

# Federated Hermes International Equity Fund

12/31/20

## Fund facts

### Performance inception date

8/1/97

### Benchmark

MSCI ACWI ex USA Index

### Morningstar category

Foreign Large Growth

### Lipper classification

International Multi-Cp Gro Fds

### Fund assets

\$1.6 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

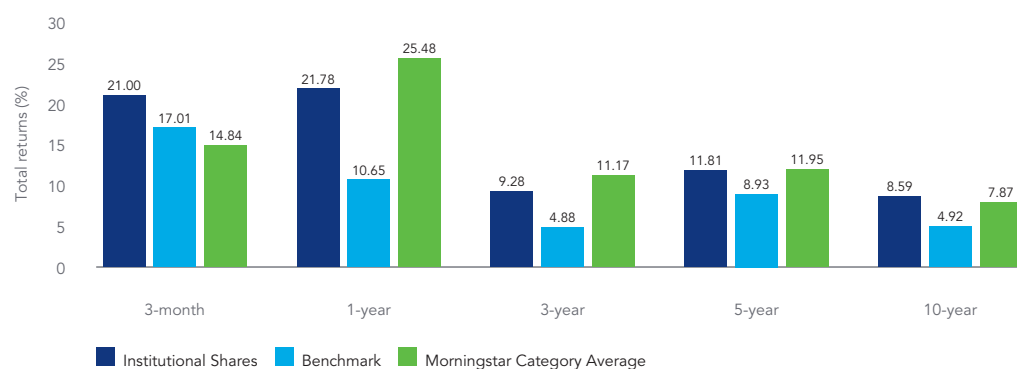
## Fund description

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>	21.04	21.81	21.81	9.33	11.85	8.61	6.36	1.03	0.91
<b>Institutional Shares</b>	21.00	21.78	21.78	9.28	11.81	8.59	6.36	1.06	0.95
<b>A Shares (NAV)</b>	20.88	21.47	21.47	8.99	11.50	8.29	6.06	1.46	1.20
<b>A Shares (MOP)</b>	14.25	14.77	14.77	6.96	10.24	7.68	5.80	1.46	1.20
<b>Benchmark</b>	17.01	10.65	10.65	4.88	8.93	4.92	-	-	-



## Calendar year total returns (%)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Institutional Shares</b>	21.78	22.53	-12.54	33.27	0.49	1.00	-5.12	29.90	23.47	-15.11
<b>Benchmark</b>	10.65	21.51	-14.20	27.19	4.50	-5.66	-3.87	15.29	16.83	-13.71
<b>Morningstar Category Average</b>	25.48	27.83	-14.08	30.87	-2.14	0.95	-3.92	18.58	17.70	-12.30

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 8/1/21 or the date of the fund's next effective prospectus.

## Investment process – two distinct managers



### Portfolio statistics

Weighted median P/E (NTM)	18.7x
Weighted median market cap	\$19.9 b
Weighted median price/book	3.3x
Number of securities	155

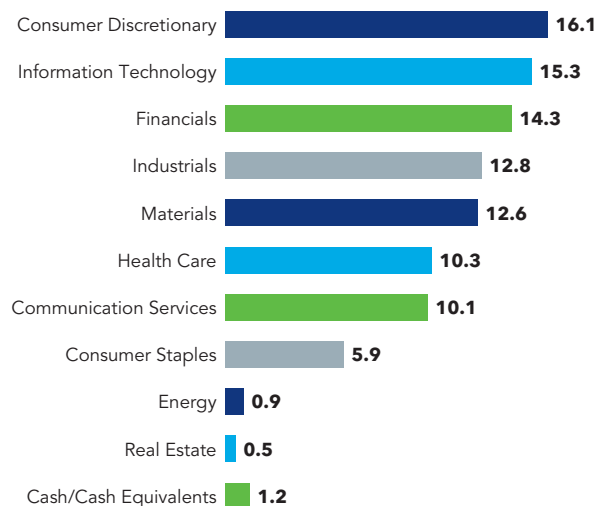
### Top holdings (%)

