

# Semi-Annual Shareholder Report

March 31, 2022



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Share Class | Ticker

A | BEARX

C | PBRCX

Institutional | PBRIX

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## Federated Hermes Prudent Bear Fund

*Successor to the Prudent Bear Fund Established 1995*

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A Portfolio of Federated Hermes Equity Funds

Dear Valued Shareholder,

We are pleased to present the Semi-Annual Shareholder Report for your fund covering the period from October 1, 2021 through March 31, 2022. This report includes a complete listing of your fund's holdings, performance information and financial statements along with other important fund information.

As a global leader in active, responsible investment management, Federated Hermes is guided by our conviction that responsible investing is the best way to create wealth over the long term. The company provides capabilities across a wide range of asset classes to investors around the world.

In addition, [FederatedInvestors.com](https://www.federatedinvestors.com) offers quick and easy access to valuable resources that include timely fund updates, economic and market insights from our investment strategists and financial planning tools. You can also access many of those insights by following us on Twitter (@FederatedHermes) and LinkedIn.

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

Sincerely,

A handwritten signature in black ink, appearing to read "J. Christopher Donahue".

J. Christopher Donahue, President

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

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# Portfolio of Investments Summary Tables (unaudited)

At March 31, 2022, the Fund's portfolio composition was as follows:

	Percentage of Total Net Assets
Securities Sold Short	(54.7)%
Derivative Contracts—Short (notional value) <sup>1</sup>	(41.0)%
U.S. Treasury Securities	66.1%
Common Stocks	7.3%
Other Security Type <sup>2</sup>	0.2%
Cash Equivalents <sup>3</sup>	23.0%
Adjustment for Derivative Contracts (notional value) <sup>1</sup>	39.3%
Collateral on Deposit for Securities Sold Short	56.4%
Other Assets and Liabilities—Net <sup>4</sup>	3.4%
<b>TOTAL</b>	<b>100%</b>

At March 31, 2022, the Fund's sector composition<sup>5</sup> for its short positions was as follows:

Sector Composition	Percentage of Total Securities Sold Short <sup>6</sup>
Broad Equity Index	93.8%
Information Technology	1.2%
Health Care	1.0%
Industrials	0.9%
Financials	0.8%
Consumer Discretionary	0.5%
Real Estate	0.5%
Utilities	0.4%
Consumer Staples	0.3%
Communication Services	0.3%
Materials	0.2%
Energy	0.1%
<b>TOTAL</b>	<b>100%</b>

- 1 Derivative contracts may consist of futures, forwards, written options and swaps. More complete information regarding the Fund's direct investments in derivative contracts, including unrealized appreciation (depreciation), value and notional values or amounts of such contracts, can be found in the table at the end of the Portfolio of Investments included in this Report.
- 2 Other Security Type consists of purchased put options.
- 3 Cash Equivalents include any investments in money market mutual funds and/or overnight repurchase agreements.
- 4 Assets, other than investments in securities, securities sold short, derivative contracts and collateral on deposit for securities sold short, less liabilities. See Statement of Assets and Liabilities.
- 5 Sector classifications are based upon, and individual portfolio securities are 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.
- 6 Includes any short positions on futures contracts.

# Portfolio of Investments

March 31, 2022 (unaudited)

