

# Federated Hermes International Leaders Fund

12/31/22

## Fund facts

### Performance inception date

9/30/98

### Benchmark

MSCI EAFE Index

### Morningstar category

Foreign Large Blend

### Lipper classification

International Large-Cp Core Fds

### Fund assets

\$889.4 million

### Ticker symbols

R6 Shares - FGRSX

Institutional Shares - FGFLX

A Shares - FGFAF

C Shares - FGFCX

R Shares - FGFRX

### Key investment team

Richard Winkowski, Jr.

Dariusz Czoch, CFA

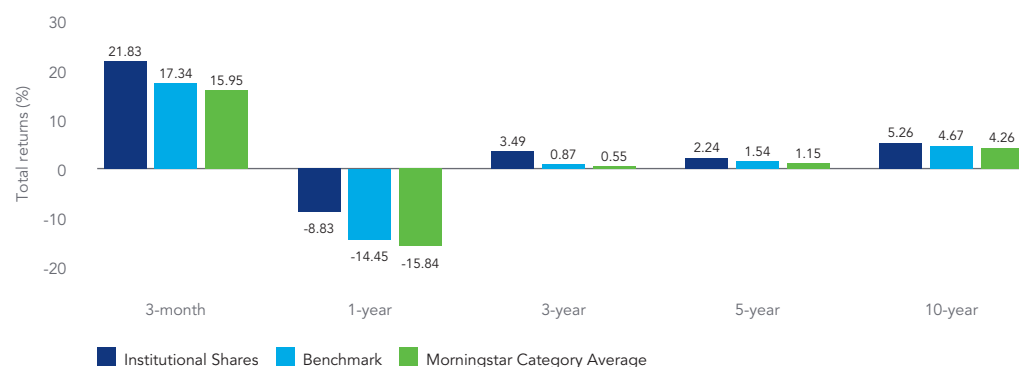
## Fund description

The fund seeks to provide long-term capital growth by investing primarily in developed-market stocks of high-quality, foreign companies that appear to be trading below their intrinsic value. Its high-conviction portfolio typically consists of 50 to 100 companies.

## 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>	21.84	-8.77	-8.77	3.55	2.30	5.30	7.39	1.01	0.92
<b>Institutional Shares</b>	21.83	-8.83	-8.83	3.49	2.24	5.26	7.35	1.08	0.97
<b>A Shares (NAV)</b>	21.77	-9.04	-9.04	3.23	1.98	4.99	7.45	1.36	1.23
<b>A Shares (MOP)</b>	15.07	-14.05	-14.05	1.31	0.83	4.40	7.20	1.36	1.23
<b>Benchmark</b>	17.34	-14.45	-14.45	0.87	1.54	4.67	-	-	-



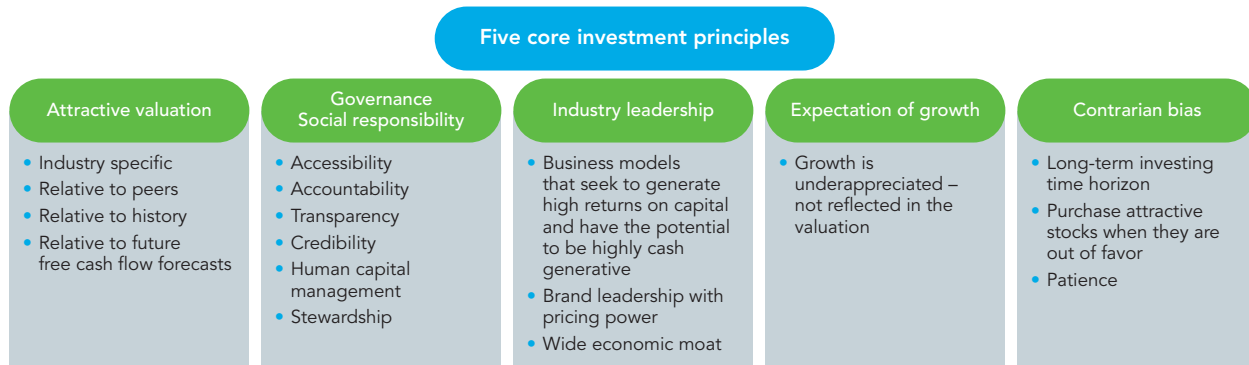
## Calendar year total returns (%)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Institutional Shares</b>	-8.83	5.02	15.77	27.02	-20.66	28.30	-2.68	-1.94	-4.20	27.44
<b>Benchmark</b>	-14.45	11.26	7.82	22.01	-13.79	25.03	1.00	-0.81	-4.90	22.78
<b>Morningstar Category Average</b>	-15.84	9.72	9.30	21.59	-14.59	25.12	0.79	-1.59	-4.98	19.44

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.

