

# Annual Shareholder Report

November 30, 2018

Share Class | Ticker

A | ISCAX

C | ISCCX

Institutional | ISCIX

## Federated International Small-Mid Company Fund

*Fund Established 1996*

A Portfolio of Federated World Investment Series, Inc.

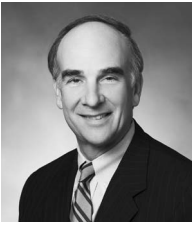
### IMPORTANT NOTICE REGARDING REPORT DELIVERY

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's shareholder reports like this one will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund or your financial intermediary electronically by contacting your financial intermediary (such as a broker-dealer or bank); other shareholders may call the Fund at 1-800-341-7400, Option 4.

You may elect to receive all future reports in paper free of charge. You can inform the Fund or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by contacting your financial intermediary (such as a broker-dealer or bank); other shareholders may call the Fund at 1-800-341-7400, Option 4. Your election to receive reports in paper will apply to all funds held with the Fund complex or your financial intermediary.

**Not FDIC Insured • May Lose Value • No Bank Guarantee**



**J. Christopher  
Donahue**

*President*

Federated International  
Small-Mid  
Company Fund

## Letter from the President

Dear Valued Shareholder,

I am pleased to present the Annual Shareholder Report for your fund covering the period from December 1, 2017 through November 30, 2018. This report includes Management's Discussion of Fund Performance, a complete listing of your fund's holdings, performance information and financial statements along with other important fund information.

In addition, our website, [FederatedInvestors.com](http://FederatedInvestors.com), offers easy access to Federated resources that include timely fund updates, economic and market insights from our investment strategists, and financial planning tools.

Thank you for investing with Federated. I hope you find this information useful and look forward to keeping you informed.

Sincerely,

A handwritten signature in cursive script that reads "J. Christopher Donahue". The signature is written in dark ink and is positioned above the printed name.

J. Christopher Donahue, President

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# Management's Discussion of Fund Performance (unaudited)

The total return of Federated International Small-Mid Company Fund (the "Fund"), based on net asset value for the 12-month reporting period ended November 30, 2018 was -10.71% for Class A Shares, -11.44% for Class C Shares and -10.54% for the Institutional Shares. The total return for the MSCI ACWI ex USA SMID Cap Index (the "MSCI Index")<sup>1</sup> was -10.11% for the same period. The Fund's total return for the most recently completed fiscal year reflected actual cash flows, transaction costs and other expenses which were not reflected in the total return of the MSCI Index.

During the reporting period, the Fund's investment strategy focused on: (a) small to mid-sized capitalized companies; (b) stock selection; and (c) currency allocation. These were the most significant factors affecting the Fund's performance relative to the MSCI Index.

The following discussion will focus on the performance of the Fund's Institutional Shares.

## **MARKET OVERVIEW**

Global equity markets<sup>2</sup> declined during the reporting period with the major indices including the MSCI EAFE Index<sup>3</sup> and MSCI Emerging Markets Index<sup>4</sup> returning -7.94% and -9.09%, respectively.

Following strong growth last year, global economies started to show signs of moderating with the trajectory of the economic growth differing across regions. In Europe, the eurozone expansion slowed to 1.7% in the third quarter, its slowest pace in over two years, while the manufacturing and service Purchasing Managers' Indexes fell to their lowest levels in over two years. However, the European Central Bank (ECB) remained confident that the strong labor market and rising corporate profitability remained intact and that inflation will rise. Consequently, the ECB remained committed to ending its quantitative easing program by the end of 2018.

Political uncertainty also hurt optimism. In Germany, Chancellor Merkel struggled with a weakened coalition following disagreements over immigration policy. In Turkey, President Erdogan struggled with a high level of U.S. dollar denominated debt, stifling inflation, double digit interest rates and a battered lira. In Italy, asset prices fell and yield spreads widened following the government's release of its draft budget, which proposed a budget deficit of 2.4% that was well above the European Commission's target of 1.6%. Finally, in the United Kingdom, despite months of negotiations and an agreement with the European Union (EU), "Brexit" (i.e., the U.K. leaving the EU) remains unresolved. The uncertainty surrounding Brexit helped contribute to the U.K.'s first drop in export orders since 2016.

China's economy showed further signs of softening during the period. As such, Chinese officials signaled their desire to support their economy leading to additional stimulus – including an easing of credit controls and increased spending on public projects. Officials from the NDRC (National Development and Reform Commission) expressed their confidence in hitting their 6.5% GDP (Gross Domestic Product) growth target for the year. Nonetheless, the ongoing trade negotiations with the U.S. cast a shadow over future growth.

As of the end of the reporting period, the U.S. and Japan were expected to enter trade negotiations in early 2019. Japan's economy remained strong with a tight labor market leading to a 3% increase in the minimum wage for the third straight year while capital spending plans rose to a 38-year high. While manufacturing activity and subsequently GDP growth did come in weaker than expected during the reporting period, the weakness was the result of natural disasters and not structural issues.

The U.S. economy continued to expand with GDP growth peaking at 4.2% in the second quarter, close to a four-year high. Increasing capital expenditure spending and domestic consumption continue to support the U.S. economy. At a November speech Chairman Powell gave dovish commentary which eased concerns that the Federal Reserve would hike its benchmark interest rate into restrictive territory. As discussed earlier, trade tensions still linger and while deals have been reached with Mexico and Canada – agreements with Japan, the EU and China have yet to be renegotiated.

## **FUND PERFORMANCE**

During the reporting period, the Fund's gains versus the MSCI Index came from positioning, most notably the Fund's underweight to the Materials sector and its overweight to the Health Care sector. The positive contribution from sector weightings was offset by mixed stock selection in the Information Technology and Consumer Discretionary sectors.

The Health Care sector was the Fund's primary source of outperformance. Health Care was the only sector in the benchmark to record a positive return during the reporting period, and the Fund benefited from its overweight position. Stock selection was also very strong with Chugai Pharmaceutical Co. Ltd., Lonza Group AG and Ipsen SA all landing within the Fund's top 10 performance contributors due to a variety of factors. Chugai Pharmaceutical Co. Ltd., which continues to grow internationally through its partnership with Roche Holding AG, also reported positive trial data and strong execution of an early market launch for their product Hemlibra. Ipsen SA remains a market leader in oncology treatment and recent launches of Cabometyx (renal cancer) and Onivyde (pancreatic cancer) have solidified their position. Lonza Group AG successfully integrated Capsugel, which was the largest acquisition the company has completed, and hosted an upbeat Capital Markets Day where they reiterated their mid-term targets.

Two of the Fund's long-term holdings were acquired during the reporting period, providing additional sources of positive contribution. Yoox Net-A-Porter Group SpA is a leading online luxury goods retailer and has been a Fund holding since its 2009 Initial Public Offering at EUR 4.30. Swiss luxury goods giant Compagnie Financiere Richemont SA announced an offer of EUR 38 for the remaining 51% it did not own of Yoox Net-A-Porter Group SpA which was accepted by shareholders. Mitel Networks Corp., is a Canadian based telecommunications company that was also acquired. Mitel Networks Corp., accepted an offer from a private equity group that valued the business at a 24% premium over its prior 90-day weighted average price.

The most notable detractors to the Fund's performance were related to stock selection in the Consumer Discretionary and Information Technology sectors along with the newly created Communication Services sector. The Fund is overweight these sectors due to Fund management's view that the global economy will continue to shift towards a service based economy, and these three sectors will be beneficiaries of this long-term secular trend. Fund management's conviction in the holdings in these sectors remains high although short-term trends were more challenging than anticipated. The Fund's largest detractor in Consumer Discretionary was Mando Corp which is a Korean based automotive supplier. Mando Corp is positioned to be a long-term leader in ADAS (Advanced Driver Assistance Systems), but near-term headwinds, including a slowdown in Chinese auto sales, led to a downward revision to earnings expectations. The Fund's largest detractor in Consumer Services was Sohu.com Ltd., which is a China-based holding company with subsidiaries that include Sogou Inc., an online search portal. Sogou Inc's. earnings have been weaker than expected due to increased competition. In addition, adverse regulation had a negative impact on Sohu.com Ltd.'s advertising revenue from gaming. Despite the recent headwinds, Fund management believed that, over the long-term, Sohu.com Ltd. can leverage its ecosystem into higher levels of monetization.

The Fund's biggest overall detractor was Vakrangee Ltd., an internet and financial services company based in India. Vakrangee Ltd., operates small centers that provide online access for remote villages in India. A considerable amount of due diligence was conducted on Vakrangee Ltd., but accusations of misstated financial statements led to a correction in the share price and a decision to exit this position based on corporate governance issues.

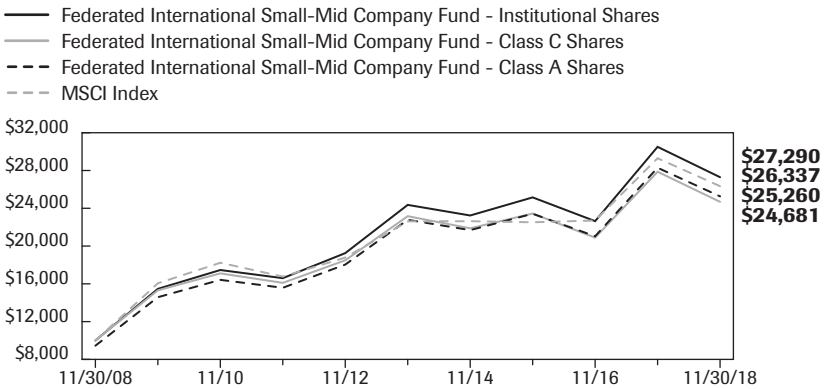
- 1 *Please see the footnotes to the line graphs under “Fund Performance and Growth of a \$10,000 Investment” below for the definition of, and more information about, the MSCI Index.*
  - 2 *International investing involves special risks including currency risk, increased volatility of foreign securities, political risks and differences in auditing and other financial standards. International small company stocks may be less liquid and subject to greater price volatility than international large company stocks.*
  - 3 *The MSCI EAFE 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.\**
  - 4 *The MSCI Emerging Markets Index captures large- and mid-cap representation across 24 Emerging Markets (EM) countries.\**
- \* The index is unmanaged, and it is not possible to invest directly in an index.*

## FUND PERFORMANCE AND GROWTH OF A \$10,000 INVESTMENT

The graph below illustrates the hypothetical investment of \$10,000<sup>1</sup> in the Federated International Small-Mid Company Fund (the “Fund”) from November 30, 2008 to November 30, 2018, compared to the MSCI ACWI ex USA SMID Cap Index (MSCI Index).<sup>2</sup> The Average Annual Total Return table below shows returns for each class averaged over the stated periods.

### GROWTH OF A \$10,000 INVESTMENT

#### Growth of \$10,000 as of November 30, 2018



- Total returns shown for the Class C Shares include the maximum contingent deferred sales charge of 1.00% as applicable.
- Total returns shown for the Class A Shares include the maximum sales charge of 5.50% (\$10,000 investment minus \$550 sales charge=\$9,450).

The Fund offers multiple share classes whose performance may be greater than or less than its other share class(es) due to differences in sales charges and expenses.

