

# Federated Hermes International Equity Fund

9/30/20

## 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

\$1.4 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

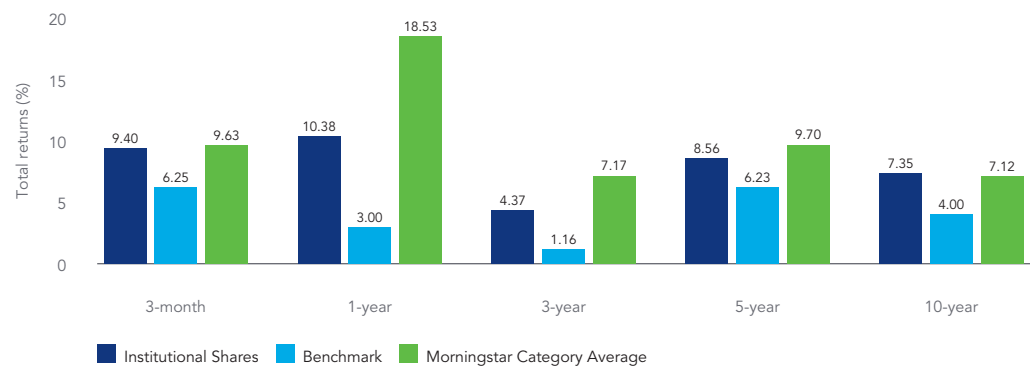
## Fund description

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	Expense ratio* After waivers
<b>R6 Shares</b>	9.39	0.64	10.42	4.42	8.58	7.37	5.56	1.03	0.91
<b>Institutional Shares</b>	9.40	0.64	10.38	4.37	8.56	7.35	5.55	1.06	0.95
<b>A Shares (NAV)</b>	9.37	0.48	10.12	4.10	8.25	7.06	5.26	1.46	1.20
<b>A Shares (MOP)</b>	3.35	-5.05	4.08	2.15	7.03	6.46	5.01	1.46	1.20
<b>Benchmark</b>	6.25	-5.44	3.00	1.16	6.23	4.00	-	-	-



## Calendar year returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Institutional Shares</b>	22.53	-12.54	33.27	0.49	1.00	-5.12	29.90	23.47	-15.11	3.06
<b>Benchmark</b>	21.51	-14.20	27.19	4.50	-5.66	-3.87	15.29	16.83	-13.71	11.15
<b>Morningstar Category Average</b>	27.83	-14.08	30.87	-2.14	0.95	-3.92	18.58	17.70	-12.30	14.78

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)	19.2x
Weighted median market cap	\$16.2 b
Weighted median price/book	3.6x
Number of securities	155

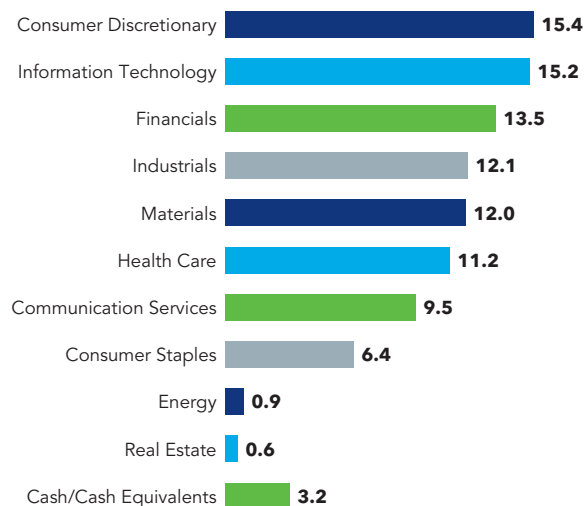
### Top holdings (%)

