

# Federated Hermes International Small-Mid Company Fund

12/31/20

## Fund facts

### Performance inception date

2/28/96

### Benchmark

MSCI ACWI ex U.S. SMID Cap Index

### Morningstar category

Foreign Small/Mid Growth

### Lipper classification

International Small/Mid-Cap Growth Funds

### Fund assets

\$164.8 million

### Ticker symbols

Institutional Shares - ISCIX

A Shares - ISCAIX

C Shares - ISCCX

### Key investment team

Thomas Banks, CFA®

Dariusz Czoch, CFA®

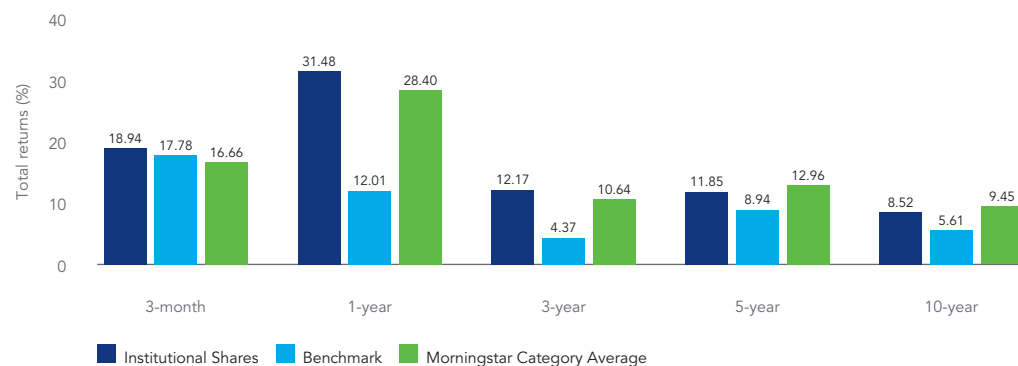
## Fund description

The fund pursues long-term capital growth by investing in foreign small- or mid-cap companies, focusing on those with specialized products, technologies or services with solid growth potential. Offers strong international diversification with approximately 50-150 holdings across more than 20 developed and emerging-market countries.

## 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>Institutional Shares</b>	18.94	31.48	31.48	12.17	11.85	8.52	10.19	1.48	0.99
<b>A Shares (NAV)</b>	18.89	31.19	31.19	11.94	11.62	8.30	10.17	1.73	1.24
<b>A Shares (MOP)</b>	12.36	23.98	23.98	9.85	10.36	7.69	9.92	1.73	1.24
<b>Benchmark</b>	17.78	12.01	12.01	4.37	8.94	5.61	-	-	-



## Calendar year total returns (%)

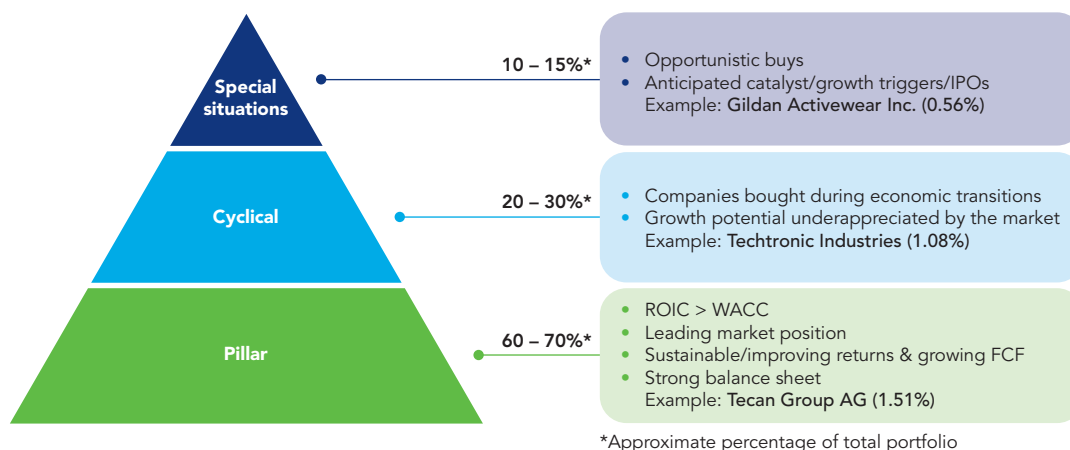
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Institutional Shares</b>	31.48	32.03	-18.70	34.95	-8.10	9.88	-9.16	28.34	22.24	-17.39
<b>Benchmark</b>	12.01	22.36	-17.06	30.35	3.57	0.44	-3.35	24.04	17.83	-14.18
<b>Morningstar Category Average</b>	28.40	27.78	-18.34	36.19	-2.98	7.05	-5.40	26.61	22.20	-14.72

