

# Federated Hermes International Leaders Fund

9/30/22

## 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

\$779.8 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

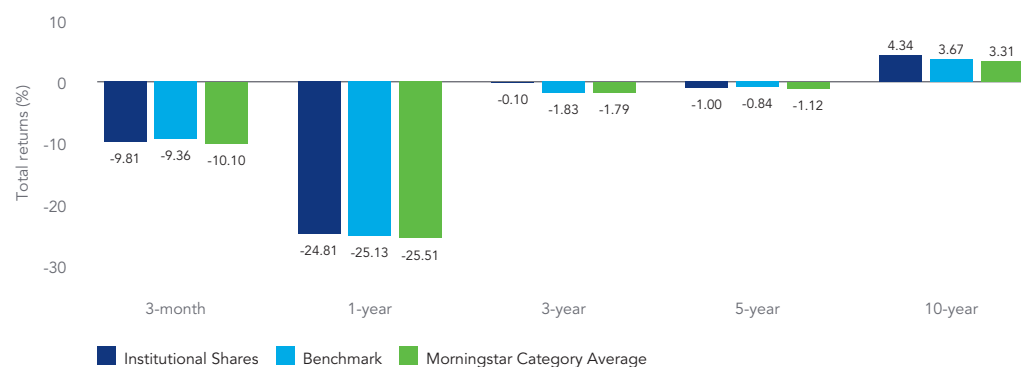
## Fund description

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>	-9.79	-25.12	-24.75	-0.05	-0.94	4.37	6.59	1.01	0.92
<b>Institutional Shares</b>	-9.81	-25.16	-24.81	-0.10	-1.00	4.34	6.55	1.08	0.97
<b>A Shares (NAV)</b>	-9.88	-25.30	-25.00	-0.35	-1.25	4.07	6.65	1.36	1.23
<b>A Shares (MOP)</b>	-14.85	-29.42	-29.13	-2.22	-2.36	3.48	6.40	1.36	1.23
<b>Benchmark</b>	-9.36	-27.09	-25.13	-1.83	-0.84	3.67	-	-	-



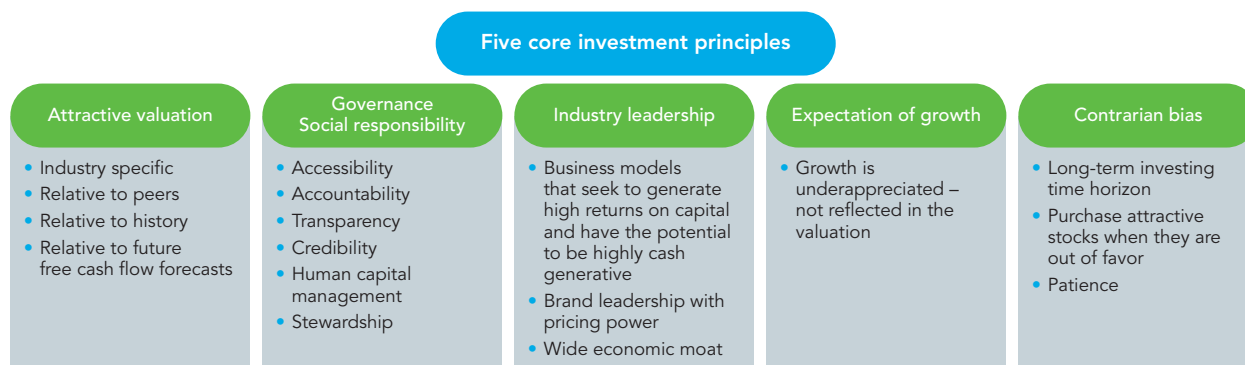
## Calendar year total returns (%)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Institutional Shares</b>	5.02	15.77	27.02	-20.66	28.30	-2.68	-1.94	-4.20	27.44	30.41
<b>Benchmark</b>	11.26	7.82	22.01	-13.79	25.03	1.00	-0.81	-4.90	22.78	17.32
<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.