\* 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 2/1/23 or the date of the fund's next effective prospectus.

# Investment process



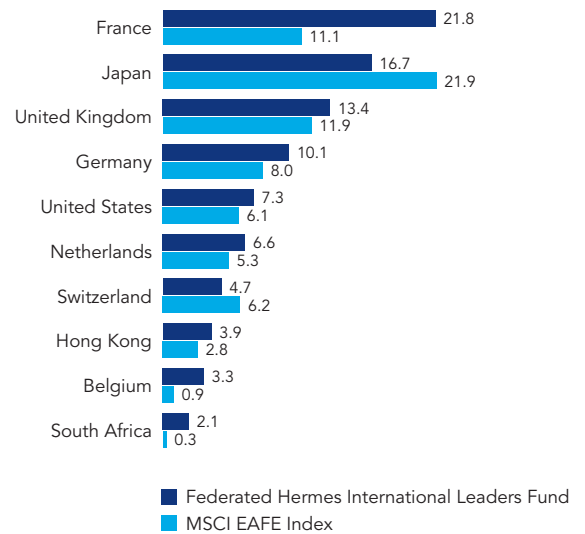
## Portfolio statistics

Weighted median P/E (LTM)	21.1x
Weighted median P/E (NTM)	14.5x
Weighted median market cap	\$55.0 b
Weighted median price/book	2.0x
Number of securities	74

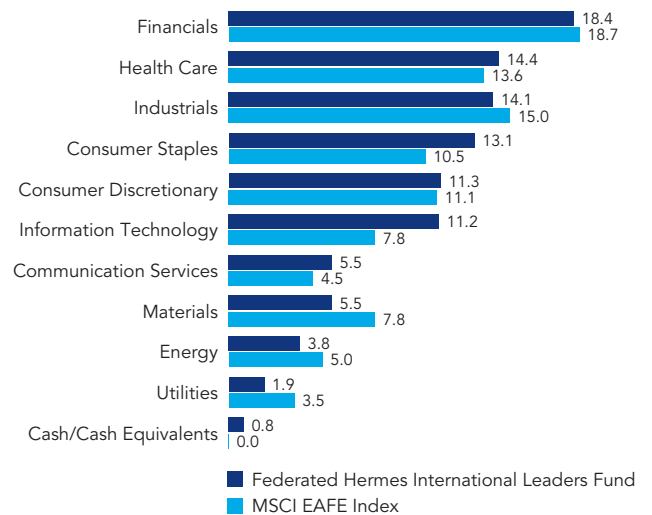
## Top holdings (%)

Anheuser-Busch InBev SA/NV <i>Belgium</i>	3.2
AstraZeneca PLC <i>United Kingdom</i>	3.1
Nestle S.A. <i>United States</i>	2.9
Accor SA <i>France</i>	2.7
Keyence Corporation <i>Japan</i>	2.7
Prudential plc <i>Hong Kong</i>	2.6
Siemens AG <i>Germany</i>	2.6
Sumitomo Mitsui Financial Group, Inc. <i>Japan</i>	2.5
Deutsche Telekom AG <i>Germany</i>	2.4
Mitsubishi UFJ Financial Group, Inc. <i>Japan</i>	2.4
Total % of portfolio	27.1

## Top country weightings (%)



## Sector weightings (%)



Portfolio composition is based on net assets at the close of business on 12/31/22 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

- Inflation peaking
- Central bank policy rate hikes
- Continued uncertainty in Ukraine
- Supply chain bottlenecks
- European energy crisis saw improvement
- U.S. dollar weakened

## Looking Back

Central banks continued to unwind years of monetary stimulus with policy rate hikes as inflation remained near multi-decade highs. Hopes that inflation peaked soared following declines in headline inflation numbers across Europe and the U.S. The European Central Bank, Bank of England and the Federal Reserve moderated their rate hikes from 0.75% to 0.50% in December over concerns of over-tightening in the face of stubbornly higher inflation. Despite the easing in the pace of rate hikes, economies braced for a potential recession as ongoing struggles with supply chain bottlenecks, inventory shortages and the war in Ukraine persisted.