Alibaba Group Holding Limited - ADR <i>China</i>	2.0
Tencent Holdings Ltd. <i>China</i>	1.6
Mondi S.A. <i>United Kingdom</i>	1.3
Nestle S.A. <i>Switzerland</i>	1.3
Samsung SDI Co. Ltd. <i>South Korea</i>	1.3
Kakao Corp. <i>South Korea</i>	1.2
Samsung Electronics Co., Ltd. <i>South Korea</i>	1.2
Magna International, Inc. <i>Canada</i>	1.1
Sea Ltd. - ADR <i>Singapore</i>	1.1
Zhongsheng Group Holdings Ltd <i>China</i>	1.1
Total % of portfolio	13.2

### Top country weightings (%)

Japan	11.0	France	6.5
United Kingdom	10.0	Canada	5.0
Germany	9.5	Switzerland	4.0
South Korea	8.1	Taiwan	1.8
China	7.2	Australia	1.7

### Sector weightings (%)



Portfolio composition is based on net assets at the close of business on 9/30/20 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

- Countries and economies continued to re-open at various paces despite the pandemic largely affecting the emerging markets during the quarter
- Continued global monetary and fiscal support in response to Covid-19 supported the global economy and market
- Following a rebound in the second quarter, oil prices were largely flat with uncertainty around economic recovery outweighing OPEC+ supply cuts while industrial metals rebounded
- The U.S. dollar weakened for the second quarter in a row and inflation remained subdued
- Global stock markets rebounded further, but compared to the second quarter, the dispersion of returns widened
- The U.S., Asia Pacific (especially China) and Nordic markets outperformed
- Federated Hermes International Equity Fund outperformed its benchmark during the quarter due to the outperformance of both the growth and value components

## Looking back

Covid-19 remained a headwind to recovering global growth during the third quarter, but economic activity improved sequentially. The number of cases, recovery rates and mortality rates continued to vary widely by country.

Oil markets were volatile with prices ending September near levels they began the quarter. However, industrial metals such as copper and silver prices were up sharply during the quarter indicating that the worst of the hit to the economy was likely over.

China's economy continued to rebound relative to the first half of the year and to most other economies. With impending U.S. elections, however, U.S.-China relations deteriorated further over human rights issues in Hong Kong and Xinjiang, territorial disputes in the South China Sea, handling of the coronavirus, trade and cybersecurity.

In Japan, activity also rebounded from depressed levels, but the recovery lagged other major economies. Yoshihide Suga took over as Japan's prime minister, vowing to continue Abenomics, his predecessor's economic strategy to promote growth, signaling continued monetary easing, fiscal stimulus, and structural reform. Similar to the previous quarter, the Association of Southeast Asian Nations (ASEAN) region again presented a mixed bag. While Indonesia and the Philippines struggled with higher coronavirus infection rates than their neighbors, Malaysia and Thailand continued to grapple with higher political risk. Vietnam stood out as the only ASEAN country with positive expected GDP growth in 2020. Economically, the near-term outlook continues to improve.

Like the U.S., Europe experienced a second wave of Covid-19 during the quarter, but did not shut down most of its economies again. Germany and the Nordics led the way as Spain and Italy began to rebound. European Purchasing Manager's Index (PMI) jumped but the recovery in services growth rate began to slow. The U.K. economy is extremely weak, and the government extended unemployment benefits to prevent a post-October economic cliff. Russia was also volatile and the ruble depreciated due to the country's involvement in Armenia and Azerbaijan conflicts.

In the Middle East, an historic peace agreement, known as the Abraham Accords, was signed by the U.S., Israel, UAE and Bahrain, the first positive step towards broader peace in the region in a generation.

The pandemic remained a large negative overhang in Latin America as the second half of the year began. Unemployment and fiscal deficits increased further as governments took on debt to fund their respective Covid responses. Recession risks remain high.

## Performance

Federated Hermes International Equity Fund returned 9.4% (Institutional Shares at NAV) for the quarter ending September 30, 2020. That compares to its benchmark, the MSCI ACWI ex US Index, which returned 6.3% during the period.