\* 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



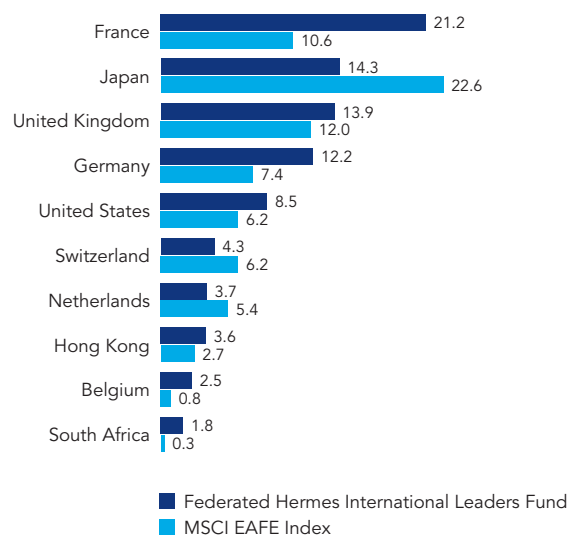
### Portfolio statistics

Weighted median P/E (LTM)	18.2x
Weighted median P/E (NTM)	13.8x
Weighted median market cap	\$45.6 b
Weighted median price/book	1.8x
Number of securities	70

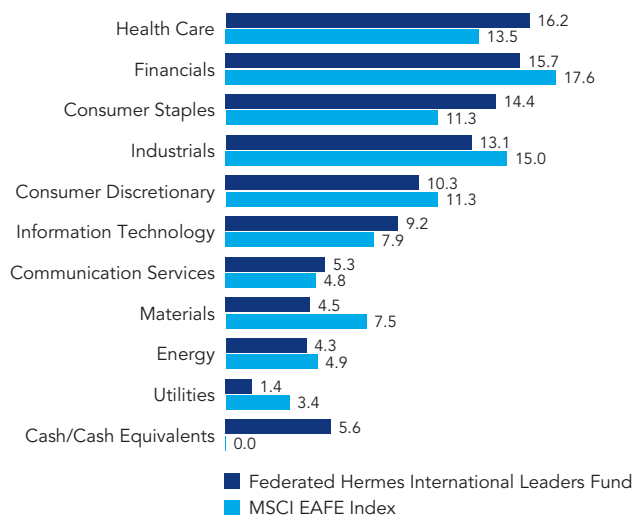
### Top holdings (%)

AstraZeneca PLC <i>United Kingdom</i>	3.4
Bayer AG <i>Germany</i>	3.1
Nestle S.A. <i>United States</i>	3.0
Worldline SA <i>France</i>	2.8
Accor SA <i>France</i>	2.6
Roche Holding AG <i>United States</i>	2.6
Anheuser-Busch InBev SA/NV <i>Belgium</i>	2.5
Imperial Brands PLC <i>United Kingdom</i>	2.4
Keyence Corporation <i>Japan</i>	2.4
Deutsche Telekom AG <i>Germany</i>	2.3
Total % of portfolio	27.1

### Top country weightings (%)



### Sector weightings (%)



Portfolio composition is based on net assets at the close of business on 9/30/22 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

- Inflation
- Central bank policy rate hikes
- Ukraine invasion
- Supply chain bottlenecks
- European Energy Crisis
- Strong U.S. dollar

## Looking Back

Inflation maintained its grip on global economies as supply chain bottlenecks, inventory shortages and the war in Ukraine persisted. Central banks responded with policy rate increases to stifle demand. However, inflation failed to ease as the dollar rallied against global currencies. Driven by increases in food and energy prices, Eurozone inflation surged to a record 10.0%. In Germany, consumer prices jumped 10.9%, the highest level in over 70 years, while prices in France increased by 6.2%.

As Russia's war on Ukraine dragged on, European nations aggressively filled their natural gas storage close to target levels in advance of the winter heating season. Supplies coming out of Russia were significantly lower from earlier in the year and, following the damaging attacks on the Nord Stream pipelines, not likely to resume soon. Blackouts and additional rationing remain ongoing risks throughout Europe. Higher energy prices have inflated global power costs forcing EU governments to implement price caps, consumer subsidies and windfall taxes on excess profits. European consumers have started to adjust their energy consumption with energy usage lower by 5% in September versus a year earlier.

An increase in Covid cases led to additional lockdowns in China, further weighing on a bleak economy already dealing with a housing slump and slowing industrial production. The renminbi fell to an all-time low against the dollar as dollar strength was a global theme throughout the quarter. The yen fell to its lowest level since 1998 as the Bank of Japan maintained its stimulative monetary policy. The euro fell below parity and the pound fell to an all-time low dropping to nearly 1.03 following a package of unfunded tax cuts unveiled by new Prime Minister Liz Truss.