Warm weather and rationing helped Europe avoid a near-term energy crisis as natural gas storage levels ended the year above historical averages and initial expectations. At the start of the quarter, dwindling supplies from Russia and earlier attacks on the Nord Stream pipeline raised fears of supply shortages ahead of the winter heating season. However, European nations aggressively filled their storage, resulting in ample supplies, which helped push natural gas prices close to one-year lows. On December 5, the EU banned seaborne Russian oil while also implementing a \$60 price cap to discourage third-party countries from using G7 and EU tankers and insurance. Russia's seaborne exports fell to a two-year low in December while it looked to redirect exports to Asia.

In early December, China abruptly reversed its stance and lifted its zero-tolerance Covid policy restrictions. Economic activity has slowed, which coupled with lockdowns has led to widespread social unrest. While the relaxation of the restrictions is expected to spur growth, a burst of Covid infections continued to weigh on consumer spending and industrial output.

After reaching a 20-year high against the major currencies, the U.S. dollar fell 7.7% during the quarter. As central banks outside the U.S. began catching up with U.S. rate hikes, the yield attractiveness of the U.S. dollar weakened.

## Performance

Federated International Leaders Fund (A Shares at NAV) returned 21.77% for the quarter ending December 31, 2022. That compares to its benchmark, the MSCI EAFE Index, which returned 17.34% during the period. As a result, the fund outperformed the benchmark by 4.43%.

### Performance contributors

- Stock selection in Financials, Industrials, Consumer Staples, Communication Services, Energy, Materials and Utilities sectors
- Japanese financials Mitsubishi UFJ Financial Group Inc and Sumitomo Mitsui Financial Group Inc were material contributors
- Siemens AG in Industrials and Anheuser-Busch InBev SA/NV in Consumer Staples were also notable contributors

### Performance detractors

- Stock selection in the Information Technology, Health Care and Consumer Discretionary sectors
- The largest stock detractors were Worldline SA, Lonza AG and Nexi S.p.A.

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## How we are positioned

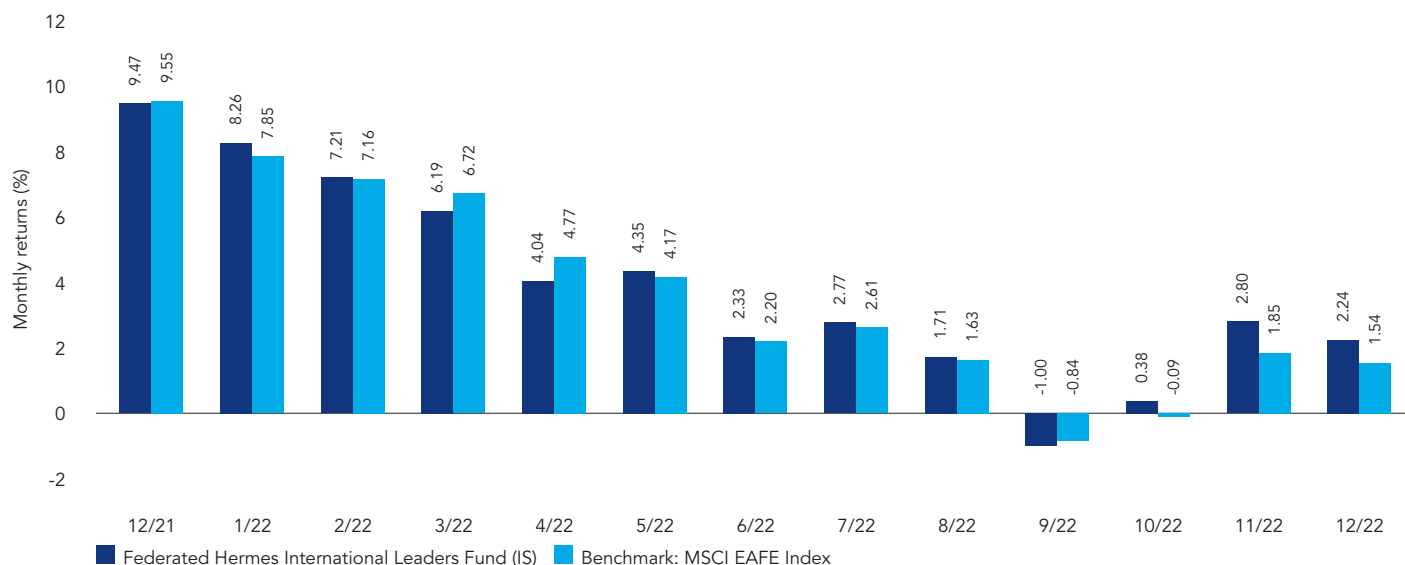
After a very strong fourth quarter of 2022, we see the international equity markets taking a pause in the first half of the year. Major central banks continue to fight stubbornly high inflation, the war in Ukraine drags on, sentiment is low, demand is soft and recession looms in both Europe and the United Kingdom. Earnings estimates for 2023 are also at risk. We will be watching management's guidance as the earnings season kicks off later in January.