#### Average Annual Total Returns for the Period Ended 11/30/2018

*(returns reflect all applicable sales charges and contingent deferred sales charge as specified below in footnote #1)*

	1 Year	5 Years	10 Years
<b>Class A Shares</b>	-15.61%	0.94%	9.71%
<b>Class C Shares</b>	-12.26%	1.28%	9.46%
<b>Institutional Shares</b>	-10.54%	2.30%	10.56%
MSCI Index	-10.11%	3.09%	10.17%



**Performance data 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. Mutual fund performance changes over time and current performance may be lower or higher than what is stated. For current to the most recent month-end performance and after-tax returns, visit [FederatedInvestors.com](http://FederatedInvestors.com) or call 1-800-341-7400. Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Mutual funds are not obligations of or guaranteed by any bank and are not federally insured.**

- 1 *Represents a hypothetical investment of \$10,000 in the Fund after deducting applicable sales charges: for Class A Shares, the maximum sales charge of 5.50% (\$10,000 investment minus \$550 sales charge = \$9,450); for Class C Shares, the maximum contingent deferred sales charge is 1.00% on any redemption less than one year from the purchase date. The Fund's performance assumes the reinvestment of all dividends and distributions. The MSCI Index has been adjusted to reflect reinvestment of dividends on securities in the index.*
- 2 *The MSCI 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. The index is not adjusted to reflect sales loads, expenses or other fees that the Securities and Exchange Commission (SEC) requires to be reflected in the Fund's performance. The index is unmanaged and, unlike the Fund, is not affected by cash flows. It is not possible to invest directly in an index.*

# Portfolio of Investments Summary Tables (unaudited)

At November 30, 2018, the Fund's portfolio composition<sup>1</sup> was as follows:

<b>Country</b>	<b>Percentage of Total Net Assets</b>
Japan	19.8%
United Kingdom	12.7%
France	7.7%
Germany	7.0%
Canada	6.1%
Switzerland	4.4%
Hong Kong	3.2%
Ireland	2.7%
Australia	2.5%
Spain	2.3%
Italy	2.2%
China	2.1%
Netherlands	2.0%
United States	2.0%
Norway	1.8%
Mexico	1.7%
Thailand	1.7%
Sweden	1.5%
Denmark	1.1%
Luxembourg	1.1%
Brazil	1.0%
Poland	1.0%
Singapore	0.9%
Israel	0.8%
Taiwan	0.8%
Austria	0.7%
Belgium	0.6%
South Korea	0.3%
Cash Equivalents <sup>2</sup>	8.5%
Other Assets and Liabilities—Net <sup>3</sup>	(0.2)%
<b>TOTAL</b>	<b>100.0%</b>

At November 30, 2018, the Fund’s sector classification composition<sup>4</sup> was as follows:

<b>Sector Classification</b>	<b>Percentage of Total Net Assets</b>
Consumer Discretionary	17.9%
Industrials	14.9%
Health Care	11.8%
Information Technology	11.2%
Financials	10.1%
Materials	6.7%
Communication Services	6.5%
Consumer Staples	5.8%
Real Estate	4.0%
Energy	2.1%
Utilities	0.7%
Cash Equivalents <sup>2</sup>	8.5%
Other Assets and Liabilities—Net <sup>3</sup>	(0.2)%
<b>TOTAL</b>	<b>100.0%</b>

- 1 *Country allocations are based primarily on the country in which a company is incorporated. However, the Fund’s Adviser may allocate a company to a country based on other factors such as location of the company’s principal office, the location of the principal trading market for the company’s securities or the country where a majority of the company’s revenues are derived.*
- 2 *Cash Equivalents include any investments in money market mutual funds and/or overnight repurchase agreements.*
- 3 *Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.*
- 4 *Except for Cash Equivalents and Other Assets and Liabilities, sector classifications are based upon, and individual securities assigned to, the classifications of the Global Industry Classification Standard (GICS) except that the Adviser assigns a classification to securities not classified by the GICS and to securities for which the Adviser does not have access to the classification made by the GICS.*

# Portfolio of Investments

November 30, 2018

Shares		Value in U.S. Dollars
	COMMON STOCKS—91.7%	
	<b>Australia—2.5%</b>	
235,000	Bapcor Ltd.	\$1,062,457
217,667	Link Administration Holdings Ltd.	1,112,428
604,184	Viva Energy REIT	914,129
	TOTAL	3,089,014
	<b>Austria—0.7%</b>	
22,573	Erste Group Bank AG	890,999
	<b>Belgium—0.6%</b>	
7,000	<sup>1</sup> Galapagos NV	712,033
	<b>Brazil—1.0%</b>	
110,286	Localiza Rent a Car SA	767,467
20,000	<sup>1</sup> Pagseguro Digital Ltd., Class A	480,000
	TOTAL	1,247,467
	<b>Canada—6.1%</b>	
84,000	CAE, Inc.	1,705,731
1,600	Constellation Software, Inc.	1,097,379
37,000	Dollarama, Inc.	978,015
33,000	Gildan Activewear, Inc.	1,084,146
53,700	North West Co., Inc./The	1,189,875
91,000	Pason Systems, Inc.	1,365,017
	TOTAL	7,420,163
	<b>China—2.1%</b>	
13,000	<sup>1</sup> SINA Corp.	842,010
33,800	<sup>1</sup> Sohu.com, Inc., ADR	704,730
380,000	TravelSky Technology Ltd.	1,022,231
	TOTAL	2,568,971
	<b>Denmark—1.1%</b>	
15,250	Chr.Hansen Holding A/S	1,377,257
	<b>France—7.7%</b>	
32,552	Accor SA	1,445,327
11,240	Capgemini SE	1,312,218
15,000	Ingenico Group SA	1,084,356
8,437	Ipsen SA	1,088,335
26,000	LISI	797,764
140,000	<sup>1</sup> Solutions 30 SE	1,452,118

Shares		Value in U.S. Dollars
	COMMON STOCKS—continued	
	<b>France—continued</b>	
57,000	STMicroelectronics NV	\$ 839,263
8,580	Teleperformance	1,424,397
	TOTAL	9,443,778
	<b>Germany—7.0%</b>	
44,412	<sup>1</sup> Delivery Hero SE	1,629,689
8,500	Deutsche Boerse AG	1,086,421
28,000	Deutsche Wohnen AG	1,342,577
63,858	Deutz AG	468,623
10,664	HeidelbergCement AG	708,616
28,000	JOST Werke AG	946,474
73,837	Kloeckner & Co. AG	594,143
19,000	Rheinmetall AG	1,759,974
	TOTAL	8,536,517
	<b>Hong Kong—3.2%</b>	
222,000	Dah Sing Financial Holdings Ltd.	1,228,505
44,000	Melco Resorts & Entertainment, ADR	795,080
342,500	Techtronic Industries Co. Ltd.	1,852,721
	TOTAL	3,876,306
	<b>Ireland—2.7%</b>	
165,000	Bank of Ireland Group PLC	1,044,835
14,200	Kerry Group PLC, Class A	1,468,890
28,922	Smurfit Kappa Group PLC	781,550
	TOTAL	3,295,275
	<b>Israel—0.8%</b>	
8,454	<sup>1</sup> Nice Ltd., ADR	981,848
	<b>Italy—2.2%</b>	
16,600	DiaSorin SpA	1,411,966
150,000	Mediobanca SpA	1,326,416
	TOTAL	2,738,382
	<b>Japan—19.8%</b>	
20,400	Aisin Seiki Co. Ltd.	807,505
25,500	Alps Electric Co. Ltd.	591,028
30,000	Chugai Pharmaceutical Co. Ltd.	2,054,578
20,400	Daifuku Co. Ltd.	1,044,126
6,800	Disco Corp.	991,411
32,000	Don Quijote Holdings Co. Ltd.	1,942,329
61,000	Doutor Nichires Holdings Co. Ltd.	1,190,283

Shares		Value in U.S. Dollars
	COMMON STOCKS—continued	
	<b>Japan—continued</b>	
22,200	Horiba Ltd.	\$ 1,041,504
1,720	Japan Hotel REIT Investment Corp.	1,197,022
42,200	Kanamoto Co. Ltd.	1,248,931
15,600	Kusuri No Aoki Holdings Co. Ltd.	1,154,385
37,500	Kyowa Hakko Kirin Co. Ltd.	768,731
27,200	Matsumotokiyoshi Holdings Co. Ltd.	1,015,715
11,300	Nidec Corp.	1,505,140
8,000	Nitori Holdings Co. Ltd.	1,072,228
54,800	Persol Holdings Co. Ltd.	1,027,214
35,800	Square Enix Holdings Co. Ltd.	1,167,788
102,000	Taiyo Nippon Sanso Corp.	1,718,967
34,800	THK Co. Ltd.	797,382
23,000	United Arrows Ltd.	775,172
116,000	Zeon Corp.	1,187,341
	TOTAL	24,298,780
	<b>Luxembourg—1.1%</b>	
3,200	Eurofins Scientific SE	1,392,613
	<b>Mexico—1.7%</b>	
105,000	Gruma SAB de CV, Class B	1,150,402
241,316	Infraestructura Energetica Nova, SAB de CV	915,646
	TOTAL	2,066,048
	<b>Netherlands—2.0%</b>	
10,000	<sup>1</sup> Argenx SE, ADR	967,700
36,238	NN Group NV	1,542,921
	TOTAL	2,510,621
	<b>Norway—1.8%</b>	
28,600	Schibsted ASA, Class A	1,039,671
116,709	Sparebank 1 Oestlandet	1,139,254
	TOTAL	2,178,925
	<b>Poland—1.0%</b>	
46,000	<sup>1</sup> Dino Polska SA	1,181,833
	<b>Singapore—0.9%</b>	
87,000	<sup>1</sup> Sea Ltd., ADR	1,160,580
	<b>South Korea—0.3%</b>	
16,000	Mando Corp.	425,353
	<b>Spain—2.3%</b>	
56,234	Cellnex Telecom SA	1,562,519

Shares		Value in U.S. Dollars
	COMMON STOCKS—continued	
	<b>Spain—continued</b>	
50,000	Cia de Distribucion Integral Logista Holdings SA	\$ 1,249,096
	TOTAL	2,811,615
	<b>Sweden—1.5%</b>	
115,000	<sup>1</sup> Boozt AB	734,922
19,000	Evolution Gaming Group AB	1,135,764
	TOTAL	1,870,686
	<b>Switzerland—4.4%</b>	
20,882	<sup>1</sup> Julius Baer Group AG	845,749
8,700	<sup>1</sup> Lonza Group AG	2,821,138
8,400	Tecan Group AG	1,732,193
	TOTAL	5,399,080
	<b>Taiwan—0.8%</b>	
121,440	Gourmet Master Co. Ltd.	965,609
	<b>Thailand—1.7%</b>	
650,000	Central Pattana PCL, GDR	1,498,546
750,000	CH Karnchang PCL GDR	590,024
	TOTAL	2,088,570
	<b>United Kingdom—12.7%</b>	
63,500	Anglo American PLC	1,268,897
41,997	Ashtead Group PLC	942,415
28,000	<sup>1</sup> ASOS PLC	1,776,653
350,000	B&M European Value Retail SA	1,558,392
157,100	Clipper Logistics PLC	597,032
18,282	Croda International PLC	1,140,602
29,605	<sup>1</sup> Dialog Semiconductor PLC	775,962
30,000	<sup>1</sup> Farfetch Ltd.	682,500
148,282	John Wood Group PLC	1,205,808
37,074	London Stock Exchange Group PLC	1,906,368
50,000	Manchester United PLC, Class A	920,000
123,450	Pagegroup PLC	783,408
105,000	Rightmove PLC	585,838
106,636	St. James's Place PLC	1,367,350
	TOTAL	15,511,225

Shares		Value in U.S. Dollars
	COMMON STOCKS—continued	
	<b>United States—2.0%</b>	
15,000	<sup>1</sup> LivaNova PLC	\$ 1,517,850
27,000	<sup>1</sup> Talend SA, ADR	937,980
	TOTAL	2,455,830
	TOTAL COMMON STOCKS (IDENTIFIED COST \$96,096,057)	112,495,378
	INVESTMENT COMPANY—8.5%	
10,393,141	Federated Institutional Prime Value Obligations Fund, Institutional Shares, 2.360% <sup>2</sup> (IDENTIFIED COST \$10,392,941)	10,393,141
	TOTAL INVESTMENT IN SECURITIES—100.2% (IDENTIFIED COST \$106,488,998) <sup>3</sup>	122,888,519
	OTHER ASSETS AND LIABILITIES - NET—(0.2)% <sup>4</sup>	(271,646)
	TOTAL NET ASSETS—100%	\$122,616,873

Affiliated fund holdings are investment companies which are managed by the Adviser or an affiliate of the Adviser. Transactions with the affiliated holding during the period ended November 30, 2018, were as follows

	<b>Federated Institutional Prime Value Obligations Fund, Institutional Shares</b>
Balance of Shares Held 11/30/2017	2,483,254
Purchases/Additions	53,771,696
Sales/Reductions	(45,861,809)
Balance of Shares Held 11/30/2018	10,393,141
Value	\$ 10,393,141
Change in Unrealized Appreciation/Depreciation	\$ 200
Net Realized Gain/(Loss)	\$ (351)
Dividend Income	\$ 148,150

1 *Non-income-producing security.*

2 *7-day net yield.*

3 *The cost of investments for federal tax purposes amounts to \$106,638,588.*

4 *Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.*

Note: The categories of investments are shown as a percentage of total net assets at November 30, 2018.



Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

Level 1—quoted prices in active markets for identical securities.

Level 2—other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Also includes securities valued at amortized cost.

Level 3—significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used, as of November 30, 2018, in valuing the Fund's assets carried at fair value:

**Valuation Inputs**

	<b>Level 1— Quoted Prices</b>	<b>Level 2— Other Significant Observable Inputs</b>	<b>Level 3— Significant Unobservable Inputs</b>	<b>Total</b>
<b>Equity Securities:</b>				
Common Stocks				
International	\$20,243,956	\$92,251,422	\$—	\$112,495,378
<b>Investment Company</b>	10,393,141	—	—	10,393,141
<b>TOTAL SECURITIES</b>	\$30,637,097	\$92,251,422	\$—	\$122,888,519

The following acronyms are used throughout this portfolio:

ADR—American Depositary Receipt

GDR—Global Depositary Receipt

REIT—Real Estate Investment Trust

See Notes which are an integral part of the Financial Statements.