Shares, Principal Amount or Contracts		Value
	U.S. TREASURIES—66.1%	
	<b>U.S. Treasury Bills—18.6%</b>	
\$37,000,000	<sup>1,2</sup> United States Treasury Bill, 0.245%, 12/1/2022	\$ 36,674,030
	<b>U.S. Treasury Notes—47.5%</b>	
36,000,000	<sup>1</sup> United States Treasury Note, 0.500%, 11/30/2023	34,989,869
60,000,000	United States Treasury Note, 0.750%, 12/31/2023	58,442,802
	TOTAL	93,432,671
	TOTAL U.S. TREASURIES (IDENTIFIED COST \$132,507,249)	130,106,701
	COMMON STOCKS—7.3%	
	<b>Communication Services—0.5%</b>	
180	<sup>3</sup> Alphabet, Inc., Class A	500,643
2,200	<sup>3</sup> Meta Platforms, Inc.	489,192
	TOTAL	989,835
	<b>Consumer Discretionary—0.8%</b>	
1,200	Advance Auto Parts, Inc.	248,351
5,000	eBay, Inc.	286,300
1,800	<sup>3</sup> Expedia Group, Inc.	352,206
50,000	<sup>3</sup> Solo Brands, Inc.	426,500
600	<sup>3</sup> Ulta Beauty, Inc.	238,932
	TOTAL	1,552,289
	<b>Consumer Staples—0.7%</b>	
4,800	Kroger Co.	275,376
18,000	<sup>3</sup> Olaplex Holdings, Inc.	281,340
4,200	Philip Morris International, Inc.	394,548
2,400	WalMart, Inc.	357,408
24,700	<sup>3</sup> Winc, Inc.	78,299
	TOTAL	1,386,971
	<b>Financials—1.1%</b>	
7,000	Ally Financial, Inc.	304,360
6,000	Bank of America Corp.	247,320
1,000	<sup>3</sup> Berkshire Hathaway, Inc., Class B	352,910
1,000	Goldman Sachs Group, Inc.	330,100
12,000	KeyCorp	268,560
24,933	<sup>3</sup> Oportun Financial Corp.	358,038
4,800	VOYA Financial, Inc.	318,480
	TOTAL	2,179,768
	<b>Health Care—0.9%</b>	
5,500	Bristol-Myers Squibb Co.	401,665
30,000	<sup>3</sup> Checkmate Pharmaceuticals, Inc.	95,700
15,000	<sup>3</sup> Decibel Therapeutics, Inc.	45,600
60,000	<sup>3</sup> Freeline Therapeutics Holdings PLC, ADR	67,200

Shares, Principal Amount or Contracts		Value
	COMMON STOCKS—continued	
	<b>Health Care—continued</b>	
26,000	<sup>3</sup> Galecto, Inc.	\$ 57,200
1,100	<sup>3</sup> Laboratory Corp. of America Holdings	290,026
1,200	McKesson Corp.	367,356
17,000	<sup>3</sup> Reneo Pharmaceuticals, Inc.	49,980
900	UnitedHealth Group, Inc.	458,973
	TOTAL	1,833,700
	<b>Industrials—0.8%</b>	
1,400	Cummins, Inc.	287,154
3,200	Emerson Electric Co.	313,760
3,400	Owens Corning, Inc.	311,100
1,000	Parker-Hannifin Corp.	283,760
1,500	United Parcel Service, Inc.	321,690
	TOTAL	1,517,464
	<b>Information Technology—1.5%</b>	
2,000	Apple, Inc.	349,220
4,000	Cognizant Technology Solutions Corp.	358,680
900	<sup>3</sup> Fair Isaac & Co., Inc.	419,814
12,603	<sup>3</sup> IBEX LTD	200,892
3,000	IBM Corp.	390,060
5,000	Micron Technology, Inc.	389,450
1,800	Microsoft Corp.	554,958
2,000	Qualcomm, Inc.	305,640
	TOTAL	2,968,714
	<b>Materials—0.3%</b>	
2,000	Eagle Materials, Inc.	256,720
5,000	Olin Corp.	261,400
	TOTAL	518,120
	<b>Real Estate—0.3%</b>	
2,000	Crown Castle International Corp.	369,200
6,000	National Retail Properties, Inc.	269,640
	TOTAL	638,840
	<b>Utilities—0.4%</b>	
3,500	Duke Energy Corp.	390,810
12,000	PPL Corp.	342,720
	TOTAL	733,530
	TOTAL COMMON STOCKS (IDENTIFIED COST \$15,590,096)	14,319,231
	<b><sup>3</sup>PURCHASED PUT OPTIONS—0.2%</b>	
500	SPDR S&P 500 ETF Trust, Notional Amount \$22,582,000, Exercise Price \$420. Expiration Date 5/20/2022	212,750
1,000	SPDR S&P 500 ETF Trust, Notional Amount \$45,164,000, Exercise Price \$435. Expiration Date 4/14/2022	151,000
1,000	SPDR S&P 500 ETF Trust, Notional Amount \$45,164,000, Exercise Price \$440. Expiration Date 4/8/2022	100,500