Despite potential short-term bumps in the road, we see the international equity markets playing a meaningful role in clients' diversified portfolios in 2023. A few key drivers for this view are:

1. The U.S. dollar: After rallying strongly for most of 2022, the U.S. dollar fell in the fourth quarter. Interest rate differentials are declining, and other fundamental and technical factors point to a period of dollar weakness.
2. China: Abandoning its draconian zero-tolerance Covid policy, along with its monetary and fiscal flexibility, will allow for an economic recovery. A stronger China aids both developed, particularly Europe and Japan, and emerging equity markets.
3. Peak Inflation: Similar to the U.S., inflation in the Eurozone and the United Kingdom appeared to peak in November. Expectations are for inflation to fall throughout 2023, but not reach central bank target levels until sometime in 2024.
4. Fundamentals: Dividend yields, earnings and valuations favor international stocks over U.S. equities.

See disclosure section for important disclosures and definitions.

## 5-year rolling returns vs. MSCI EAFE Index (%)



Source: Morningstar, Inc. Performance for 5-year periods (1-month shift) from 1/1/18 - 12/31/22.

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 Leaders Fund.

## Risk statistics

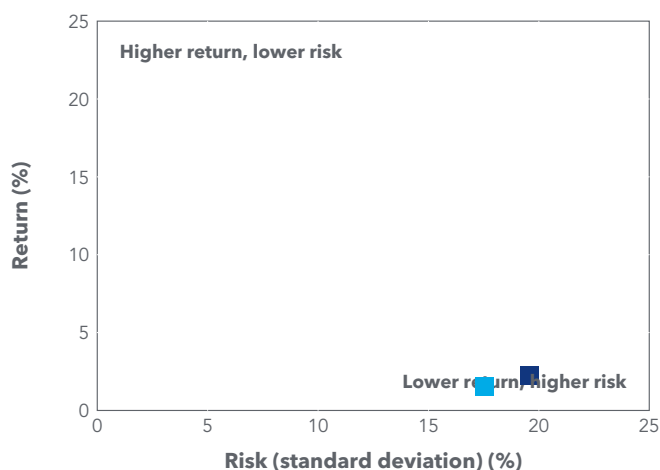
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	21.81	19.59	17.87	16.67
<b>Alpha</b>	2.78	0.91	0.25	0.48
<b>Beta</b>	1.04	1.08	1.09	1.07
<b>R<sup>2</sup></b>	94.18	94.24	93.07	91.45