# Financial Highlights – Class A Shares

(For a Share Outstanding Throughout Each Period)

<b>Year Ended November 30</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net Asset Value, Beginning of Period</b>	<b>\$41.98</b>	<b>\$31.51</b>	<b>\$39.32</b>	<b>\$40.52</b>	<b>\$48.45</b>
<b>Income From Investment Operations:</b>					
Net investment income (loss) <sup>1</sup>	(0.10)	0.02	0.05	(0.21)	(0.10)
Net realized and unrealized gain (loss)	(4.10)	10.74	(3.59)	3.06	(1.83)
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>(4.20)</b>	<b>10.76</b>	<b>(3.54)</b>	<b>2.85</b>	<b>(1.93)</b>
<b>Less Distributions:</b>					
Distributions from net investment income	—	—	(0.16)	—	(0.02)
Distributions from net realized gain	(2.61)	(0.29)	(4.11)	(4.05)	(5.98)
<b>TOTAL DISTRIBUTIONS</b>	<b>(2.61)</b>	<b>(0.29)</b>	<b>(4.27)</b>	<b>(4.05)</b>	<b>(6.00)</b>
<b>Redemption Fees</b>	<b>0.01</b>	<b>0.00<sup>2</sup></b>	<b>0.00<sup>2</sup></b>	<b>0.00<sup>2</sup></b>	<b>—</b>
<b>Net Asset Value, End of Period</b>	<b>\$35.18</b>	<b>\$41.98</b>	<b>\$31.51</b>	<b>\$39.32</b>	<b>\$40.52</b>
<b>Total Return<sup>3</sup></b>	<b>(10.71)%</b>	<b>34.46%</b>	<b>(10.16)%</b>	<b>7.98%</b>	<b>(4.79)%</b>
<b>Ratios to Average Net Assets:</b>					
Net expenses	1.86%	1.85%	1.76%	1.85%	1.85%
Net investment income (loss)	(0.25)%	0.05%	0.16%	(0.53)%	(0.25)%
Expense waiver/reimbursement <sup>4</sup>	0.15%	0.15%	0.22%	0.10%	0.09%
<b>Supplemental Data:</b>					
Net assets, end of period (000 omitted)	\$84,786	\$102,872	\$90,508	\$127,260	\$130,327
Portfolio turnover	28%	42%	39%	59%	49%

1 *Per share numbers have been calculated using the average shares method.*

2 *Represents less than \$0.01.*

3 *Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable.*

4 *This expense decrease is reflected in both the net expense and net investment income (loss) ratios shown above.*

See Notes which are an integral part of the Financial Statements

# Financial Highlights – Class C Shares

(For a Share Outstanding Throughout Each Period)

<b>Year Ended November 30</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net Asset Value, Beginning of Period</b>	<b>\$33.22</b>	<b>\$25.19</b>	<b>\$32.36</b>	<b>\$34.31</b>	<b>\$42.22</b>
<b>Income From Investment Operations:</b>					
Net investment income (loss) <sup>1</sup>	(0.21)	(0.21)	(0.17)	(0.43)	(0.38)
Net realized and unrealized gain (loss)	(3.28)	8.53	(2.89)	2.53	(1.53)
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>(3.49)</b>	<b>8.32</b>	<b>(3.06)</b>	<b>2.10</b>	<b>(1.91)</b>
<b>Less Distributions:</b>					
Distributions from net investment income	—	—	—	—	(0.02)
Distributions from net realized gain	(2.61)	(0.29)	(4.11)	(4.05)	(5.98)
<b>TOTAL DISTRIBUTIONS</b>	<b>(2.61)</b>	<b>(0.29)</b>	<b>(4.11)</b>	<b>(4.05)</b>	<b>(6.00)</b>
<b>Redemption Fees</b>	<b>0.01</b>	<b>0.00<sup>2</sup></b>	<b>0.00<sup>2</sup></b>	<b>0.00<sup>2</sup></b>	<b>—</b>
<b>Net Asset Value, End of Period</b>	<b>\$27.13</b>	<b>\$33.22</b>	<b>\$25.19</b>	<b>\$32.36</b>	<b>\$34.31</b>
<b>Total Return<sup>3</sup></b>	<b>(11.44)%</b>	<b>33.41%</b>	<b>(10.89)%</b>	<b>7.15%</b>	<b>(5.55)%</b>
<b>Ratios to Average Net Assets:</b>					
Net expenses	2.66%	2.65%	2.56%	2.65%	2.65%
Net investment income (loss)	(0.68)%	(0.73)%	(0.64)%	(1.33)%	(1.05)%
Expense waiver/reimbursement <sup>4</sup>	0.09%	0.11%	0.17%	0.05%	0.04%
<b>Supplemental Data:</b>					
Net assets, end of period (000 omitted)	\$5,351	\$15,937	\$17,028	\$22,681	\$23,453
Portfolio turnover	28%	42%	39%	59%	49%

1 *Per share numbers have been calculated using the average shares method.*

2 *Represents less than \$0.01.*

3 *Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable.*

4 *This expense decrease is reflected in both the net expense and net investment income (loss) ratios shown above.*

See Notes which are an integral part of the Financial Statements

# Financial Highlights – Institutional Shares

(For a Share Outstanding Throughout Each Period)

<b>Year Ended November 30</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net Asset Value, Beginning of Period</b>	<b>\$42.81</b>	<b>\$32.06</b>	<b>\$39.95</b>	<b>\$41.01</b>	<b>\$48.88</b>
<b>Income From Investment Operations:</b>					
Net investment income (loss) <sup>1</sup>	(0.00) <sup>2</sup>	0.07	0.12	(0.13)	(0.02)
Net realized and unrealized gain (loss)	(4.22)	10.97	(3.66)	3.12	(1.85)
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>(4.22)</b>	<b>11.04</b>	<b>(3.54)</b>	<b>2.99</b>	<b>(1.87)</b>
<b>Less Distributions:</b>					
Distributions from net investment income	—	—	(0.24)	—	(0.02)
Distributions from net realized gain	(2.61)	(0.29)	(4.11)	(4.05)	(5.98)
<b>TOTAL DISTRIBUTIONS</b>	<b>(2.61)</b>	<b>(0.29)</b>	<b>(4.35)</b>	<b>(4.05)</b>	<b>(6.00)</b>
<b>Redemption Fees</b>	<b>0.01</b>	<b>0.00<sup>2</sup></b>	<b>0.00<sup>2</sup></b>	<b>0.00<sup>2</sup></b>	<b>—</b>
<b>Net Asset Value, End of Period</b>	<b>\$35.99</b>	<b>\$42.81</b>	<b>\$32.06</b>	<b>\$39.95</b>	<b>\$41.01</b>
<b>Total Return<sup>3</sup></b>	<b>(10.54)%</b>	<b>34.75%</b>	<b>(10.00)%</b>	<b>8.25%</b>	<b>(4.61)%</b>
<b>Ratios to Average Net Assets:</b>					
Net expenses	1.66%	1.65%	1.56%	1.65%	1.66%
Net investment income (loss)	(0.01)%	0.18%	0.34%	(0.33)%	(0.04)%
Expense waiver/reimbursement <sup>4</sup>	0.10%	0.10%	0.17%	0.05%	0.04%
<b>Supplemental Data:</b>					
Net assets, end of period (000 omitted)	\$32,480	\$46,428	\$31,981	\$38,830	\$32,174
Portfolio turnover	28%	42%	39%	59%	49%

1 *Per share numbers have been calculated using the average shares method.*

2 *Represents less than \$0.01.*

3 *Based on the net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable.*

4 *This expense decrease is reflected in both the net expense and net investment income (loss) ratios shown above.*

See Notes which are an integral part of the Financial Statements

# Statement of Assets and Liabilities

November 30, 2018

## Assets:

Investment in securities, at value including \$10,393,141 of investment in an affiliated holding (identified cost \$106,488,998)	\$122,888,519
Cash denominated in foreign currencies (identified cost \$5,058)	5,058
Receivable for investments sold	355,328
Income receivable	252,611
Receivable for shares sold	31,675
<b>TOTAL ASSETS</b>	<b>123,533,191</b>

## Liabilities:

Payable for investments purchased	\$504,218
Payable for shares redeemed	143,127
Payable for capital gains taxes withheld	63,645
Payable for portfolio accounting fees	59,065
Payable for auditing fees	33,220
Payable for share registration costs	27,044
Payable for custodian fees	20,695
Payable for distribution services fee (Note 5)	17,531
Payable for investment adviser fee (Note 5)	3,575
Payable for other service fees (Notes 2 and 5)	301
Payable for administrative fee (Note 5)	265
Accrued expenses (Note 5)	43,632
<b>TOTAL LIABILITIES</b>	<b>916,318</b>
Net assets for 3,509,558 shares outstanding	\$122,616,873

## Net Assets Consists of:

Paid-in capital	\$ 91,648,927
Total distributable earnings	30,967,946
<b>TOTAL NET ASSETS</b>	<b>\$122,616,873</b>

# Statement of Assets and Liabilities – continued

**Net Asset Value, Offering Price and Redemption Proceeds Per Share:****Class A Shares:**

Net asset value per share (\$84,786,237 ÷ 2,409,949 shares outstanding) \$0.001 par value, 500,000,000 shares authorized	\$35.18
Offering price per share (100/94.50 of \$35.18)	\$37.23
Redemption proceeds per share (98.00/100 of \$35.18)	\$34.48

**Class C Shares:**

Net asset value per share (\$5,350,547 ÷ 197,185 shares outstanding) \$0.001 par value, 100,000,000 shares authorized	\$27.13
Offering price per share	\$27.13
Redemption proceeds per share (97.00/100 of \$27.13)	\$26.32

**Institutional Shares:**

Net asset value per share (\$32,480,089 ÷ 902,424 shares outstanding) \$0.001 par value, 200,000,000 shares authorized	\$35.99
Offering price per share	\$35.99
Redemption proceeds per share (98.00/100 of \$35.99)	\$35.27

See Notes which are an integral part of the Financial Statements

# Statement of Operations

Year Ended November 30, 2018

**Investment Income:**

Dividends (including \$148,150 received from an affiliated holding* and net of foreign taxes withheld of \$221,129)	\$2,465,304
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**Expenses:**

Investment adviser fee (Note 5)	\$1,871,748
Administrative fee (Note 5)	121,155
Custodian fees	86,030
Transfer agent fees	234,054
Directors'/Trustees' fees (Note 5)	3,545
Auditing fees	34,340
Legal fees	10,584
Distribution services fee (Note 5)	335,244
Other service fees (Notes 2 and 5)	31,803
Portfolio accounting fees	136,310
Share registration costs	45,582
Printing and postage	33,454
Miscellaneous (Note 5)	49,297
<b>TOTAL EXPENSES</b>	<b>2,993,146</b>

**Waivers and Reimbursement (Note 5):**

Waiver/reimbursement of investment adviser fee	\$(145,789)
Waiver of other operating expenses	(47,967)
<b>TOTAL WAIVERS AND REIMBURSEMENT</b>	<b>(193,756)</b>

Net expenses	2,799,390
Net investment income (loss)	(334,086)

# Statement of Operations – continued

**Realized and Unrealized Gain (Loss) on Investments,  
Foreign Exchange Contracts and Foreign  
Currency Transactions:**

Net realized gain on investments (including net realized loss of \$(351) on sales of investments in an affiliated holding*) and foreign currency translations (net of \$15,724 deferred foreign tax)	\$ 15,147,579
Net realized loss on foreign exchange contracts	(128,008)
Net change in unrealized appreciation of investments and translation of assets and liabilities in foreign currency (including net change in unrealized appreciation of \$200 of investments in an affiliated holding* and net of \$80,437 decrease in deferred foreign tax)	(29,618,010)
Net change in unrealized depreciation of foreign exchange contracts	38,720
Net realized and unrealized loss on investments and foreign currency transactions	(14,559,719)
Change in net assets resulting from operations	\$(14,893,805)

\* See information listed after the Fund's Portfolio of Investments

See Notes which are an integral part of the Financial Statements



# Statement of Changes in Net Assets

Year Ended November 30	2018	2017
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations:</b>		
Net investment loss	\$ (334,086)	\$ (15,335)
Net realized gain	15,019,571	10,859,053
Net change in unrealized appreciation/depreciation	(29,579,290)	33,795,428
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	(14,893,805)	44,639,146
<b>Distributions to Shareholders (Note 2):</b>		
Class A Shares	(6,272,741)	(820,119)
Class B Shares <sup>1</sup>	(103,073)	(21,707)
Class C Shares	(1,241,592)	(190,987)
Institutional Shares	(2,653,118)	(287,702)
CHANGE IN NET ASSETS RESULTING FROM DISTRIBUTIONS TO SHAREHOLDERS	(10,270,524)	(1,320,515)
<b>Share Transactions:</b>		
Proceeds from sale of shares	27,400,986	21,931,378
Net asset value of shares issued to shareholders in payment of distributions declared	9,514,964	1,187,900
Cost of shares redeemed	(55,783,696)	(41,300,628)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	(18,867,746)	(18,181,350)
Redemption fees	36,186	4,051
Change in net assets	(43,995,889)	25,141,332
<b>Net Assets:</b>		
Beginning of period	166,612,762	141,471,430
End of period	\$122,616,873	\$166,612,762

<sup>1</sup> On February 2, 2018, Class B Shares were converted into Class A Shares.