Samsung SDI Co. Ltd. <i>South Korea</i>	1.6
Tencent Holdings Ltd. <i>China</i>	1.6
Samsung Electronics Co., Ltd. <i>South Korea</i>	1.5
Alibaba Group Holding Limited <i>China</i>	1.3
Methanex Corporation <i>Canada</i>	1.3
Magna International Inc. <i>Canada</i>	1.2
Mondi Plc <i>United Kingdom</i>	1.2
Publicis Groupe Sa <i>France</i>	1.2
SK hynix Inc. <i>South Korea</i>	1.2
ASML Holding N.V. - ADR <i>Netherlands</i>	1.1
Total % of portfolio	13.2

### Top country weightings (%)

Japan	15.8	Switzerland	6.0
China	12.2	Germany	5.9
United Kingdom	8.8	Australia	4.4
France	6.9	South Korea	4.2
Canada	6.3	Taiwan	4.0

### Sector weightings (%)



Portfolio composition is based on net assets at the close of business on 12/31/20 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

- It was a tale of two halves in the fourth quarter as increasing volatility accompanied Covid-19 flare-ups and the uncertainty surrounding the U.S. Presidential election
- Global stock markets increased steadily in the final two months of the year due to certainty in the U.S. elections and positive vaccine-related news flow
- Despite commencement of vaccine inoculations in several countries, the global economy continued to battle Covid-19 headwinds with several countries re-implementing lockdowns
- After a flattish third quarter 2020, oil prices and most major commodities exhibited strong price performance on the back of vaccine optimism notwithstanding a rocky first month of the quarter
- The U.S. dollar weakened for the third quarter in a row and global inflation generally remained subdued
- Select emerging markets in Eastern Europe and Latin America outperformed in a sign of renewed risk appetite among global investors
- Federated Hermes International Equity Fund outperformed its benchmark during the quarter due to outperformance by both the growth and value components

## Looking back

Global markets began the quarter on relatively shaky ground ahead of the uncertain U.S. presidential election and increasing virus cases. Following the election and positive vaccine news, global assets rebounded strongly, and risk appetite returned. Covid-19 remained an overhang risk; however, vaccines were approved by several regulators and became available in several countries.

As the first nation to deal with the virus, China continued to lead the world by driving a rebound in global growth. This was due to a further resumption of exports, along with a catch-up in domestic consumption.

In Japan, activity rebounded from depressed levels, but as with previous quarters, lagged most other countries. The ASEAN region presented a mixed bag as it retained low infection numbers but was affected by slowing global growth and increasing lockdown curbs.

Like the U.S., European economic activity rebounded sharply after suffering a record decline earlier in the year. Europe remained vulnerable to Covid-19 due to its older demographics, especially Eastern and Southern Europe. With the northern hemisphere experiencing a second wave of Covid-19 during the quarter, most European economies curbed some activities until late December. Consequently, 2021 will see a slow start for most of Europe. The biggest news in the quarter concerned finalization of a Brexit deal. The likelihood of reduced economic growth in the U.K. remains high.

Latin America remained the worst hit region around the world, but most major economies continued to resume economic activities. Those that provided more stimulus through either cash handouts or pension withdrawals saw their economies outperform. Most trade balances and currencies were supported by strong commodity prices.

## Performance

The Federated Hermes International Equity Fund returned 21.0% (Institutional Shares at NAV) for the quarter ending December 31, 2020. That compares to its benchmark, the MSCI ACWI ex USA Index, which returned 17.0% during the period.

### Performance contributors

- An overweight to Korea along with underweights to China and Switzerland
- Overweights to Technology and Materials and an underweight to Consumer Staples

### Performance detractors

- An overweight to Germany and underweights to Australia and Spain
- An overweight to Communication Services and underweights to Financials and Energy