Shares, Principal Amount or Contracts		Value
	<sup>3</sup> PURCHASED PUT OPTIONS—continued	
1,000	SPDR S&P 500 ETF Trust, Notional Amount \$45,164,000, Exercise Price \$445. Expiration Date 4/1/2022	\$ 11,500
	TOTAL PURCHASED PUT OPTIONS (IDENTIFIED COST \$572,206)	475,750
	INVESTMENT COMPANY—23.0%	
45,410,306	Federated Hermes Government Obligations Fund, Premier Shares, 0.19% <sup>4</sup> (IDENTIFIED COST \$45,410,306)	45,410,306
	TOTAL INVESTMENT IN SECURITIES—96.6% (IDENTIFIED COST \$194,079,857) <sup>5</sup>	190,311,988
	OTHER ASSETS AND LIABILITIES - NET—3.4% <sup>6</sup>	6,619,221
	TOTAL NET ASSETS—100%	\$196,931,209

## SECURITIES SOLD SHORT—(54.7)%

Shares		Value
	<b>Broad Equity Index—(48.7)%</b>	
12,000	<sup>3</sup> ARK Fintech Innovation ETF	\$ 348,600
2,000	ARK Industrial Innovation ETF	135,320
2,500	ARK Web x.O ETF	218,050
11,000	iShares Russell 2000 ETF	2,257,970
206,000	S&P Depository Receipts Trust	93,037,840
	TOTAL	95,997,780
	<b>Communication Services—(0.3)%</b>	
1,000	<sup>3</sup> Live Nation Entertainment, Inc.	117,640
200	<sup>3</sup> Netflix, Inc.	74,918
1,200	<sup>3</sup> Take-Two Interactive Software, Inc.	184,488
1,000	Walt Disney Co.	137,160
	TOTAL	514,206
	<b>Consumer Discretionary—(0.5)%</b>	
1,700	<sup>3</sup> CarMax, Inc.	164,016
1,200	<sup>3</sup> Carvana Co.	143,148
4,000	<sup>3</sup> General Motors Co.	174,960
5,000	Leggett and Platt, Inc.	174,000
1,800	Polaris, Inc., Class A	189,576
400	Pool Corp.	169,140
	TOTAL	1,014,840
	<b>Consumer Staples—(0.3)%</b>	
5,000	Conagra Brands, Inc.	167,850
2,000	McCormick & Co., Inc.	199,600
7,000	Reynolds Consumer Products, Inc.	205,380
	TOTAL	572,830
	<b>Energy—(0.1)%</b>	
4,200	DT Midstream, Inc.	227,892