See Notes which are an integral part of the Financial Statements

# Notes to Financial Statements

November 30, 2018

## 1. ORGANIZATION

Federated World Investment Series, Inc. (the "Corporation") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Corporation consists of three portfolios. The financial statements included herein are only those of Federated International Small-Mid Company Fund (the "Fund"), a diversified portfolio. The financial statements of the other portfolios are presented separately. The assets of each portfolio are segregated and a shareholder's interest is limited to the portfolio in which shares are held. Each portfolio pays its own expenses. The Fund offers three classes of shares: Class A Shares, Class C Shares and Institutional Shares. All shares of the Fund have equal rights with respect to voting, except on class-specific matters. The investment objective of the Fund is to provide long-term growth of capital.

On March 30, 2017, the Fund's T Share class became effective with the Securities and Exchange Commission (SEC), but is not yet offered for sale.

At the close of business, on February 2, 2018, Class B Shares were converted into the Fund's existing Class A Shares pursuant to a Plan of Conversion approved by the Fund's Board of Directors (the "Directors"). The conversion occurred on a tax-free basis. The cash value of a shareholder's investment was not changed as a result of the share class conversion. No action was required by shareholders to effect the conversion.

Effective August 1, 2018, an automatic conversion feature for Class C shares was implemented. Pursuant to this automatic conversion feature, after Class C Shares have been held for ten years from the date of purchase, they will automatically convert to Class A Shares on the next monthly conversion processing date.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. These policies are in conformity with U.S. generally accepted accounting principles (GAAP).

### Investment Valuation

In calculating its net asset value (NAV), the Fund generally values investments as follows:

- Equity securities listed on an exchange or traded through a regulated market system are valued at their last reported sale price or official closing price in their principal exchange or market.
- Shares of other mutual funds or non-exchange-traded investment companies are valued based upon their reported NAVs.
- Fixed-income securities are fair valued using price evaluations provided by a pricing service approved by the Directors.
- Derivative contracts listed on exchanges are valued at their reported settlement or closing price, except that options are valued at the mean of closing bid and asked quotations.
- Over-the-counter (OTC) derivative contracts are fair valued using price evaluations provided by a pricing service approved by the Directors.
- For securities that are fair valued in accordance with procedures established by and under the general supervision of the Directors, certain factors may be considered, such as: the last traded or purchase price of the security, information obtained by contacting the issuer or dealers, analysis of the issuer's financial statements or other available documents,

fundamental analytical data, the nature and duration of restrictions on disposition, the movement of the market in which the security is normally traded, public trading in similar securities or derivative contracts of the issuer or comparable issuers, movement of a relevant index, or other factors including but not limited to industry changes and relevant government actions.

If any price, quotation, price evaluation or other pricing source is not readily available when the NAV is calculated, if the Fund cannot obtain price evaluations from a pricing service or from more than one dealer for an investment within a reasonable period of time as set forth in the Fund's valuation policies and procedures, or if information furnished by a pricing service, in the opinion of the valuation committee ("Valuation Committee"), is deemed not representative of the fair value of such security, the Fund uses the fair value of the investment determined in accordance with the procedures described below. There can be no assurance that the Fund could obtain the fair value assigned to an investment if it sold the investment at approximately the time at which the Fund determines its NAV per share.

### **Fair Valuation and Significant Events Procedures**

The Directors have ultimate responsibility for determining the fair value of investments for which market quotations are not readily available. The Directors have appointed a Valuation Committee comprised of officers of the Fund, Federated Global Investment Management Corp. (the "Adviser") and certain of the Adviser's affiliated companies to assist in determining fair value and in overseeing the calculation of the NAV. The Directors have also authorized the use of pricing services recommended by the Valuation Committee to provide fair value evaluations of the current value of certain investments for purposes of calculating the NAV. The Valuation Committee employs various methods for reviewing third-party pricing-service evaluations including periodic reviews of third-party pricing services' policies, procedures and valuation methods (including key inputs, methods, models and assumptions), transactional back-testing, comparisons of evaluations of different pricing services and review of price challenges by the Adviser based on recent market activity. In the event that market quotations and price evaluations are not available for an investment, the Valuation Committee determines the fair value of the investment in accordance with procedures adopted by the Directors. The Directors periodically review and approve the fair valuations made by the Valuation Committee and any changes made to the procedures.

Factors considered by pricing services in evaluating an investment include the yields or prices of investments of comparable quality, coupon, maturity, call rights and other potential prepayments, terms and type, reported transactions, indications as to values from dealers and general market conditions. Some pricing services provide a single price evaluation reflecting the bid-side of the market for an investment (a "bid" evaluation). Other pricing services offer both bid evaluations and price evaluations indicative of a price between the prices bid and asked for the investment (a "mid" evaluation). The Fund normally uses bid evaluations for any U.S. Treasury and Agency securities, mortgage-backed securities and municipal securities. The Fund normally uses mid evaluations for any other types of fixed-income securities and any OTC derivative contracts. In the event that market quotations and price evaluations are not available for an investment, the fair value of the investment is determined in accordance with procedures adopted by the Directors.

The Directors also have adopted procedures requiring an investment to be priced at its fair value whenever the Adviser determines that a significant event affecting the value of the investment has occurred between the time as of which the price of the investment would otherwise be determined and the time as of which the NAV is computed. An event is considered significant if there is both an affirmative expectation that the investment's value will change in response to the event and a reasonable basis for quantifying the resulting change in value. Examples of significant events that may occur after the close of the principal market on which a security is traded, or after the time of a price evaluation provided by a pricing service or a dealer, include:

- With respect to securities principally traded in foreign markets, significant trends in U.S. equity markets or in the trading of foreign securities index futures contracts;
- Political or other developments affecting the economy or markets in which an issuer conducts its operations or its securities are traded;
- Announcements concerning matters such as acquisitions, recapitalizations, litigation developments, or a natural disaster affecting the issuer's operations or regulatory changes or market developments affecting the issuer's industry.

The Directors have adopted procedures whereby the Valuation Committee uses a pricing service to determine the fair value of equity securities traded principally in foreign markets when the Adviser determines that there has been a significant trend in the U.S. equity markets or in index futures trading. For other significant events, the Fund may seek to obtain more current quotations or price evaluations from alternative pricing sources. If a reliable alternative pricing source is not available, the Fund will determine the fair value of the investment in accordance with the fair valuation procedures approved by the Directors. The Directors have ultimate responsibility for any fair valuations made in response to a significant event.

### **Repurchase Agreements**

The Fund may invest in repurchase agreements for short-term liquidity purposes. It is the policy of the Fund to require the other party to a repurchase agreement to transfer to the Fund's custodian or sub-custodian eligible securities or cash with a market value (after transaction costs) at least equal to the repurchase price to be paid under the repurchase agreement. The eligible securities are transferred to accounts with the custodian or sub-custodian in which the Fund holds a "securities entitlement" and exercises "control" as those terms are defined in the Uniform Commercial Code. The Fund has established procedures for monitoring the market value of the transferred securities and requiring the transfer of additional eligible securities if necessary to equal at least the repurchase price. These procedures also allow the other party to require securities to be transferred from the account to the extent that their market value exceeds the repurchase price or in exchange for other eligible securities of equivalent market value.

The insolvency of the other party or other failure to repurchase the securities may delay the disposition of the underlying securities or cause the Fund to receive less than the full repurchase price. Under the terms of the repurchase agreement, any amounts received by the Fund in excess of the repurchase price and related transaction costs must be remitted to the other party.

The Fund may enter into repurchase agreements in which eligible securities are transferred into joint trading accounts maintained by the custodian or sub-custodian for investment companies and other clients advised by the Adviser and its affiliates. The Fund will participate on a pro rata basis with the other investment companies and clients in its share of the securities transferred under such repurchase agreements and in its share of proceeds from any repurchase or other disposition of such securities.

**Investment Income, Gains and Losses, Expenses and Distributions**

Investment transactions are accounted for on a trade-date basis. Realized gains and losses from investment transactions are recorded on an identified-cost basis. Interest income and expenses are accrued daily. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Foreign dividends are recorded on the ex-dividend date or when the Fund is informed of the ex-dividend date. Distributions of net investment income, if any, are declared and paid annually. Non-cash dividends included in dividend income, if any, are recorded at fair value. Amortization/accretion of premium and discount is included in investment income. Investment income, realized and unrealized gains and losses, and certain fund-level expenses are allocated to each class based on relative average daily net assets, except that select classes will bear certain expenses unique to those classes. The detail of the total fund expense waivers and reimbursement of \$193,756 is disclosed in Note 5.

Dividends are declared separately for each class. No class has preferential dividend rights; differences in per share dividend rates are generally due to differences in separate class expenses. The distributions disclosed on the Statement of Changes in Net Assets for the year ended November 30, 2017 were from realized gains. Undistributed net investment income at November 30, 2017 was \$1,974.

**Other Service Fees**

The Fund may pay other service fees up to 0.25% of the average daily net assets of the Fund’s Class A Shares and Class C Shares to unaffiliated financial intermediaries or to Federated Shareholder Services Company (FSSC) for providing services to shareholders and maintaining shareholder accounts. Subject to the terms described in the Expense Limitation note, FSSC may voluntarily reimburse the Fund for other service fees. For the year ended November 30, 2018, other service fees for the Fund were as follows:

	<b>Other Service Fees Incurred</b>
Class B Shares	\$ 581
Class C Shares	31,222
<b>TOTAL</b>	<b>\$31,803</b>

For the year ended November 30, 2018, the Fund’s Class A Shares did not incur other service fees. Prior to their conversion to Class A Shares at the close of business on February 2, 2018, the Class B Shares were also subject to these fees.

## **Federal Taxes**

It is the Fund's policy to comply with the Subchapter M provision of the Internal Revenue Code (the "Code") and to distribute to shareholders each year substantially all of its income. Accordingly, no provision for federal income tax is necessary. As of and during the year ended November 30, 2018, the Fund did not have a liability for any uncertain tax positions. The Fund recognizes interest and penalties, if any, related to tax liabilities as income tax expense in the Statement of Operations. As of November 30, 2018, tax years 2015 through 2018 remain subject to examination by the Fund's major tax jurisdictions, which include the United States of America, the State of Maryland and the Commonwealth of Pennsylvania.

The Fund may be subject to taxes imposed by governments of countries in which it invests. Such taxes are generally based on either income or gains earned or repatriated. The Fund accrues and applies such taxes to net investment income, net realized gains and net unrealized gains as income and/or gains are earned.

## **When-Issued and Delayed-Delivery Transactions**

The Fund may engage in when-issued or delayed-delivery transactions. The Fund records when-issued securities on the trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed-delivery basis are marked to market daily and begin earning interest on the settlement date. Losses may occur on these transactions due to changes in market conditions or the failure of counterparties to perform under the contract.

## **Restricted Securities**

The Fund may purchase securities which are considered restricted. Restricted securities are securities that either: (a) cannot be offered for public sale without first being registered, or being able to take advantage of an exemption from registration, under the Securities Act of 1933; or (b) are subject to contractual restrictions on public sales. In some cases, when a security cannot be offered for public sale without first being registered, the issuer of the restricted security has agreed to register such securities for resale, at the issuer's expense, either upon demand by the Fund or in connection with another registered offering of the securities. Many such restricted securities may be resold in the secondary market in transactions exempt from registration. Restricted securities may be determined to be liquid under criteria established by the Directors. The Funds will not incur any registration costs upon such resales. The Fund's restricted securities, like other securities, are priced in accordance with procedures established by and under the general supervision of the Directors.

## **Futures Contracts**

The Fund purchases and sells financial futures contracts to manage country risk. Upon entering into a financial futures contract with a broker, the Fund is required to deposit in a segregated account, either U.S. government securities or a specified amount of Restricted cash, which is shown in the Statement of Assets and Liabilities. Futures contracts are valued daily and unrealized gains or losses are recorded in a "variation margin" account. Daily, the Fund receives from or pays to the broker a specified amount of cash based upon changes in the variation margin account. When a contract is closed, the Fund recognizes a realized gain or loss. Futures contracts have market risks, including the risk that the change in the value of

the contract may not correlate with the changes in the value of the underlying securities. There is minimal counterparty risk to the Fund since futures contracts are exchange traded and the exchange's clearing house, as counterparty to all exchange-traded futures contracts, guarantees the futures contracts against default.