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 3/1/21 or the date of the fund's next effective prospectus.



## Portfolio construction process



## Portfolio statistics

Weighted median P/E (NTM)	29.4x
Weighted median market cap	\$11.0 b
Weighted median price/book	6.0x
Number of securities	123

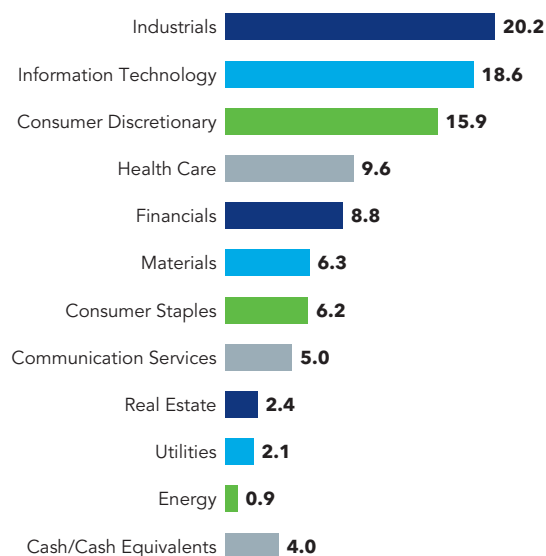
## Top holdings (%)

Evolution Gaming Group AB <i>Sweden</i>	2.0
Lonza Group AG <i>Switzerland</i>	1.6
Argenx SE - ADR <i>Netherlands</i>	1.5
Nidec Corporation <i>Japan</i>	1.5
Tecan AG <i>Switzerland</i>	1.5
Farfetch Ltd. <i>United Kingdom</i>	1.4
Genmab A/S <i>Denmark</i>	1.4
Capgemini SA <i>France</i>	1.3
Dino Polska Spolka Akcyjna <i>Poland</i>	1.3
EDP Renovaveis, S.A. <i>Spain</i>	1.3
Total % of portfolio	14.8

## Top country weightings (%)

Japan	16.8	Germany	4.7
United Kingdom	11.5	Brazil	4.1
France	7.6	Netherlands	3.8
Canada	7.4	Sweden	3.3
Switzerland	4.7	Spain	2.9

## Sector weightings (%)



Totals may not add up to 100% due to rounding.

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

- After a year since the first reported case of Covid-19, the approval of several vaccines provided hope for an end to the pandemic
- Nonetheless, the number of infections surged with the onset of colder weather forcing many countries, mostly in Europe, to revisit a fresh round of restrictions
- Abundant global stimulus supported markets

## Looking back

China's economy continued to outpace the rest of the world as its recovery broadened. Consumption, which initially lagged manufacturing, showed signs of improvement with retail sales accelerating off the July low and growing nearly 10% over October and November. Manufacturing further expanded in December for the eighth straight month after hitting a 10-year high in November. Exports also surprised to the upside driven by global demand for pandemic related goods and inventory replenishment.