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## How we are positioned

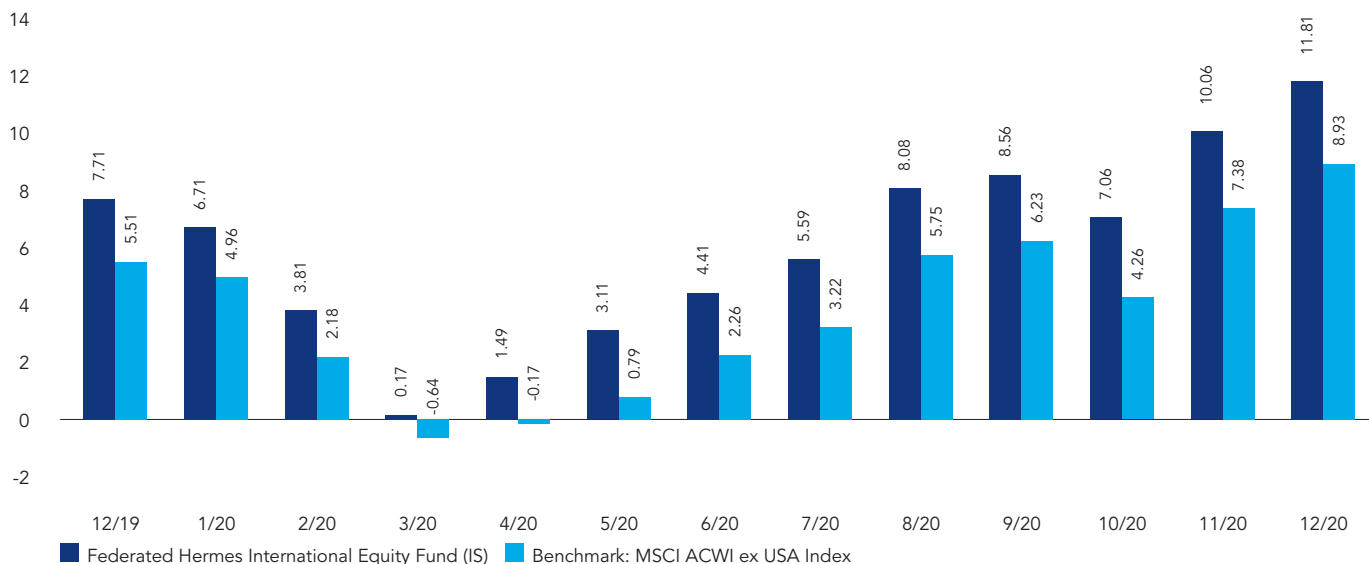
During the quarter we added to Greece, Hungary and Singapore. We reduced positions in Argentina, China, Israel, Sweden and Switzerland.

Ample liquidity will continue to support global markets in 2021. We are experiencing a pickup in global economic activity and exports as companies restock their inventories. Massive liquidity, increased savings rates and pent-up demand will lead to greater economic growth. Looking forward, we expect a restart in the global capital expenditure cycle albeit slowly as vaccines only begin to be rolled out around the world. We seek to reduce exposure to both the European Monetary Union (EMU) and non-EMU Europe, along with Japan. We are looking to selectively add to the U.K., Latin America, the Middle East, Korea and Taiwan. While retaining overweight positions in Technology and Health Care, we expect to continue to increase our exposure to economic cyclicals as the global economy heals.

There will continue to be uncertainty around the evolution of Covid-19. In addition, the U.S.-China relationship merits watching. Geopolitical and trade considerations, along with populism remain worries as well. We are closely monitoring the evolution of Covid-19, re-accelerating economic growth, currency prices and geopolitical and policy risks. We continue to search for companies within attractive regions with earnings growth that have high-quality balance sheets and strong management teams with 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 1/1/15 - 12/31/20.

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

Timeframe based on current management style of Federated Hermes International Equity Fund.