At November 30, 2018, the Fund had no outstanding futures contracts.

### **Foreign Exchange Contracts**

The Fund may enter into foreign exchange contracts to manage currency risk. Purchased contracts are used to acquire exposure to foreign currencies, whereas, contracts to sell are used to hedge the Fund's securities against currency fluctuations. Risks may arise upon entering into these transactions from the potential inability of counterparties to meet the terms of their commitments and from unanticipated movements in security prices or foreign exchange rates. The foreign exchange contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded for financial statement purposes as unrealized until the settlement date.

The average value at settlement date payable of foreign exchange contracts purchased by the Fund throughout the period was \$7,348. This is based on the contracts held as of each month-end throughout the fiscal period.

At November 30, 2018, the Fund had no outstanding foreign exchange contracts.

### **Foreign Currency Translation**

The accounting records of the Fund are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rates of exchange of such currencies against U.S. dollars on the date of valuation. Purchases and sales of securities, income and expenses are translated at the rate of exchange quoted on the respective date that such transactions are recorded. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments in securities at period end, resulting from changes in the exchange rate.

### **The Effect of Derivative Instruments on the Statement of Operations for the Year Ended November 30, 2018**

#### **Amount of Realized Gain or (Loss) on Derivatives Recognized in Income**

	<b>Foreign Exchange Contracts</b>
Foreign exchange contracts	\$(128,008)

**Change in Unrealized Appreciation or (Depreciation) on Derivatives Recognized in Income**

	Foreign Exchange Contracts
Foreign exchange contracts	\$38,720

**Other**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets, liabilities, expenses and revenues reported in the financial statements. Actual results could differ from those estimated. The Fund applies investment company accounting and reporting guidance.

**3. CAPITAL STOCK**

The following tables summarize capital stock activity:

Year Ended November 30	2018		2017	
Class A Shares:	Shares	Amount	Shares	Amount
Shares sold	371,514	\$ 14,628,417	209,332	\$ 7,705,070
Conversion of Class B Shares to Class A Shares <sup>1</sup>	22,642	937,842	—	—
Shares issued to shareholders in payment of distributions declared	141,379	5,621,227	22,936	719,960
Shares redeemed	(576,032)	(22,987,312)	(654,450)	(23,467,110)
NET CHANGE RESULTING FROM CLASS A SHARE TRANSACTIONS	(40,497)	\$ (1,799,826)	(422,182)	\$(15,042,080)

Year Ended November 30	2018		2017	
Class B Shares:	Shares	Amount	Shares	Amount
Shares issued to shareholders in payment of distributions declared	3,300	\$ 102,059	858	\$ 21,494
Conversion of Class B Shares to Class A Shares <sup>1</sup>	(29,130)	(937,842)	—	—
Shares redeemed	(15,541)	(515,804)	(37,037)	(1,046,659)
NET CHANGE RESULTING FROM CLASS B SHARE TRANSACTIONS	(41,371)	\$(1,351,587)	(36,179)	\$(1,025,165)

Year Ended November 30	2018		2017	
Class C Shares:	Shares	Amount	Shares	Amount
Shares sold	56,015	\$ 1,738,391	80,853	\$ 2,346,174
Shares issued to shareholders in payment of distributions declared	39,699	1,226,303	6,848	171,337
Shares redeemed	(378,343)	(11,367,457)	(283,939)	(8,106,158)
NET CHANGE RESULTING FROM CLASS C SHARE TRANSACTIONS	(282,629)	\$ (8,402,763)	(196,238)	\$(5,588,647)



Year Ended November 30	2018		2017	
Institutional Shares:	Shares	Amount	Shares	Amount
Shares sold	246,246	\$ 10,096,336	305,443	\$ 11,880,134
Shares issued to shareholders in payment of distributions declared	63,187	2,565,375	8,613	275,109
Shares redeemed	(491,583)	(19,975,281)	(227,068)	(8,680,701)
NET CHANGE RESULTING FROM INSTITUTIONAL SHARE TRANSACTIONS	(182,150)	\$ (7,313,570)	86,988	\$ 3,474,542
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	(546,647)	\$(18,867,746)	(567,611)	\$(18,181,350)

<sup>1</sup> On February 2, 2018, Class B Shares were converted to Class A Shares.

## Redemption Fees

The Fund imposes a 2.00% redemption fee to shareholders of the Fund's Class A Shares, Class C Shares and Institutional Shares who redeem shares held for 30 days or less. Prior to their conversion to Class A Shares at the close of business on February 2, 2018, the Class B Shares were also subject to these fees. Shares acquired by reinvestment of dividends or distributions of the Fund, or purchased pursuant to the Systematic Investment Program or withdrawn pursuant to the Systematic Withdrawal Program, will not be subject to the redemption fee. All redemption fees are recorded by the Fund as additions to paid-in capital. For the year ended November 30, 2018, the redemption fees for Class A Shares, Class B Shares, Class C Shares and Institutional Shares amounted to \$22,323, \$61, \$4,262 and \$9,540, respectively. For the year ended November 30, 2017, redemption fees for Class A Shares, Class B Shares, Class C Shares and Institutional Shares amounted to \$2,539, \$55, \$534 and \$923, respectively.

## 4. FEDERAL TAX INFORMATION

The tax character of distributions as reported on the Statement of Changes in Net Assets for the years ended November 30, 2018 and 2017, was as follows:

	2018	2017
Ordinary income <sup>1</sup>	\$ 911,376	\$ —
Long-term capital gains	\$9,359,148	\$1,320,515

<sup>1</sup> For tax purposes, short term capital gain distributions are considered ordinary income distributions.

As of November 30, 2018, the components of distributable earnings on a tax-basis were as follows:

Undistributed ordinary income	\$ 1,108,516
Undistributed long-term capital gains	\$13,676,663
Net unrealized appreciation	\$16,182,767

The difference between book-basis and tax-basis net unrealized appreciation/depreciation is attributable to wash sales and losses on investments in a passive foreign investment company.

At November 30, 2018, the cost of investments for federal tax purposes was \$106,638,588. The net unrealized appreciation of investments for federal tax purposes was \$16,249,931. This consists of net unrealized appreciation from investments for those securities having an excess of value over cost of \$23,318,700 and net unrealized depreciation from investments for those securities having an excess of cost over value of \$7,068,769.

## 5. INVESTMENT ADVISER FEE AND OTHER TRANSACTIONS WITH AFFILIATES

### Investment Adviser Fee

The advisory agreement between the Fund and the Adviser provides for an annual fee equal to 1.25% of the Fund's average daily net assets. Subject to the terms described in the Expense Limitation note, the Adviser may voluntarily choose to waive any portion of its fee and/or reimburse certain operating expenses of the Fund. For the year ended November 30, 2018, the Adviser voluntarily waived \$141,223 of its fee.

The Adviser has agreed to reimburse the Fund for certain investment adviser fees as a result of transactions in other affiliated investment companies. For the year ended November 30, 2018, the Adviser reimbursed \$4,566.

### Administrative Fee

Federated Administrative Services (FAS), under the Administrative Services Agreement, provides the Fund with administrative personnel and services. For purposes of determining the appropriate rate breakpoint, "Investment Complex" is defined as all of the Federated Funds subject to a fee under the Administrative Services Agreement. The fee paid to FAS is based on the average daily net assets of the Investment Complex as specified below:

Administrative Fee	Average Daily Net Assets of the Investment Complex
0.100%	on assets up to \$50 billion
0.075%	on assets over \$50 billion

Subject to the terms described in the Expense Limitation note, FAS may voluntarily choose to waive any portion of its fee. For the year ended November 30, 2018, the annualized fee paid to FAS was 0.080% of average daily net assets of the Fund.

Prior to September 1, 2017, the breakpoints of the Administrative Fee paid to FAS, described above, were:

Administrative Fee	Average Daily Net Assets of the Investment Complex
0.150%	on the first \$5 billion
0.125%	on the next \$5 billion
0.100%	on the next \$10 billion
0.075%	on assets in excess of \$20 billion

In addition, FAS may charge certain out-of-pocket expenses to the Fund.

## Distribution Services Fee

The Fund has adopted a Distribution Plan (the “Plan”) pursuant to Rule 12b-1 under the Act. Under the terms of the Plan, the Fund will compensate Federated Securities Corp. (FSC), the principal distributor, from the daily net assets of the Fund’s Class A Shares and Class C Shares to finance activities intended to result in the sale of these shares. The Plan provides that the Fund may incur distribution expenses at the following percentages of average daily net assets annually, to compensate FSC:

Share Class Name	Percentage of Average Daily Net Assets of Class
Class A Shares	0.25%
Class C Shares	0.75%

Prior to their conversion to Class A Shares at the close of business on February 2, 2018, the Class B Shares were also subject to the Plan at 0.75% of average daily net assets of the Class B Shares.

Subject to the terms described in the Expense Limitation note, FSC may voluntarily choose to waive any portion of its fee. For the year ended November 30, 2018, distribution services fees for the Fund were as follows:

	Distribution Service Fees Incurred	Distribution Service Fees Waived
Class A Shares	\$239,834	\$(47,967)
Class B Shares	1,743	—
Class C Shares	93,667	—
TOTAL	\$335,244	\$(47,967)

When FSC receives fees, it may pay some or all of them to financial intermediaries whose customers purchase shares. For the year ended November 30, 2018, FSC did not retain any fees paid by the Fund.

## Sales Charges

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Fund. They are deducted from the proceeds of sales of Fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. For the year ended November 30, 2018, FSC retained \$2,194 in sales charges from the sale of Class A Shares. FSC also retained \$950 and \$296 of CDSC relating to redemptions of Class B Shares and Class C Shares, respectively.

## Other Service Fees

For the year ended November 30, 2018, FSSC received \$1,894 of the other service fees disclosed in Note 2.

## Expense Limitation

The Adviser and certain of its affiliates (which may include FSC, FAS and FSSC) on their own initiative have agreed to waive certain amounts of their respective fees and/or reimburse expenses. Effective February 1, 2019, total annual fund operating expenses (as shown in the financial highlights, excluding interest expense, tax reclaim recovery expenses, extraordinary expenses and proxy-related expenses paid by the Fund, if any) paid by the Fund’s Class A

Shares, Class C Shares and Institutional Shares (after the voluntary waivers and reimbursements) will not exceed 1.86%, 2.66% and 1.66% (the "Fee Limit"), respectively, up to but not including the later of (the "Termination Date"): (a) February 1, 2020; or (b) the date of the Fund's next effective Prospectus. While the Adviser and its applicable affiliates currently do not anticipate terminating or increasing these arrangements prior to the Termination Date, these arrangements may only be terminated or the Fee Limit increased prior to the Termination Date with the agreement of the Directors.

### **Directors'/Trustees' and Miscellaneous Fees**

Certain Officers and Directors of the Fund are Officers and Directors or Trustees of certain of the above companies. To efficiently facilitate payment, Directors'/Trustees' fees and certain expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses are paid by an affiliate of the Adviser which in due course are reimbursed by the Fund. These expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses may be included in Accrued and Miscellaneous Expenses on the Statement of Assets and Liabilities and Statement of Operations, respectively.

## **6. INVESTMENT TRANSACTIONS**

Purchases and sales of investments, excluding long-term U.S. government securities and short-term obligations, for the year ended November 30, 2018, were as follows:

Purchases	\$39,927,848
Sales	\$76,148,046

## **7. CONCENTRATION OF RISK**

The Fund invests in securities of non-U.S. issuers. Foreign political or economic developments may have an effect on the liquidity and volatility of portfolio securities and currency holdings.

## **8. LINE OF CREDIT**

The Fund participates with certain other Federated Funds, on a several basis, in an up to \$500,000,000 unsecured, 364-day, committed, revolving line of credit (LOC) agreement. The LOC was made available to finance temporarily the repurchase or redemption of shares of the Fund, failed trades, payment of dividends, settlement of trades and for other short-term, temporary or emergency general business purposes. The Fund cannot borrow under the LOC if an inter-fund loan is outstanding. The Fund's ability to borrow under the LOC also is subject to the limitations of the Act and various conditions precedent that must be satisfied before the Fund can borrow. Loans under the LOC are charged interest at a fluctuating rate per annum equal to the highest, on any day, of (a) (i) the federal funds effective rate, (ii) the one month London Interbank Offered Rate (LIBOR), and (iii) 0.0%, plus (b) a margin. The LOC also requires the Fund to pay, quarterly in arrears and at maturity, its pro rata share of a commitment fee based on the amount of the lenders' commitment that has not been utilized. As of November 30, 2018, the Fund had no outstanding loans. During year ended November 30, 2018, the Fund did not utilize the LOC.