## Performance

Federated International Leaders Fund (A Shares at NAV) returned -9.88% for the quarter ending September 30, 2022. That compares to its benchmark, the MSCI EAFE index, which returned -9.36% during the period. As a result, the fund outperformed the benchmark by -0.52%.

### Performance contributors

- Stock selection and an overweight to Information Technology contributed positively
- Stock selection in Consumer Staples
- Edenred SA, AVEVA Group plc and Wordline SA were notable contributors
- The fund's cash position

### Performance detractors

- Stock selection in Consumer Discretionary, Communication Services and Industrials
- The largest stock detractors were Bayer AG, Accor SA and AstraZeneca plc

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## How we are positioned

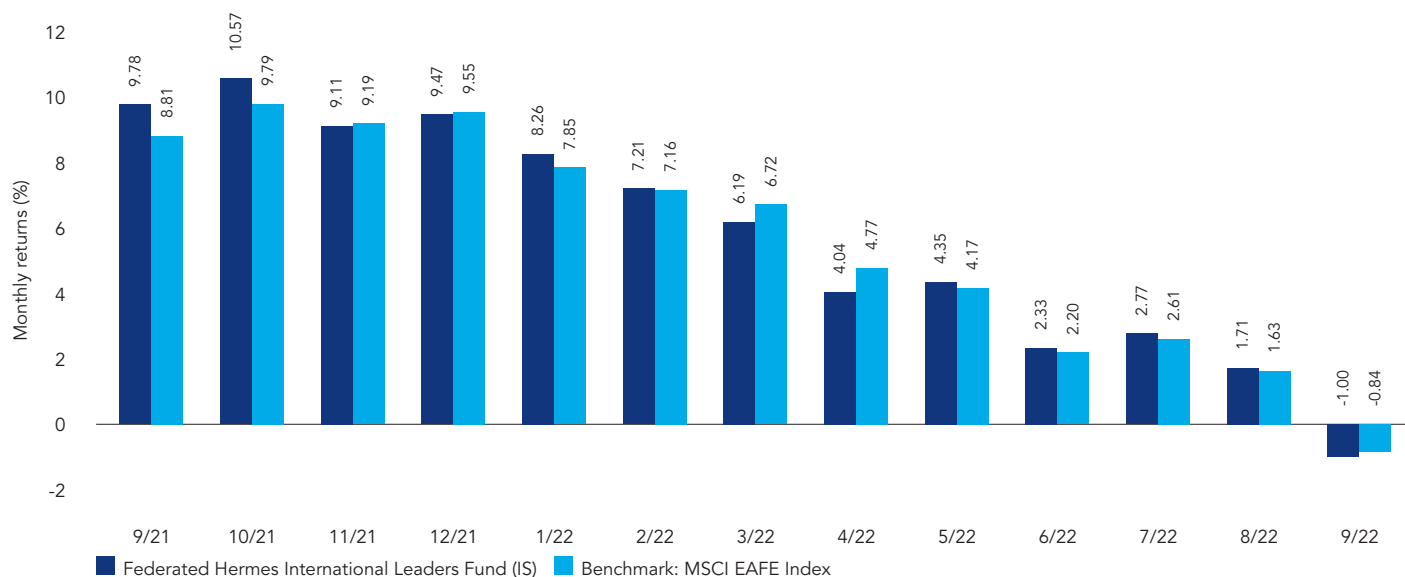
A rocky landing is still our base case scenario. However, we are well positioned with quality franchises that historically have proven more resilient during down markets. Economic data out of Europe and the U.K. show continued weakness with higher inflation and higher prices on fuel and food weighing on demand. Consequently, consumer and business confidence levels reached very low levels. The Bank of England and the European Central Bank are raising their policy rates while governments are aggressively responding to rising fuel prices with various fiscal programs designed to provide relief to consumers. It is likely that both Europe and the U.K. will enter a recession in the early part of 2023. The valuation of both the European and U.K. equity markets reflects the weak macro-outlook with valuations at their lowest levels relative to U.S. equities in many decades.

We recently deployed capital to Japanese equities as we expect Japan to benefit from stable domestic demand and a recovery in China. We also expect China to increase its fiscal and monetary stimulus after its National Party Congress on October 16 as its government looks to reaccelerate the economic recovery.