### Performance contributors

- Overweights to Sweden, Korea, and Ireland, along with an underweight to Spain
- Overweights to Consumer Discretionary along with underweights to Energy and Financials

### Performance detractors

- Overweights to Singapore and the United Kingdom, along with an underweight to Denmark
- Overweights to Health Care and Communication Services

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## How we are positioned

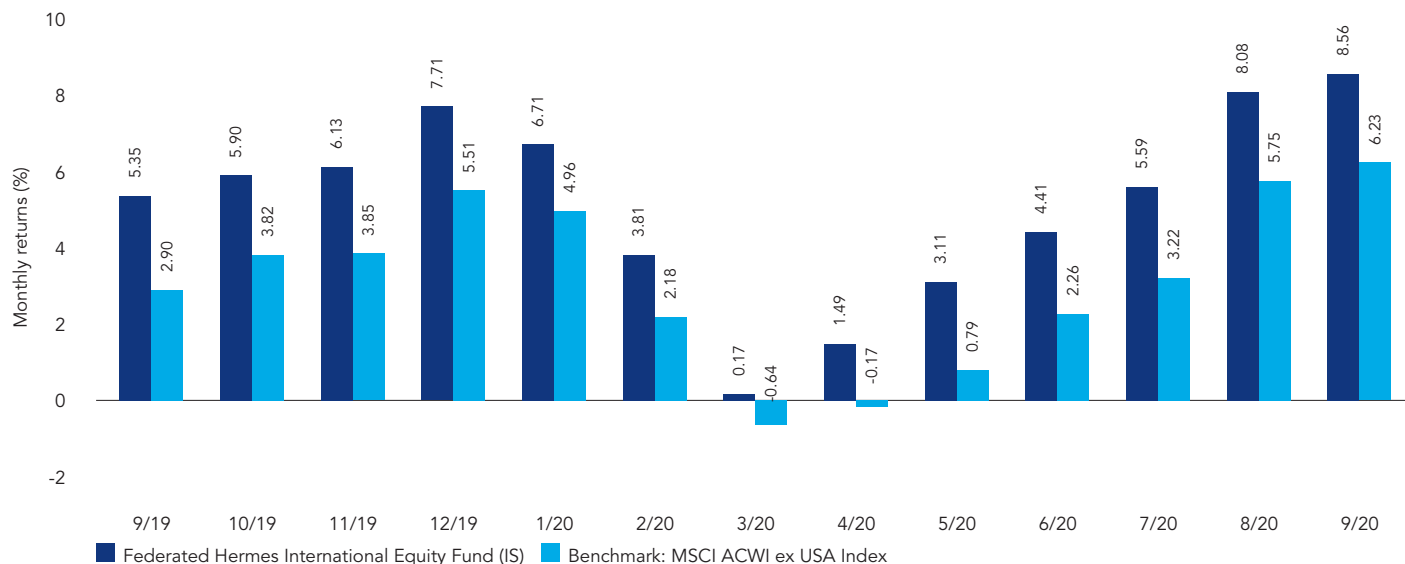
During the quarter we added to Canada and Korea. We cut positions in Egypt, Germany, Hong Kong, Ireland, Japan, Spain, and Sweden.

Market volatility will likely persist through the year end. We are experiencing a pickup in global exports as companies begin to restock their inventories. Looking forward, we seek to reduce exposure to both Economic and Monetary Union (EMU) and non-EMU Europe, along with Latin America. We are looking to selectively add to China, Eastern Europe, the Middle East, South Korea and Taiwan. While retaining overweight positions in Technology and Health Care, we expect to continue to increase our exposure to economic cyclical as the global economy heals.

It will likely take a handful of years to get back to prior peak activity levels with the speed and breadth of activity rebounds to vary widely. We remain vigilant and are closely monitoring the upcoming U.S. election, Covid-19, decelerating economic growth, currency prices, and geopolitical and policy risks.