## **9. INTERFUND LENDING**

Pursuant to an Exemptive Order issued by the SEC, the Fund, along with other funds advised by subsidiaries of Federated Investors, Inc., may participate in an interfund lending program. This program provides an alternative credit facility allowing the Fund to borrow from other participating affiliated funds. As of November 30, 2018, there were no outstanding loans. During the year ended November 30, 2018, the program was not utilized.

## **10. FEDERAL TAX INFORMATION (UNAUDITED)**

For the year ended November 30, 2018, 100.00% of total ordinary income (including short-term capital gain) distributions paid by the Fund are qualifying dividends which may be subject to a maximum tax rate of 15%, as provided for by the Jobs and Growth Tax Relief Act of 2003. Complete information is reported in conjunction with the reporting of distributions on Form 1099-DIV.

If the Fund meets the requirements of Section 853 of the Code, the Fund will pass through to its shareholders credits for foreign taxes paid. For the fiscal year ended November 30, 2018, the Fund derived \$2,537,824 of gross income from foreign sources and paid foreign taxes of \$221,129.

For the year ended November 30, 2018, the amount of long-term capital gains designated by the Fund was \$9,359,148.

# Report of Independent Registered Public Accounting Firm

## **TO THE BOARD OF DIRECTORS OF FEDERATED WORLD INVESTMENT SERIES, INC. AND SHAREHOLDERS OF FEDERATED INTERNATIONAL SMALL-MID COMPANY FUND:**

### **Opinion on the Financial Statements**

We have audited the accompanying statement of assets and liabilities of Federated International Small-Mid Company Fund (the “Fund”) (one of the portfolios constituting Federated World Investment Series, Inc.), including the portfolio of investments, as of November 30, 2018, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the five years in the period then ended and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund at November 30, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and its financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

### **Basis for Opinion**

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of the Fund’s internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of November 30, 2018, by correspondence with the custodian and others or by other appropriate auditing procedures where replies from others were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

*Ernst + Young LLP*

We have served as the auditor of one or more Federated investment companies since 1979.

Boston, Massachusetts

January 25, 2019

## Shareholder Expense Example (unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (“loads”) on purchase or redemption payments and redemption/exchange fees; and (2) ongoing costs, including management fees and to the extent applicable, distribution (12b-1) fees and/or other service fees and other Fund expenses. This Example is intended to help you to understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. It is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from June 1, 2018 to November 30, 2018.

### **ACTUAL EXPENSES**

The first section of the table below provides information about actual account values and actual expenses. You may use the information in this section, together with the amount you invested, to *estimate* the expenses that you incurred over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first section under the heading entitled “Expenses Paid During Period” to estimate the expenses attributable to your investment during this period.

### **HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES**

The second section of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an *assumed* rate of return of 5% per year before expenses, which is not the Fund’s actual return. Thus, you should *not* use the hypothetical account values and expenses to estimate the actual ending account balance or your expenses for the period. Rather, these figures are required to be provided to enable you to compare the ongoing costs of investing in the Fund with other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.



Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs, such as sales charges (loads) on purchase or redemption payments, or redemption/exchange fees. Therefore, the second section of the table is useful in comparing ongoing costs only, and will not help you determine the relative *total* costs of owning different funds. In addition, if these transaction costs were included, your costs would have been higher.

	Beginning Account Value 6/1/2018	Ending Account Value 11/30/2018	Expenses Paid During Period <sup>1</sup>
<b>Actual:</b>			
Class A Shares	\$1,000	\$ 886.40	\$ 8.80
Class C Shares	\$1,000	\$ 882.60	\$12.55
Institutional Shares	\$1,000	\$ 887.10	\$ 7.85
<b>Hypothetical (assuming a 5% return before expenses):</b>			
Class A Shares	\$1,000	\$1,015.74	\$ 9.40
Class C Shares	\$1,000	\$1,011.73	\$13.41
Institutional Shares	\$1,000	\$1,016.75	\$ 8.39

<sup>1</sup> Expenses are equal to the Fund's annualized net expense ratios, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half-year period). The annualized net expense ratios are as follows:

Class A Shares	1.86%
Class C Shares	2.66%
Institutional Shares	1.66%

## In Memoriam

With profound sadness, Federated announces the passing of Richard B. (“Dick”) Fisher. He will be greatly missed.

### **RICHARD B. FISHER**

(Former Officer of the Federated Funds, Chairman of Federated Securities Corp., and Vice Chairman of Federated Investors, Inc.)

Dick Fisher, along with John F. (“Jack”) Donahue and Thomas J. Donnelly, Esq., co-founded Federated in 1955 and served as a leader, particularly for Federated’s sales division, and an officer of the Federated Funds. Mr. Fisher was a family man of deep faith, with exemplary character, prodigious generosity, immeasurable devotion, undeniable charm and a good sense of humor. He served his religion, family, community, and the Federated Funds and Federated, as well as their shareholders, officers and employees, with distinction. His integrity, intelligence, and keen sense of duty to shareholders, coupled with his faith and devotion to family, allowed him to become the consummate gentleman and salesman par excellence who will be greatly missed. Among his many achievements, Mr. Fisher led the sales strategy and execution for Federated’s Fund for U.S. Government Securities, the first fund to invest exclusively in government bonds, and spearheaded the campaign for sales of Federated’s Government Income Securities Fund, the first of what would become Federated’s Fortress family of funds. Federated expresses deep gratitude to Mr. Fisher for his inspiring leadership, distinguished service and contributions as a husband, father, co-founder, officer, colleague and friend.

## Board of Directors and Corporation Officers

The Board of Directors is responsible for managing the Corporation’s business affairs and for exercising all the Corporation’s powers except those reserved for the shareholders. The following tables give information about each Director and the senior officers of the Fund. Where required, the tables separately list Directors who are “interested persons” of the Fund (i.e., “Interested” Directors) and those who are not (i.e., “Independent” Directors). Unless otherwise noted, the address of each person listed is Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, PA 15222. The address of all Independent Directors listed is 4000 Ericsson Drive, Warrendale, PA 15086-7561; Attention: Mutual Fund Board. As of December 31, 2018, the Corporation comprised three portfolio(s), and the Federated Fund Family consisted of 40 investment companies (comprising 102 portfolios). Unless otherwise noted, each Officer is elected annually. Unless otherwise noted, each Director oversees all portfolios in the Federated Fund Family and serves for an indefinite term. The Fund’s Statement of Additional Information includes additional information about Corporation Directors and is available, without charge and upon request, by calling 1-800-341-7400.

## INTERESTED DIRECTORS BACKGROUND

<b>Name</b> <b>Birth Date</b> <b>Positions Held with Corporation</b> <b>Date Service Began</b>	<b>Principal Occupation(s) for Past Five Years, Other Directorships Held and Previous Position(s)</b>
<b>J. Christopher Donahue*</b> Birth Date: April 11, 1949 PRESIDENT AND DIRECTOR Indefinite Term Began serving: January 2000	<p><b>Principal Occupations:</b> Principal Executive Officer and President of certain of the Funds in the Federated Fund Family; Director or Trustee of the Funds in the Federated Fund Family; President, Chief Executive Officer and Director, Federated Investors, Inc.; Chairman and Trustee, Federated Investment Management Company; Trustee, Federated Investment Counseling; Chairman and Director, Federated Global Investment Management Corp.; Chairman and Trustee, Federated Equity Management Company of Pennsylvania; Trustee, Federated Shareholder Services Company; Director, Federated Services Company.</p> <p><b>Previous Positions:</b> President, Federated Investment Counseling; President and Chief Executive Officer, Federated Investment Management Company, Federated Global Investment Management Corp. and Passport Research, Ltd; Chairman, Passport Research, Ltd.</p>
<b>Thomas R. Donahue*</b> Birth Date: October 20, 1958 DIRECTOR Indefinite Term Began serving: May 2016	<p><b>Principal Occupations:</b> Director or Trustee of certain of the funds in the Federated Fund Family; Chief Financial Officer, Treasurer, Vice President and Assistant Secretary, Federated Investors, Inc.; Chairman and Trustee, Federated Administrative Services; Chairman and Director, Federated Administrative Services, Inc.; Trustee and Treasurer, Federated Advisory Services Company; Director or Trustee and Treasurer, Federated Equity Management Company of Pennsylvania, Federated Global Investment Management Corp., Federated Investment Counseling, and Federated Investment Management Company; Director, MDTA LLC; Director, Executive Vice President and Assistant Secretary, Federated Securities Corp.; Director or Trustee and Chairman, Federated Services Company and Federated Shareholder Services Company; and Director and President, FII Holdings, Inc.</p> <p><b>Previous Positions:</b> Director, Federated Investors, Inc.; Assistant Secretary, Federated Investment Management Company, Federated Global Investment Management Company and Passport Research, LTD; Treasurer, Passport Research, LTD; Executive Vice President, Federated Securities Corp.; and Treasurer, FII Holdings, Inc.</p>

\* Family relationships and reasons for "interested" status: J. Christopher Donahue and Thomas R. Donahue are brothers. Both are "interested" due to their beneficial ownership of shares of Federated Investors, Inc. and the positions they hold with Federated and its subsidiaries.

## INDEPENDENT DIRECTORS BACKGROUND

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**Name**

**Birth Date**

**Positions Held**

**with Corporation**

**Date Service Began**

**Principal Occupation(s) for Past Five Years,**

**Other Directorships Held, Previous Position(s) and Qualifications**

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**John T. Collins**

Birth Date: January 24, 1947

DIRECTOR

Indefinite Term

Began serving: October 2013

**Principal Occupations:** Director or Trustee of the Federated Fund Family; formerly, Chairman and CEO, The Collins Group, Inc. (a private equity firm) (Retired).

**Other Directorships Held:** Director, Chairman of the Compensation Committee, KLX Energy Services Holdings, Inc. (oilfield services); former Director of KLX Corp. (aerospace).

**Qualifications:** Mr. Collins has served in several business and financial management roles and directorship positions throughout his career. Mr. Collins previously served as Chairman and CEO of The Collins Group, Inc. (a private equity firm) and as a Director of KLX Corp. Mr. Collins serves as Chairman Emeriti, Bentley University. Mr. Collins previously served as Director and Audit Committee Member, Bank of America Corp.; Director, FleetBoston Financial Corp.; and Director, Beth Israel Deaconess Medical Center (Harvard University Affiliate Hospital).

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**G. Thomas Hough**

Birth Date: February 28, 1955

DIRECTOR

Indefinite Term

Began serving: August 2015

**Principal Occupations:** Director or Trustee of the Federated Fund Family; formerly, Vice Chair, Ernst & Young LLP (public accounting firm) (Retired).

**Other Directorships Held:** Director, Member of Governance and Compensation Committees, Publix Super Markets, Inc.; Director, Chair of the Audit Committee, Equifax, Inc.; Director, Member of the Audit Committee, Haverly Furniture Companies, Inc.

**Qualifications:** Mr. Hough has served in accounting, business management and directorship positions throughout his career. Mr. Hough most recently held the position of Americas Vice Chair of Assurance with Ernst & Young LLP (public accounting firm). Mr. Hough serves on the President's Cabinet and Business School Board of Visitors for the University of Alabama and is on the Business School Board of Visitors for Wake Forest University. Mr. Hough previously served as an Executive Committee member of the United States Golf Association.