The fund's investment philosophy and process favor leading, high-quality companies with competitive attributes, strong balance sheets and proven management teams. Those companies are in a position to take market share during economic disruptions.

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 10/1/17 - 9/30/22.

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

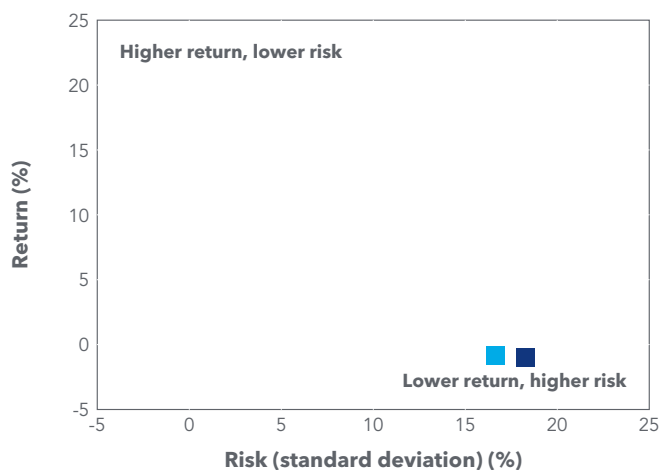
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	19.98	18.25	17.10	16.05
<b>Alpha</b>	1.91	0.15	-0.49	0.64
<b>Beta</b>	1.01	1.06	1.07	1.06
<b>R<sup>2</sup></b>	94.23	94.10	92.78	91.03

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. MSCI EAFE Index

**See disclosure section for important definitions.**

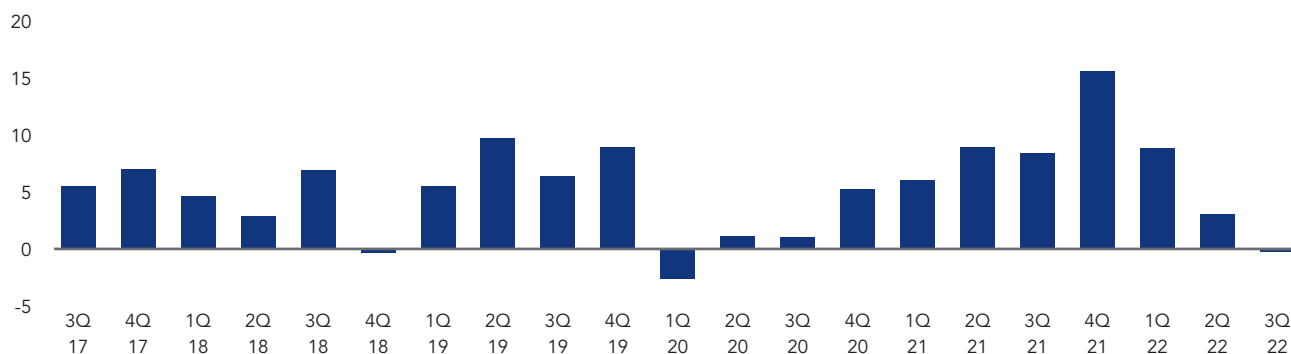
## 5-year risk/return



	Risk (%)	Return (%)
Federated Hermes International Leaders Fund (IS)	18.25	-1.00
MSCI EAFE Index	16.65	-0.84

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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	32	17	48	–
	Morningstar Category Rank	183 of 750 funds	132 of 701 funds	269 of 610 funds	–
<b>IS Shares</b>	Morningstar Category % Rank	33	17	50	11
	Morningstar Category Rank	191 of 750 funds	137 of 701 funds	283 of 610 funds	42 of 419 funds
<b>A Shares</b>	Morningstar Category % Rank	35	20	60	18
	Morningstar Category Rank	206 of 750 funds	160 of 701 funds	342 of 610 funds	68 of 419 funds

Lipper International Large-Cp Core Fds		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	34	26	38	–
	Lipper Classification Rank	56 of 167 funds	39 of 154 funds	52 of 137 funds	–
<b>IS Shares</b>	Lipper Classification % Rank	36	26	41	7
	Lipper Classification Rank	59 of 167 funds	40 of 154 funds	56 of 137 funds	6 of 94 funds
<b>A Shares</b>	Lipper Classification % Rank	38	30	52	14
	Lipper Classification Rank	63 of 167 funds	46 of 154 funds	71 of 137 funds	13 of 94 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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