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. MSCI EAFE Index

**See disclosure section for important definitions.**

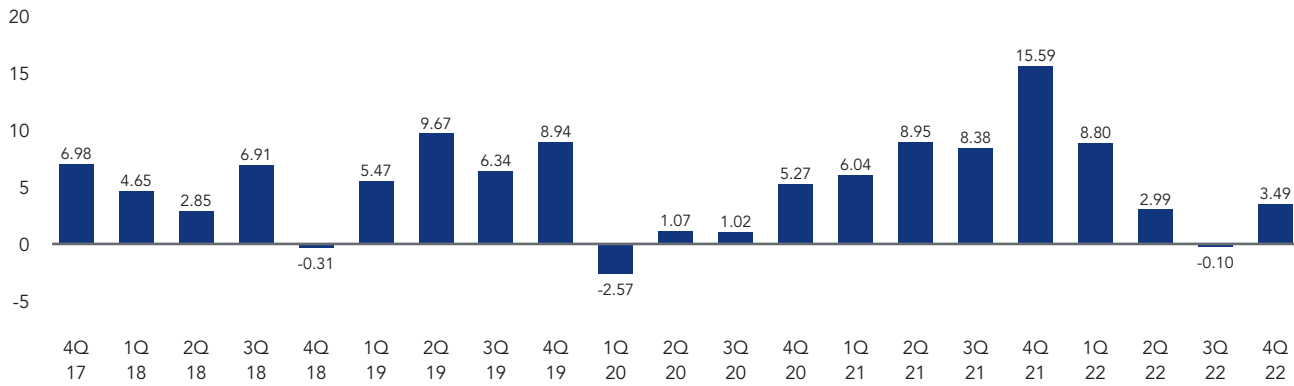
## 5-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes International Leaders Fund (IS)	19.59	2.24
■ MSCI EAFE Index	17.52	1.54

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



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## Category rankings

Morningstar Foreign Large Blend Category		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Morningstar Category % Rank	5	7	18	-
	Morningstar Category Rank	25 of 744 funds	53 of 704 funds	96 of 611 funds	-
<b>IS Shares</b>	Morningstar Category % Rank	5	7	19	12
	Morningstar Category Rank	29 of 744 funds	55 of 704 funds	101 of 611 funds	44 of 422 funds
<b>A Shares</b>	Morningstar Category % Rank	6	9	24	18
	Morningstar Category Rank	35 of 744 funds	69 of 704 funds	136 of 611 funds	66 of 422 funds

Lipper International Large-Cp Core Fds		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	8	14	18	-
	Lipper Classification Rank	12 of 167 funds	21 of 155 funds	25 of 142 funds	-
<b>IS Shares</b>	Lipper Classification % Rank	9	15	19	6
	Lipper Classification Rank	14 of 167 funds	22 of 155 funds	27 of 142 funds	5 of 95 funds
<b>A Shares</b>	Lipper Classification % Rank	10	17	27	11
	Lipper Classification Rank	16 of 167 funds	26 of 155 funds	38 of 142 funds	10 of 95 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 Leaders 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.**

The fund's Institutional Shares commenced operations on June 21, 2010. For the period prior to the commencement of operations for the Institutional Shares, the performance information shown is for the fund's A Shares. The performance of the A Shares has not been adjusted to reflect the expenses of the Institutional Shares since the Institutional Shares have a lower expense ratio than the expense ratio of the A Shares. The performance of the A Shares has been adjusted to reflect the absence of sales charges and to remove any voluntary waiver of the fund's expenses related to the A Shares that may have occurred during the period prior to the commencement of operations of the Institutional Shares.

The fund's R6 Shares commenced operations on August 8, 2013. For the period prior to the commencement of operations of the R6 Shares, the R6 Shares performance information shown is for the A Shares. The performance of the A Shares has not been adjusted to reflect the expenses of the R6 Shares, since the R6 Shares have a lower expense ratio than the expense ratio of the A Shares. The performance of the A Shares has been adjusted to reflect the absence of sales charges and to remove any voluntary waiver of fund expenses related to the A Shares that may have occurred during the period prior to the commencement of operations of the R6 Shares.

### 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.

### Definitions

**Alpha** shows how much or how little return is generated, given the risk a portfolio takes. A portfolio with an alpha greater than 0 has earned more than expected given its beta—meaning the portfolio has generated excess return without increasing risk. A portfolio with a negative alpha is producing a lower return than would be expected given its risk.

**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.

**R-squared** indicates what percentage of a portfolio's movement in performance is explained by movement in performance of the market. R-squared ranges from 0 to 100, and a score of 100 suggests that all movements of a portfolio's performance are completely explained by movements in the market as measured by the fund's benchmark.

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

**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 P/E (LTM—latest 12 months)** is a ratio comparing share price to earnings per share using data from the previous 12 months.

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

**MSCI EAFE Index** is an equity index which captures large- and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Indexes are unmanaged and cannot be invested in directly.

### Ratings and rating agencies

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