Shares		Value
<b>Financials—(0.8)%</b>		
800	CME Group, Inc.	\$ 190,288
2,000	Cullen Frost Bankers, Inc.	276,820
1,300	Gallagher (Arthur J.) & Co.	226,980
15,000	<sup>3</sup> Rocket Companies, Inc.	166,800
9,000	Starwood Property Trust, Inc.	217,530
8,000	Unum Group	252,080
2,000	Wintrust Financial Corp.	185,860
	TOTAL	1,516,358
<b>Health Care—(0.9)%</b>		
800	Becton Dickinson & Co.	212,800
1,800	<sup>3</sup> Catalent, Inc.	199,620
500	Cooper Cos., Inc.	208,795
9,000	<sup>3</sup> Elanco Animal Health, Inc.	234,810
800	<sup>3</sup> Insulet Corp.	213,112
1,000	<sup>3</sup> Repligen Corp.	188,090
4,000	SPDR S&P Biotech ETF	359,520
900	STERIS PLC	217,593
	TOTAL	1,834,340
<b>Industrials—(0.9)%</b>		
1,500	Ametek, Inc.	199,770
1,000	<sup>3</sup> Boeing Co.	191,500
5,100	<sup>3</sup> Delta Air Lines, Inc.	201,807
10,000	<sup>3</sup> Dun & Bradstreet Holdings, Inc.	175,200
2,000	ITT Corp.	150,420
1,100	Stanley Black & Decker, Inc.	153,769
7,300	<sup>3</sup> SunRun, Inc.	221,701
4,000	<sup>3</sup> United Airlines Holdings, Inc.	185,440
800	Valmont Industries, Inc.	190,880
	TOTAL	1,670,487
<b>Information Technology—(1.2)%</b>		
2,500	Amphenol Corp., Class A	188,375
1,200	Analog Devices, Inc.	198,216
450	Automatic Data Processing, Inc.	102,393
5,000	Avnet, Inc.	202,950
400	<sup>3</sup> Bill.Com Holdings, Inc.	90,716
2,000	<sup>3</sup> Cirrus Logic, Inc.	169,580
1,400	Entegris, Inc.	183,764
1,000	<sup>3</sup> Fiserv, Inc.	101,400
1,700	<sup>3</sup> Five9, Inc.	187,680
1,000	<sup>3</sup> Guidewire Software, Inc.	94,620
700	Littelfuse, Inc.	174,587
1,800	<sup>3</sup> PTC, Inc.	193,896
4,000	Switch, Inc.	123,280
500	<sup>3</sup> Teledyne Technologies, Inc.	236,315
550	Texas Instruments, Inc.	100,914
	TOTAL	2,348,686

Shares		Value
	<b>Materials—(0.2)%</b>	
1,700	Aptargroup, Inc.	\$ 199,750
1,200	Scotts Miracle-Gro Co.	147,552
	TOTAL	347,302
	<b>Real Estate—(0.5)%</b>	
1,000	Alexandria Real Estate Equities, Inc.	201,250
3,000	Duke Realty Corp.	174,180
8,000	Kimco Realty Corp.	197,600
2,500	Rexford Industrial Realty, Inc.	186,475
2,500	WP Carey, Inc.	202,100
	TOTAL	961,605
	<b>Utilities—(0.3)%</b>	
8,000	CenterPoint Energy, Inc.	245,120
3,100	Edison International	217,310
5,000	OGE Energy Corp.	203,900
	TOTAL	666,330
	TOTAL SECURITIES SOLD SHORT (PROCEEDS \$82,318,295)	\$107,672,656

At March 31, 2022, the Fund had the following outstanding futures contracts:

Description	Number of Contracts	Notional Value	Expiration Date	Value and Unrealized Depreciation
<b>Short Futures:</b>				
<sup>3</sup> E-Mini Russel 2000 Short Futures	190	\$19,630,800	June 2022	\$ (565,791)
<sup>3</sup> S&P 500 E-Mini Short Futures	270	\$61,165,125	June 2022	\$(3,328,082)
NET UNREALIZED DEPRECIATION ON FUTURES CONTRACTS				\$(3,893,873)

Net Unrealized Depreciation on Futures Contracts and on the Value of Securities Sold Short is included in "Other Assets and Liabilities—Net."