The rebound in Japan's economy showed signs of stabilizing despite an increase in Covid-19 infections. Manufacturers continued to benefit from improved global demand and strong inventory restocking. Unemployment fell to a six-month low as manufacturers increased hiring. To help mitigate the impacts from a second wave, Prime Minister Suga announced a third stimulus package in December. Additionally, the Bank of Japan extended emergency financial support for the corporate sector.

In Europe, leaders weighed the benefits of tighter restrictions against the economic impacts. Germany instituted a partial lockdown on November 2 which impacted services far more than manufacturing. Hospitality, restaurants and entertainment bore the brunt of the restrictions while manufacturing held steady, helped by improving demand from China. Restrictions were tightened in mid-December as Covid-19 infections reached record levels. The situation was similar in France where a new round of restrictions went into effect on October 30.

The start of a second wave in the U.K. coincided with the final weeks of Brexit negotiations. With a year-end deadline for the U.K.'s exit from the European Union looming, Prime Minister Boris Johnson was forced to implement a national lockdown on November 5 amid a worsening Covid-19 outlook. The Bank of England responded with an additional £150 billion increasing the total stimulus program to £895 billion. Finally, with a week left before the Brexit deadline, the U.K. and European Union agreed to a free trade deal.

November's U.S. presidential election displayed the division within the country and within the political system. Facing an accelerating infection rate from Covid-19, restrictions were put in place across various hot spots, pressuring already struggling sectors, including retail and travel. A new stimulus plan to aid small businesses and displaced workers was finally approved. However, PMI data indicated that both manufacturing and services continued to expand into December.

## Performance

Federated Hermes International Small-Mid Company Fund (A Shares at NAV) returned 18.89% for the quarter ending December 31, 2020. That compares to its benchmark, the MSCI ACWI ex U.S. SMID Cap Index, which returned 17.78% during the period.

### Performance contributors

- Stock selection across multiple sectors, most notably Information Technology, Consumer Discretionary, and Industrials
- Farfetch Ltd. was the fund's overall top contributor
- Lightspeed POS, Inc. was also a notable contributor

### Performance detractors

- Stock selection in the Financials sector and the fund's underweight to the Materials sector detracted from performance
- Jins Holdings Inc. was the fund's largest detractor

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## How we are positioned

The fund's activity in the fourth quarter included seven new positions and five exits. We also participated in two initial public offerings.

Information Technology is the fund's largest overweight, and the fund continues to have substantial overweight positions in Health Care and Consumer Discretionary, positions that we view to be long-term structural winners. We brought the Industrials sector to an overweight position in the second half of last year in response to the improving global macro outlook. We also reduced the fund's underweight position to the Financials sector. We maintain underweight positions in several sectors that we believe face ongoing headwinds including Real Estate, Energy, Materials and Utilities.

New positions include companies in France, Australia and Russia that are benefitting from the shift towards digitalization. In Industrials we established a new position in a Japanese robotics company and a Finnish company that is the market leader in mineral processing and is poised to benefit from the rebound in mining activity. Finally, in Financials, we established new positions in a leading U.K. private equity firm and a Polish insurance operator.

*See disclosure section for important disclosures and definitions.*

## \$10,000 investment since inception



## Risk statistics

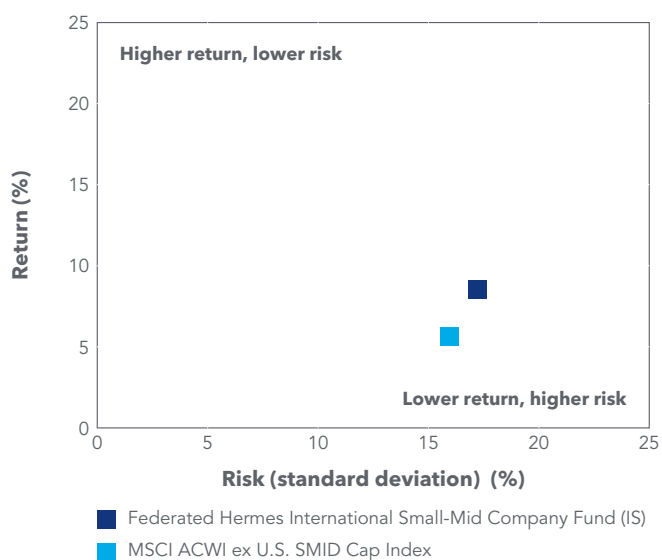
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	20.29	17.42	16.35	17.21
<b>Beta</b>	0.96	0.96	0.98	1.02
<b>Correlation</b>	0.97	0.96	0.95	0.95
<b>Up capture ratio</b>	111.70	103.68	103.06	107.49
<b>Down capture ratio</b>	83.90	90.85	91.13	94.36