*See disclosure section for important disclosures and definitions.*

## 5-year rolling monthly performance vs. MSCI ACWI ex USA Index



Source: Morningstar, Inc. Performance for 5-year periods (1-month shift) from 10/1/12 - 9/30/20

Returns are for IS 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

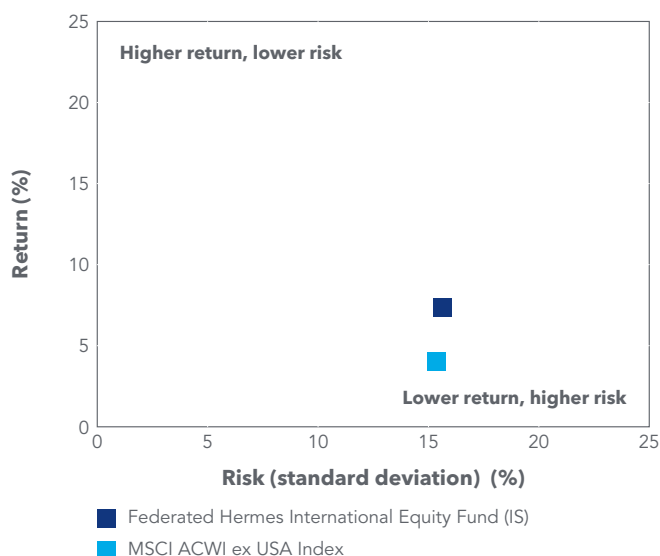
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	18.72	16.09	14.85	15.63
<b>Beta</b>	1.12	1.07	1.03	1.02
<b>Correlation</b>	0.97	0.96	0.95	0.96
<b>Up capture ratio</b>	112.76	108.40	106.80	107.80
<b>Down capture ratio</b>	98.82	98.41	91.52	91.86

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. MSCI ACWI ex USA Index

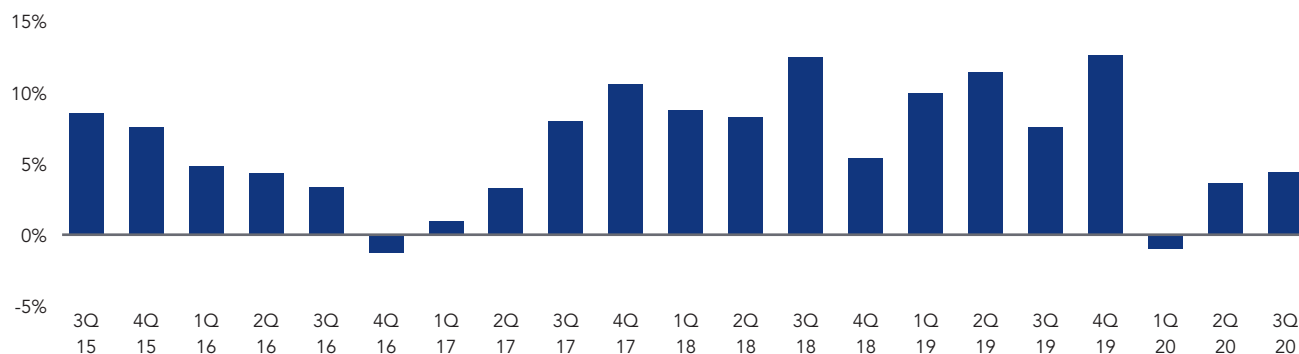
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### 10-year risk/return



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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	77	74	57	35
	Morningstar Category Rank	392 of 469 funds	–	–	–
<b>IS Shares</b>	Morningstar Category % Rank	77	76	58	35
	Morningstar Category Rank	394 of 469 funds	325 of 420 funds	187 of 336 funds	83 of 243 funds
<b>A Shares</b>	Morningstar Category % Rank	80	79	63	43
	Morningstar Category Rank	402 of 469 funds	341 of 420 funds	207 of 336 funds	101 of 243 funds

### Lipper International Multi-Cp Gro Fds

		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	62	–	–	–
	Lipper Classification Rank	261 of 425 funds	–	–	–
<b>IS Shares</b>	Lipper Classification % Rank	62	50	35	18
	Lipper Classification Rank	262 of 425 funds	187 of 375 funds	110 of 318 funds	42 of 242 funds
<b>A Shares</b>	Lipper Classification % Rank	63	55	39	21
	Lipper Classification Rank	268 of 425 funds	204 of 375 funds	124 of 318 funds	51 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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