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<b>Name</b> <b>Birth Date</b> <b>Positions Held with Corporation</b> <b>Date Service Began</b>	<b>Principal Occupation(s) for Past Five Years, Other Directorships Held, Previous Position(s) and Qualifications</b>
<b>Maureen Lally-Green</b> Birth Date: July 5, 1949 DIRECTOR Indefinite Term Began serving: August 2009	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Fund Family; Dean of the Duquesne University School of Law; Professor and Adjunct Professor of Law, Duquesne University School of Law; formerly, Interim Dean of the Duquesne University School of Law; formerly, Associate General Secretary and Director, Office of Church Relations, Diocese of Pittsburgh.</p> <p><b>Other Directorships Held:</b> Director, CNX Resources Corporation (formerly known as CONSOL Energy Inc.).</p> <p><b>Qualifications:</b> Judge Lally-Green has served in various legal and business roles and directorship positions throughout her career and currently serves as the Dean of the School of Law of Duquesne University. Judge Lally-Green previously served as a member of the Superior Court of Pennsylvania and as a Professor of Law, Duquesne University School of Law. Judge Lally-Green also currently holds the positions on not for profit or for profit boards of directors as follows: Director and Chair, UPMC Mercy Hospital; Director and Vice Chair, Our Campaign for the Church Alive!, Inc.; Regent, Saint Vincent Seminary; Member, Pennsylvania State Board of Education (public); and Director CNX Resources Corporation (formerly known as CONSOL Energy Inc.). Judge Lally-Green has held the positions of: Director, Auberle; Director, Epilepsy Foundation of Western and Central Pennsylvania; Director, Ireland Institute of Pittsburgh; Director, Saint Thomas More Society; Director and Chair, Catholic High Schools of the Diocese of Pittsburgh, Inc.; Director, Pennsylvania Bar Institute; Director, St. Vincent College; and Director and Chair, North Catholic High School, Inc.</p>
<b>Charles F. Mansfield, Jr.</b> Birth Date: April 10, 1945 DIRECTOR Indefinite Term Began serving: January 1999	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Fund Family; Management Consultant and Author.</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. Mansfield has served as a Marine Corps officer and in several banking, business management, educational roles and directorship positions throughout his long career. He remains active as a Management Consultant and Author.</p>

<b>Name</b> <b>Birth Date</b> <b>Positions Held with Corporation</b> <b>Date Service Began</b>	<b>Principal Occupation(s) for Past Five Years, Other Directorships Held, Previous Position(s) and Qualifications</b>
<b>Thomas M. O'Neill</b> Birth Date: June 14, 1951 DIRECTOR Indefinite Term Began serving: October 2006	<p><b>Principal Occupations:</b> Director or Trustee, Chair of the Audit Committee of the Federated Fund Family; Sole Proprietor, Navigator Management Company (investment and strategic consulting).</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. O'Neill has served in several business, mutual fund and financial management roles and directorship positions throughout his career. Mr. O'Neill serves as Director, Medicines for Humanity and Director, The Golisano Children's Museum of Naples, Florida. Mr. O'Neill previously served as Chief Executive Officer and President, Managing Director and Chief Investment Officer, Fleet Investment Advisors; President and Chief Executive Officer, Aeltus Investment Management, Inc.; General Partner, Hellman, Jordan Management Co., Boston, MA; Chief Investment Officer, The Putnam Companies, Boston, MA; Credit Analyst and Lending Officer, Fleet Bank; Director and Consultant, EZE Castle Software (investment order management software); and Director, Midway Pacific (lumber).</p>
<b>P. Jerome Richey</b> Birth Date: February 23, 1949 DIRECTOR Indefinite Term Began serving: October 2013	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Fund Family; Management Consultant; Retired; formerly, Senior Vice Chancellor and Chief Legal Officer, University of Pittsburgh and Executive Vice President and Chief Legal Officer, CNX Resources Corporation (formerly known as CONSOL Energy Inc.).</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. Richey has served in several business and legal management roles and directorship positions throughout his career. Mr. Richey most recently held the positions of Senior Vice Chancellor and Chief Legal Officer, University of Pittsburgh. Mr. Richey previously served as Chairman of the Board, Epilepsy Foundation of Western Pennsylvania and Chairman of the Board, World Affairs Council of Pittsburgh. Mr. Richey previously served as Chief Legal Officer and Executive Vice President, CNX Resources Corporation (formerly known as CONSOL Energy Inc.); and Board Member, Ethics Counsel and Shareholder, Buchanan Ingersoll &amp; Rooney PC (a law firm).</p>
<b>John S. Walsh</b> Birth Date: November 28, 1957 DIRECTOR Indefinite Term Began serving: November 1999	<p><b>Principal Occupations:</b> Director or Trustee, and Chair of the Board of Directors or Trustees, of the Federated Fund Family; President and Director, Heat Wagon, Inc. (manufacturer of construction temporary heaters); President and Director, Manufacturers Products, Inc. (distributor of portable construction heaters); President, Portable Heater Parts, a division of Manufacturers Products, Inc.</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. Walsh has served in several business management roles and directorship positions throughout his career. Mr. Walsh previously served as Vice President, Walsh &amp; Kelly, Inc. (paving contractors).</p>

## OFFICERS

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**Name**

**Birth Date**

**Address**

**Positions Held**

**with Corporation**

**Date Service Began**

**Principal Occupation(s) for Past Five Years  
and Previous Position(s)**

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**Lori A. Hensler**

Birth Date: January 6, 1967

TREASURER

Officer since: April 2013

**Principal Occupations:** Principal Financial Officer and Treasurer of the Federated Fund Family; Senior Vice President, Federated Administrative Services; Financial and Operations Principal for Federated Securities Corp. and Edgewood Services, Inc.; and Assistant Treasurer, Federated Investors Trust Company. Ms. Hensler has received the Certified Public Accountant designation.

**Previous Positions:** Controller of Federated Investors, Inc.; Senior Vice President and Assistant Treasurer, Federated Investors Management Company; Treasurer, Federated Investors Trust Company; Assistant Treasurer, Federated Administrative Services, Federated Administrative Services, Inc., Federated Securities Corp., Edgewood Services, Inc., Federated Advisory Services Company, Federated Equity Management Company of Pennsylvania, Federated Global Investment Management Corp., Federated Investment Counseling, Federated Investment Management Company, Passport Research, Ltd., and Federated MDTA, LLC; Financial and Operations Principal for Federated Securities Corp., Edgewood Services, Inc. and Southpointe Distribution Services, Inc.

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**Peter J. Germain**

Birth Date: September 3, 1959

CHIEF LEGAL OFFICER,

SECRETARY AND EXECUTIVE

VICE PRESIDENT

Officer since: January 2005

**Principal Occupations:** Mr. Germain is Chief Legal Officer, Secretary and Executive Vice President of the Federated Fund Family. He is General Counsel, Chief Legal Officer, Secretary and Executive Vice President, Federated Investors, Inc.; Trustee and Senior Vice President, Federated Investors Management Company; Trustee and President, Federated Administrative Services; Director and President, Federated Administrative Services, Inc.; Director and Vice President, Federated Securities Corp.; Director and Secretary, Federated Private Asset Management, Inc.; Secretary, Federated Shareholder Services Company; and Secretary, Retirement Plan Service Company of America. Mr. Germain joined Federated in 1984 and is a member of the Pennsylvania Bar Association.

**Previous Positions:** Deputy General Counsel, Special Counsel, Managing Director of Mutual Fund Services, Federated Investors, Inc.; Senior Vice President, Federated Services Company; and Senior Corporate Counsel, Federated Investors, Inc.

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**Stephen Van Meter**

Birth Date: June 5, 1975

CHIEF COMPLIANCE OFFICER

AND SENIOR VICE PRESIDENT

Officer since: July 2015

**Principal Occupations:** Senior Vice President and Chief Compliance Officer of the Federated Fund Family; Vice President and Chief Compliance Officer of Federated Investors, Inc. and Chief Compliance Officer of certain of its subsidiaries. Mr. Van Meter joined Federated in October 2011. He holds FINRA licenses under Series 3, 7, 24 and 66.

**Previous Positions:** Mr. Van Meter previously held the position of Compliance Operating Officer, Federated Investors, Inc. Prior to joining Federated, Mr. Van Meter served at the United States Securities and Exchange Commission in the positions of Senior Counsel, Office of Chief Counsel, Division of Investment Management and Senior Counsel, Division of Enforcement.

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Name	Birth Date	Address	Positions Held with Corporation Date Service Began	Principal Occupation(s) for Past Five Years and Previous Position(s)
<b>Stephen F. Auth</b>	Birth Date: September 13, 1956	101 Park Avenue 41 <sup>st</sup> Floor New York, NY 10178	CHIEF INVESTMENT OFFICER Officer since: November 2002	<p><b>Principal Occupations:</b> Stephen F. Auth is Chief Investment Officer of various Funds in the Federated Fund Family; Executive Vice President, Federated Investment Counseling, Federated Global Investment Management Corp. and Federated Equity Management Company of Pennsylvania.</p> <p><b>Previous Positions:</b> Executive Vice President, Federated Investment Management Company and Passport Research, Ltd. (investment advisory subsidiary of Federated); Senior Vice President, Global Portfolio Management Services Division; Senior Vice President, Federated Investment Management Company and Passport Research, Ltd.; Senior Managing Director and Portfolio Manager, Prudential Investments.</p>

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# Evaluation and Approval of Advisory Contract – May 2018

## **FEDERATED INTERNATIONAL SMALL-MID COMPANY FUND (THE “FUND”)**

At its meetings in May 2018, the Fund’s Board of Directors (the “Board”), including a majority of those Directors who are not “interested persons” of the Fund, as defined in the Investment Company Act of 1940 (the “Independent Directors”), reviewed and unanimously approved the continuation of the Fund’s investment advisory contract for an additional one-year term. The Board’s decision regarding the contract reflects the exercise of its business judgment after considering all of the information received on whether to continue the existing arrangements.

The Board had previously appointed a Senior Officer, whose duties included specified responsibilities relating to the process by which advisory fees are to be charged to a fund advised by Federated Global Investment Management Corp. (the “Adviser”) or its affiliates (collectively, “Federated”) (each, a “Federated fund”). The Senior Officer’s responsibilities included preparing and furnishing to the Board an annual independent written evaluation that covered topics discussed below. In December 2017, the Senior Officer position was eliminated. Notwithstanding the elimination of the Senior Officer position, at the request of the Independent Directors, the Fund’s Chief Compliance Officer (the CCO) furnished to the Board in advance of its May 2018 meetings an independent written evaluation covering substantially the same topics that had been covered in the Senior Officer’s written evaluation in prior years. The Board considered the CCO’s independent written evaluation (the “CCO Fee Evaluation Report”), along with other information, in evaluating the reasonableness of the Fund’s management fee and in deciding to approve the continuation of the investment advisory contract. Consistent with the former Senior Officer position, the CCO, in preparing the CCO Fee Evaluation Report, has the authority to retain consultants, experts or staff as reasonably necessary to assist in the performance of his duties, reports directly to the Board, and can be terminated only with the approval of a majority of the Independent Directors.

The Board also considered judicial decisions concerning allegedly excessive investment advisory fees in making its decision. Using these judicial decisions as a guide, the Board observed that the following factors may be relevant to an adviser’s fiduciary duty with respect to its receipt of compensation from a fund: (1) the nature and quality of the services provided by an adviser to a fund and its shareholders (including the performance of the fund, its benchmark, and comparable funds); (2) an adviser’s cost of providing the services (including the profitability to an adviser of providing advisory services to a fund); (3) the extent to which an adviser may realize “economies of scale” as a fund grows larger and, if such economies of scale exist, whether they have been shared with a fund and its shareholders or the family of funds; (4) any “fall-out” financial benefits that accrue to an adviser because of its relationship with a fund (including

research services received from brokers that execute fund trades and any fees paid to affiliates of an adviser for services rendered to a fund); (5) comparative fee and expense structures (including a comparison of fees paid to an adviser with those paid by similar funds both internally and externally as well as management fees charged to institutional and other advisory clients of the Adviser or its affiliates for what might be viewed as like services); and (6) the extent of care, conscientiousness and independence with which the fund's board members perform their duties and their expertise (including whether they are fully informed about all facts the board deems relevant to its consideration of an adviser's services and fees). The Board noted that the Securities and Exchange Commission (SEC) disclosure requirements regarding the basis for the Board's approval of the Fund's investment advisory contract generally align with the factors listed above. The Board was aware of these factors and was guided by them in its review of the Fund's investment advisory contract to the extent it considered them to be appropriate and relevant, as discussed further below.

The Board considered and weighed these factors in light of its substantial accumulated experience in governing the Fund and working with Federated on matters relating to the Federated funds. The Independent Directors were assisted in their deliberations by independent legal counsel.

In addition to the extensive materials that comprise and accompany the CCO Fee Evaluation Report, the Board received detailed information about the Fund and the Federated organization throughout the year, and in connection with its May meetings at which the Board's formal approval of the advisory and subadvisory contracts occurred. In this regard, Federated provided much of this information at each regular meeting of the Board, and furnished additional information specifically in connection with the May meetings. In the months preceding the May meetings, the Board requested and reviewed written materials prepared by Federated in response to requests on behalf of the Independent Directors encompassing a wide variety of topics. At the May meetings, in addition to meeting in separate sessions of the Independent Directors without management present, senior management of the Adviser also met with the Independent Directors and their counsel to discuss the materials presented and such additional matters as the Independent Directors deemed reasonably necessary to evaluate the advisory and subadvisory contracts. Between regularly scheduled meetings, the Board also received information on particular matters as the need arose.

