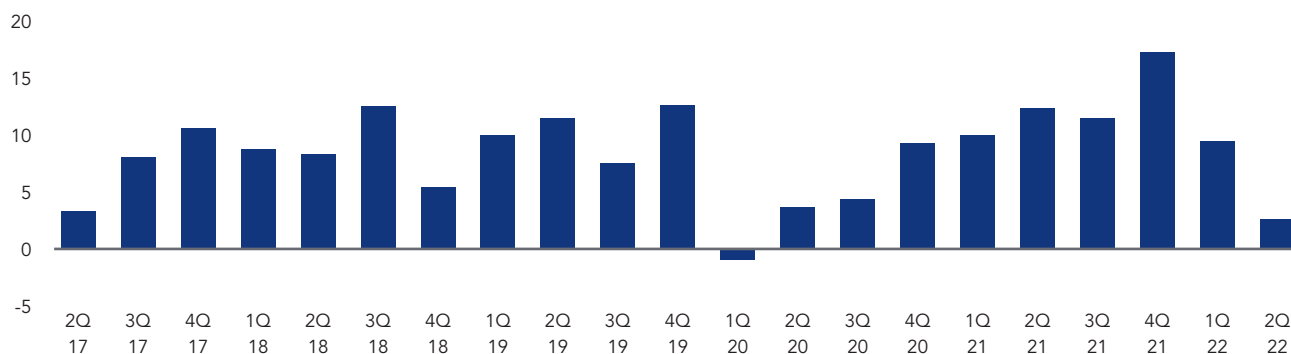
## 10-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes International Equity Fund (IS)	14.96	7.62
■ MSCI ACWI ex USA Index	13.74	4.83

**Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit [FederatedInvestors.com](http://FederatedInvestors.com).**

### 3-year rolling returns - IS (%)



Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit [FederatedInvestors.com](http://FederatedInvestors.com).

### Category rankings

Morningstar Foreign Large Blend Category		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Morningstar Category % Rank	94	22	-	-
	Morningstar Category Rank	706 of 754 funds	165 of 699 funds	-	-
<b>IS Shares</b>	Morningstar Category % Rank	94	22	10	3
	Morningstar Category Rank	707 of 754 funds	170 of 699 funds	60 of 607 funds	10 of 414 funds
<b>A Shares</b>	Morningstar Category % Rank	94	27	12	4
	Morningstar Category Rank	710 of 754 funds	198 of 699 funds	71 of 607 funds	12 of 414 funds

Lipper International Multi-Cap Growth Funds		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	47	26	-	-
	Lipper Classification Rank	147 of 318 funds	77 of 304 funds	-	-
<b>IS Shares</b>	Lipper Classification % Rank	48	27	17	9
	Lipper Classification Rank	150 of 318 funds	82 of 304 funds	43 of 262 funds	16 of 183 funds
<b>A Shares</b>	Lipper Classification % Rank	49	31	23	12
	Lipper Classification Rank	154 of 318 funds	92 of 304 funds	58 of 262 funds	22 of 183 funds

Past performance is no guarantee of future results. Rankings are based on total return and do not take sales charges into account.

## Federated Hermes International Equity Fund

**Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a summary prospectus or prospectus containing this and other information, contact us or visit [FederatedInvestors.com](https://www.federatedinvestors.com). Please carefully read the summary prospectus or prospectus before investing.**

The fund is the successor to the PNC International Equity Fund ("predecessor fund"), a portfolio of PNC Funds, pursuant to a reorganization involving the Fund and the predecessor fund on November 15, 2019. Prior to the date of the reorganization, the fund had no investment operations. Accordingly, the performance information, for periods prior to the reorganization is historical information for the predecessor fund. The predecessor fund was managed by the same portfolio management team as the fund, had an identical investment objective and substantially identical strategies, policies and restrictions.

### A word about risk

Mutual funds are subject to risks and fluctuate in value.

International investing involves special risks, including currency risk, increased volatility, political risks and differences in auditing and other financial standards.

Prices of emerging market and frontier market securities can be significantly more volatile than the prices of securities in developed countries, and currency risk and political risks are accentuated in emerging markets.

Due to their relatively high valuations, growth stocks are typically more volatile than value stocks.

Value stocks tend to have higher dividends and thus have a higher income-related component in their total return than growth stocks. Value stocks also may lag growth stocks in performance at times, particularly in late stages of a market advance.

The fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional instruments.

### Definitions

**Beta** measures a portfolio's volatility relative to the market. A beta greater than 1.00 suggests the portfolio has historically been more volatile than the market as measured by the fund's benchmark. A beta less than 1.00 suggests the portfolio has historically had less volatility relative to the market.

**Correlation** is the degree to which one variable (here, the fund's returns) fluctuates relative to another (the returns of the fund's benchmark). Correlation ranges from 1.00, when two variables move identically in the same direction, to -1.00, when two variables move identically in the opposite direction.

**Standard deviation** is a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

**Up capture ratio/down capture ratio** is a measure of how well a manager was able to replicate or improve on periods of positive benchmark returns and how badly the manager was affected by periods of negative benchmark returns. The up-market capture ratio is a measure of a manager's performance in up markets relative to the index during the same period. For example, a ratio value of 115 indicates that the manager has outperformed the market index by 15% in periods when the index has risen. The down-market capture ratio is the direct opposite of

the up-market capture ratio, gauging performance of the manager relative to the index in down markets. A ratio value of 80 would indicate the manager had declined on 80% as much as the declining overall market, indicating relative outperformance.

**Weighted average dividend yield** is a weighted average of the dividends of all the stocks in a portfolio.

**Weighted average EPS growth next 5 years** is the weighted average annual growth rate of fiscal year earnings-per-share for the next five years for a given corporation.

**Weighted median P/E (NTM—next 12 months)** is a ratio comparing share price to earnings-per-share using estimated data for the next 12 months.

**Weighted median market cap** is the calculation representing the median market capitalization of the stocks in the portfolio, weighted by the amount of each stock.

**Weighted median price/book** is a ratio comparing share price to book value or assets minus liabilities.

**MSCI ACWI ex USA Index** captures large- and mid-cap representation across 22 of 23 developed markets (DM) countries (excluding the U.S.) and 27 emerging markets (EM) countries. The index covers approximately 85% of the global equity opportunity set outside the U.S.

Indexes are unmanaged and cannot be invested in directly.

### Ratings and rating agencies

Lipper Categories: Data Source: Lipper, A Reuters Company. Copyright 2022© Reuters. All rights reserved. Any copying, republication or redistribution of Lipper content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Lipper. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings over the past three years. If the fund is less than three years old, the category is based on the life of the fund. ©2022 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.