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. MSCI ACWI ex U.S. SMID Cap Index

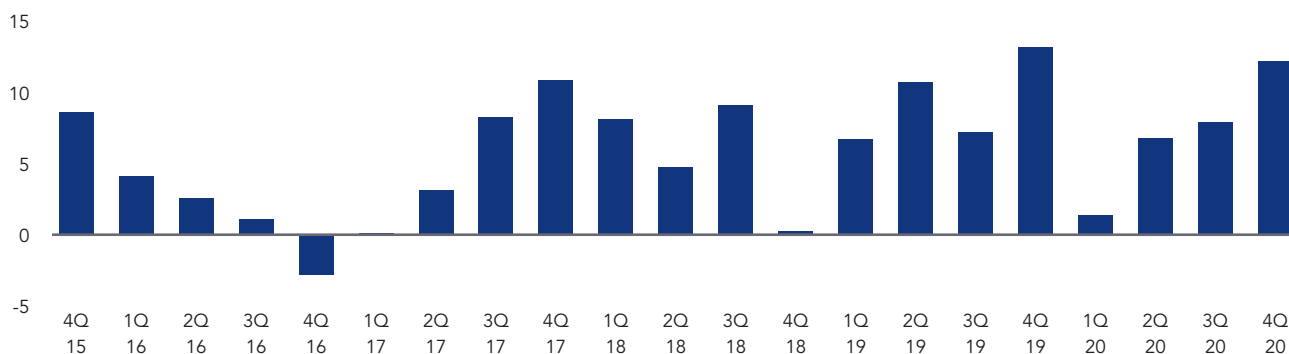
See disclosure section for important definitions.

## 10-year risk/return



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



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## Category rankings

### Morningstar Foreign Small/Mid Growth Category

		1-year	3-year	5-year	10-year
<b>IS Shares</b>	Morningstar Category % Rank	36	34	53	61
	Morningstar Category Rank	31 of 134 funds	29 of 119 funds	42 of 96 funds	33 of 65 funds
<b>A Shares</b>	Morningstar Category % Rank	37	38	58	70
	Morningstar Category Rank	33 of 134 funds	33 of 119 funds	45 of 96 funds	38 of 65 funds

### Lipper International Small/Mid-Cap Growth Funds

		1-year	3-year	5-year	10-year
<b>IS Shares</b>	Lipper Classification % Rank	14	15	27	35
	Lipper Classification Rank	30 of 216 funds	28 of 196 funds	43 of 159 funds	34 of 97 funds
<b>A Shares</b>	Lipper Classification % Rank	15	17	30	41
	Lipper Classification Rank	32 of 216 funds	32 of 196 funds	47 of 159 funds	40 of 97 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 Small-Mid Company 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 Small-Mid Company Fund.

The fund's Institutional Shares commenced operations on March 31, 2008. For the period prior to the commencement of operations of 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 fund expenses related to the A Shares that may have occurred prior to commencement of operations of the Institutional Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund.

### 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.

Small company stocks may be less liquid and subject to greater price volatility than large capitalization stocks.

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.

Diversification does not assure a profit nor protect against loss.

### 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 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 U.S. SMID Cap Index** captures mid and small cap representation across Developed Market countries (excluding the U.S.) and Emerging Markets countries. The index covers approximately 28% 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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