The Board's consideration of the investment advisory contract included review of the CCO Fee Evaluation Report, accompanying data and additional information covering the following matters, among others: the Adviser's investment philosophy, revenue, profitability, personnel and processes; investment and operating strategies; the Fund's short-term and long-term performance (in absolute terms, both on a gross basis and net of expenses, as well as in terms relative to its particular investment program and certain competitor or "peer group" funds and/or other benchmarks, as appropriate) and comments on the

reasons for performance; the Fund's investment objectives; the Fund's expenses, including the advisory fee and the overall expense structure of the Fund (both in absolute terms and relative to similar and/or competing funds), with due regard for contractual or voluntary expense limitations; the use and allocation of brokerage commissions derived from trading the Fund's portfolio securities (if any); and the nature, quality and extent of the advisory and other services provided to the Fund by the Adviser and its affiliates. The Board also considered the preferences and expectations of Fund shareholders; the entrepreneurial and other risks assumed by the Adviser in sponsoring the Fund; the continuing state of competition in the mutual fund industry and market practices; the range of comparable fees for similar funds in the mutual fund industry; the Fund's relationship to the Federated funds which include a comprehensive array of funds with different investment objectives, policies and strategies which are generally available for exchange without the incurrence of additional sales charges; compliance and audit reports concerning the Federated funds and the Federated companies that service them (including communications from regulatory agencies), as well as Federated's responses to any issues raised therein; and relevant developments in the mutual fund industry and how the Federated funds and/or Federated are responding to them. The Board's evaluation process is evolutionary. The criteria considered and the emphasis placed on relevant criteria change in recognition of changing circumstances in the mutual fund marketplace.

While mindful that courts have cautioned against giving too much weight to comparative information concerning fees charged by other advisers for managing funds with comparable investment programs, the Board has found the use of such comparisons to be relevant to its deliberations. In this regard, the Board was presented with, and considered, information regarding the contractual advisory fee rates, net advisory fee rates, total expense ratios and each element of the Fund's total expense ratio (i.e., gross and net advisory fees, custody fees, portfolio accounting fees and transfer agency fees) relative to an appropriate group of peer funds compiled by Federated using data supplied by independent fund ranking organizations (the "Peer Group"). The Board received a description of the composition and methodology used to select the Peer Group. The Board focused on comparisons with other similar mutual funds more heavily than non-mutual fund products or services because it is believed that they are more relevant. For example, other mutual funds are the products most like the Fund, in that they are readily available to Fund shareholders as alternative investment vehicles. Also, they are the type of investment vehicle, in fact, chosen and maintained by the Fund's investors. The range of their fees and expenses, therefore, appears to be a relevant indicator of what consumers have found to be reasonable in the marketplace in which the Fund competes.

The Board reviewed the contractual advisory fee rate, net advisory fee rate and other expenses of the Fund and noted the position of the Fund's fee rates relative to its Peer Group. In this regard, the Board noted that the contractual advisory fee rate was above the median of the relevant Peer Group, but the Board noted the applicable waivers and reimbursements, and that the overall expense structure of the Fund remained competitive in the context of other factors considered by the Board.

For comparison, the CCO reviewed the fees charged by Federated for providing advisory services to products other than the Federated funds (e.g., institutional and separate accounts and third-party unaffiliated mutual funds for which Federated serves as sub-adviser) (referenced to as "Comparable Funds/Accounts"). With respect to Comparable Funds/Accounts other than third-party mutual funds, the CCO concluded that they are inherently different products. Those differences include, but are not limited to, different types of targeted investors; different applicable laws and regulations; different legal structures; different average account sizes and portfolio management techniques made necessary by different cash flows and different associated costs; and the time spent by portfolio managers and their teams, as well as personnel in the Funds Financial Services, Legal, Compliance and Risk Management departments, in reviewing securities pricing, addressing different administrative responsibilities, addressing different degrees of risk associated with management and a variety of different costs. The CCO also reviewed the differences in the nature of the services required for Federated to manage its proprietary mutual fund business versus managing a discrete pool of assets as a sub-adviser to another institution's mutual fund, and that Federated generally performs significant additional services and assumes substantially greater risk in managing the Fund and other Federated funds than in its role as sub-adviser to an unaffiliated third-party mutual fund. The CCO did not consider the fees for providing advisory services to Comparable Funds/Accounts to be determinative in judging the appropriateness of the Federated funds' advisory fees.

Following such evaluation, and full deliberations, the Board concluded that the fees and expenses of the Fund are reasonable and supported renewal of the Fund's investment advisory contract.

The Board considered the nature, extent and quality of the services provided to the Fund by the Adviser and the resources of the Adviser and its affiliates dedicated to the Fund. In this regard, the Board evaluated, among other things, the Adviser's personnel, experience, track record, overall reputation and willingness to invest in personnel and infrastructure that benefit the Fund. In addition, the Board reviewed the qualifications, backgrounds and responsibilities of the portfolio management team primarily responsible for the day-to-day management of the Fund and the Adviser's ability and experience in attracting and retaining qualified personnel to service the Fund. The Board noted the compliance program of the Adviser and the compliance-related resources provided to the Fund by the Adviser, including the Adviser's commitment to

respond to rulemaking initiatives of the SEC. The Fund's ability to deliver competitive performance when compared to its Peer Group was also deemed to be relevant by the Board as a useful indicator of how the Adviser is executing the Fund's investment program. The Adviser's ability to execute this program was one of the Board's considerations in reaching a conclusion that the nature, extent and quality of the Adviser's investment management services warrant the continuation of the investment advisory contract.

In evaluating the Fund's investment performance, the Board considered performance results in light of the Fund's investment objective, strategies and risks, as disclosed in the Fund's prospectus. The Board considered detailed investment reports on the Fund's performance that were provided to the Board throughout the year and in connection with the May meetings. The CCO also reviewed information regarding the performance of other mutual funds in the Peer Group, noting the CCO's view that comparisons to fund peer groups may be helpful, though not conclusive, in evaluating the performance of the Adviser in managing the Fund. The Board considered, in evaluating such comparisons, that in some cases individual funds may exhibit significant and unique differences in their objectives and management techniques when compared to other funds within a Peer Group.

For the periods covered by the CCO Fee Evaluation Report, the Fund's performance for the one-year period was above the median of the relevant Peer Group, and the Fund's performance fell below the median of the relevant Peer Group for the three-year and five year periods. The Board discussed the Fund's performance with the Adviser and recognized the efforts being taken by the Adviser in the context of other factors considered relevant by the Board.

Following such evaluation, and full deliberations, the Board concluded that the performance of the Fund supported renewal of the Fund's investment advisory contract.

The Board also received financial information about Federated, including information regarding the compensation and ancillary (or "fall-out") benefits Federated derived from its relationships with the Federated funds. This information covered not only the fees under the investment advisory contracts, but also fees received by Federated's subsidiaries for providing other services to the Federated funds under separate contracts (e.g., for serving as the Federated funds' administrator and distributor). In this regard, the Board considered that certain Federated subsidiaries provide distribution and shareholder services to the Federated funds, for which they may be compensated through distribution and servicing fees paid pursuant to Rule 12b-1 plans or otherwise. The information also detailed any indirect benefit Federated may derive from its receipt of research services from brokers who execute Federated fund trades. In addition, the Board considered the fact that, in order for a Federated fund to be competitive in the marketplace, the Adviser and its affiliates frequently waived fees and/or reimbursed expenses and have disclosed to Federated fund investors and/or indicated to the Board their intention to do so in the future. Moreover,

the Board receives regular reporting as to the institution, adjustment or elimination of these voluntary waivers. The Board considered Federated's previous reductions in contractual management fees to certain Federated funds in response to the CCO's recommendations.

Federated furnished information, requested by the CCO, that reported revenues on a fund-by-fund basis and made estimates of the allocation of expenses on a fund-by-fund basis, using allocation methodologies specified by the CCO. The CCO noted that, while these cost allocation reports apply consistent allocation processes, the inherent difficulties in allocating costs continues to cause the CCO to question the precision of the process and to conclude that such reports may be unreliable, since a single change in an allocation estimate may dramatically alter the resulting estimate of cost and/or profitability of a Federated fund and may produce unintended consequences. The allocation information, including the CCO's view that fund-by-fund estimations may be unreliable, was considered in the evaluation by the Board.

The Board and the CCO also reviewed information compiled by Federated comparing its profitability information to other publicly held fund management companies, including information regarding profitability trends over time. In this regard, the CCO concluded that Federated's profit margins did not appear to be excessive. The CCO also noted that Federated appeared financially sound, with the resources necessary to fulfill its obligations under its contracts with the Fund.

The CCO Fee Evaluation Report also discussed the notion of possible realization of "economies of scale" as a fund grows larger. In this regard, the Board considered that the Adviser has made significant and long-term investments in areas that support all of the Federated funds, such as personnel and processes for the portfolio management, shareholder services, compliance, internal audit and risk management functions, as well as systems technology (including technology relating to cybersecurity) and that the benefits of these efforts (as well as any economies of scale, should they exist) were likely to be shared with the Federated fund family as a whole. The Board noted that the Adviser's investments in these areas are extensive. In addition, the Board considered that the Adviser and its affiliates have frequently waived fees and/or reimbursed expenses and that this has allowed fund shareholders to share potential economies of scale with shareholders. The Board also considered that such waivers and reimbursements can provide protection from an increase in expenses if a Federated fund's assets decline. Federated, as it does throughout the year, and specifically in connection with the Board's review of the advisory and subadvisory contracts, furnished information relative to revenue sharing or adviser-paid fees. Federated and the CCO noted that this information should be viewed to determine if there was an incentive to either not apply breakpoints, or to apply breakpoints at higher levels, and should not be viewed to determine the appropriateness of advisory fees because it would represent marketing and distribution expenses. The Board also noted the absence of any applicable

regulatory or industry guidelines on this subject, which (as discussed in the CCO Fee Evaluation Report) is compounded by the lack of any common industry practice or general pattern with respect to structuring fund advisory fees with “breakpoints” that serve to reduce the fee as a fund attains a certain size.

The CCO stated that his observations and the information accompanying the CCO Fee Evaluation Report supported a finding by the Board that the management fee for the Fund was reasonable. Under these circumstances, no changes were recommended to, and no objection was raised to the continuation of, the Fund’s investment advisory contract. The CCO also recognized that the Board’s evaluation of the Federated funds’ advisory and subadvisory arrangements is a continuing and on-going process that is informed by the information that the Board requests and receives from management throughout the course of the year and, in this regard, the CCO noted certain items for future reporting to the Board or further consideration by management as the Board continues its on-going oversight of the Federated funds.

In its decision to continue an existing investment advisory contract, the Board was mindful of the potential disruptions of the Fund’s operations and various risks, uncertainties and other effects that could occur as a result of a decision to terminate or not renew an investment advisory contract. In particular, the Board recognized that many shareholders have invested in the Fund on the strength of the Adviser’s industry standing and reputation and with the expectation that the Adviser will have a continuing role in providing advisory services to the Fund. Thus, the Board’s approval of the investment advisory contract reflected the fact that it is the shareholders who have effectively selected the Adviser by virtue of having invested in the Fund. The Board concluded that, in light of the factors summarized above, including the nature, quality and scope of the services provided to the Fund by the Adviser and its affiliates, continuation of the investment advisory contract was appropriate.

The Board based its decision to approve the investment advisory contract on the totality of the circumstances and relevant factors and with a view to past and future long-term considerations. Not all of the factors and considerations identified above were necessarily relevant to the Fund, nor did the Board consider any one of them to be determinative. With respect to the factors that were relevant, the Board’s decision to approve the continuation of the contract reflects its view that Federated’s performance and actions provided a satisfactory basis to support the decision to continue the existing arrangement.

## Voting Proxies on Fund Portfolio Securities

A description of the policies and procedures that the Fund uses to determine how to vote proxies, if any, relating to securities held in the Fund's portfolio is available, without charge and upon request, by calling 1-800-341-7400. A report on "Form N-PX" of how the Fund voted any such proxies during the most recent 12-month period ended June 30 is available via the Proxy Voting Record (Form N-PX) link associated with the Fund and share class name at [www.FederatedInvestors.com/FundInformation](http://www.FederatedInvestors.com/FundInformation). Form N-PX filings are also available at the SEC's website at [www.sec.gov](http://www.sec.gov).

## Quarterly Portfolio Schedule

The Fund files with the SEC a complete schedule of its portfolio holdings, as of the close of the first and third quarters of its fiscal year, on "Form N-Q." These filings are available on the SEC's website at [www.sec.gov](http://www.sec.gov). You may also access this information via the link to the Fund and share class name at [www.FederatedInvestors.com/FundInformation](http://www.FederatedInvestors.com/FundInformation).



# Notes

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*Mutual funds are not bank deposits or obligations, are not guaranteed by any bank and are not insured or guaranteed by the U.S. government, the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency. Investment in mutual funds involves investment risk, including the possible loss of principal.*

This Report is authorized for distribution to prospective investors only when preceded or accompanied by the Fund's Prospectus, which contains facts concerning its objective and policies, management fees, expenses and other information.

# **Federated**<sup>®</sup>

Federated International Small-Mid Company Fund  
Federated Investors Funds  
4000 Ericsson Drive  
Warrendale, PA 15086-7561

Contact us at **FederatedInvestors.com**  
or call 1-800-341-7400.

Federated Securities Corp., Distributor

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*G01968-01 (1/19)*

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