## Risk statistics

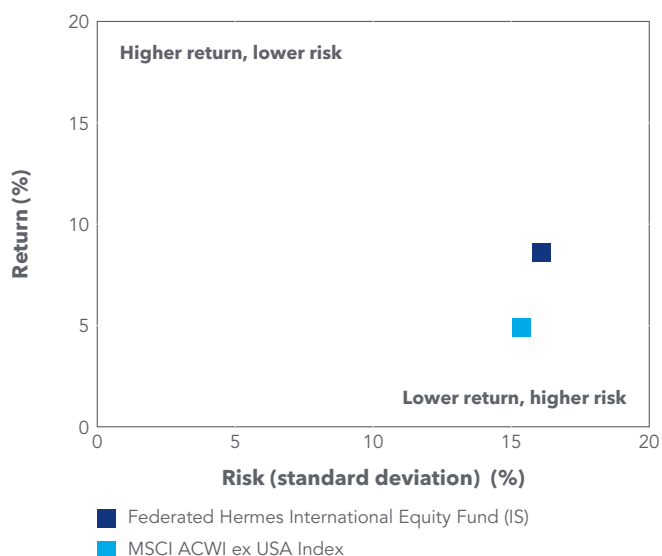
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	20.70	17.28	15.86	16.10
<b>Beta</b>	1.11	1.09	1.03	1.02
<b>Correlation</b>	0.98	0.97	0.96	0.96
<b>Up capture ratio</b>	113.29	110.84	104.90	108.60
<b>Down capture ratio</b>	97.49	100.30	90.91	91.56

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. MSCI ACWI ex USA Index

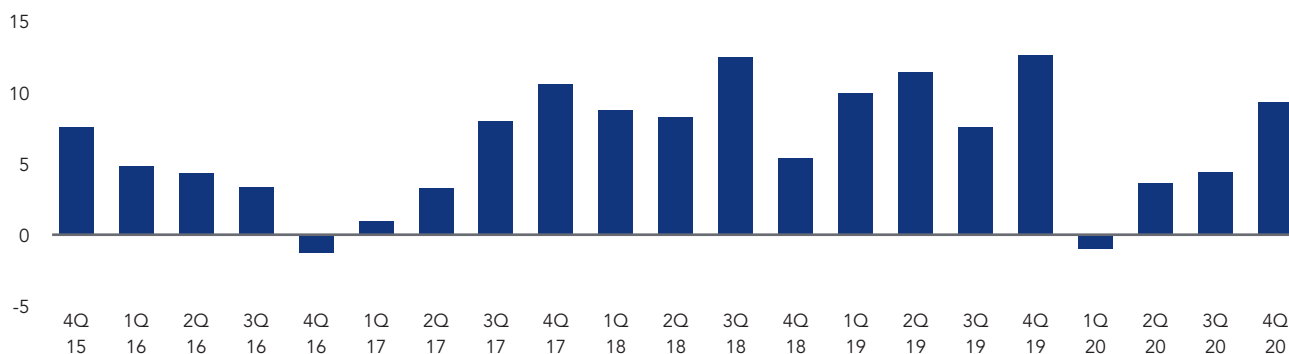
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## 10-year risk/return



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



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### Category rankings

#### Morningstar Foreign Large Growth Category

		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Morningstar Category % Rank	49	60	45	25
	Morningstar Category Rank	228 of 447 funds	–	–	–
<b>IS Shares</b>	Morningstar Category % Rank	49	62	46	25
	Morningstar Category Rank	229 of 447 funds	256 of 384 funds	139 of 313 funds	57 of 226 funds
<b>A Shares</b>	Morningstar Category % Rank	50	66	50	33
	Morningstar Category Rank	236 of 447 funds	271 of 384 funds	162 of 313 funds	69 of 226 funds

#### Lipper International Multi-Cp Gro Fds

		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	33	–	–	–
	Lipper Classification Rank	139 of 424 funds	–	–	–
<b>IS Shares</b>	Lipper Classification % Rank	33	37	26	15
	Lipper Classification Rank	140 of 424 funds	136 of 371 funds	84 of 330 funds	35 of 242 funds
<b>A Shares</b>	Lipper Classification % Rank	36	38	30	18
	Lipper Classification Rank	149 of 424 funds	141 of 371 funds	99 of 330 funds	43 of 242 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](http://FederatedInvestors.com). Please carefully read the summary prospectus or prospectus before investing.**

As of June 29, 2020, the fund was renamed Federated Hermes International Equity Fund.

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 15th, 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 countries (excluding the United States) and 21 emerging markets countries. With 1,826 constituents, the index covers approximately 85% of the global equity opportunity set outside the United States.

Indexes are unmanaged and cannot be invested in directly.

### Ratings and rating agencies

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