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An affiliated company is a company in which the Fund, alone or in combination with other funds, has ownership of at least 5% of the voting shares. Transactions with the affiliated companies during the period ended March 31, 2022, were as follows:

	<b>Value as of 9/30/2021</b>	<b>Purchases at Cost</b>	<b>Proceeds from Sales</b>
Affiliated issuers no longer in the portfolio at period end	\$315,350	\$—	\$(223,430)
<b>TOTAL OF AFFILIATED COMPANIES TRANSACTIONS</b>	<b>\$315,350</b>	<b>\$—</b>	<b>\$(223,430)</b>

<b>Change in Unrealized Appreciation/ Depreciation</b>	<b>Net Realized Gain/ (Loss)</b>	<b>Value as of 3/31/2022</b>	<b>Shares Held as of 3/31/2022</b>	<b>Dividend Income</b>
\$119,189	\$(211,109)	\$—	—	\$—
\$119,189	\$(211,109)	\$—	—	\$—

Affiliated fund holdings are investment companies which are managed by the Adviser or an affiliate of the Adviser. Transactions with affiliated fund holdings during the period ended March 31, 2022, were as follows:

	<b>Federated Hermes Government Obligations Fund, Premier Shares</b>
Value as of 9/30/2021	\$ 55,798,854
Purchases at Cost	\$ 194,993,446
Proceeds from Sales	\$(205,381,994)
Change in Unrealized Appreciation/Depreciation	N/A
Net Realized Gain/(Loss)	N/A
Value as of 3/31/2022	\$ 45,410,306
Shares Held as of 3/31/2022	45,410,306
Dividend Income	\$ 7,734

The Fund invests in Federated Hermes Government Obligations Fund (GOF), a diversified portfolio of Federated Hermes Money Market Obligations Trust (MMOT) which is also managed by the Adviser. MMOT is an open-end management investment company, registered under the Investment Company Act of 1940, as amended. The investment objective of GOF is to provide current income consistent with stability of principal. GOF operates as a government money market fund. As a government money market fund, GOF: (1) invests at least 99.5% of its total assets in: (i) cash; (ii) securities issued or guaranteed by the United States or certain U.S. government agencies or instrumentalities; and/or (iii) repurchase agreements that are collateralized fully; (2) generally continues to use amortized cost to value its portfolio securities and transact at a stable \$1.00 net asset value (NAV); and (3) has elected not to be subject to the liquidity fees and gates requirement at this time as permitted by Rule 2a-7 under the Act. Income distributions from GOF are declared daily and paid monthly. All income distributions are recorded by the Fund as dividend income. Capital gain distributions of GOF, if any, are declared and paid annually, and are recorded by the Fund as capital gains received. At March 31, 2022, GOF represents 23.0% of the Fund's net assets. Therefore, the performance of the Fund is directly affected by the performance of GOF. A copy of GOF's financial statements is available on the EDGAR Database on the SEC's website or upon request from the Fund.

- 1 *All or a portion of this security is pledged as collateral to ensure the Fund is able to satisfy the obligations of its outstanding short futures and securities sold short contracts.*
- 2 *Discount rate at time of purchase.*
- 3 *Non-income-producing security.*
- 4 *7-day net yield.*
- 5 *Also represents the cost of investments for federal tax purposes.*
- 6 *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 March 31, 2022.

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 March 31, 2022, in valuing the Fund's assets carried at fair value:

**Valuation Inputs**

	Level 1— Quoted Prices	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Total
<b>Debt Securities:</b>				
U.S. Treasuries	\$ —	\$130,106,701	\$—	\$ 130,106,701
<b>Purchased Put Options</b>	475,750	—	—	475,750
<b>Equity Securities:</b>				
Common Stocks				
Domestic	14,051,139	—	—	14,051,139
International	268,092	—	—	268,092
<b>Investment Company</b>	45,410,306	—	—	45,410,306
<b>TOTAL SECURITIES</b>	\$ 60,205,287	\$130,106,701	\$—	\$ 190,311,988
<b>Other Financial Instruments:</b>				
Liabilities				
Securities Sold Short	\$(107,672,656)	\$ —	\$—	\$(107,672,656)
Futures Contracts	(3,893,873)	—	—	(3,893,873)
<b>TOTAL OTHER FINANCIAL INSTRUMENTS</b>	\$(111,566,529)	\$ —	\$—	\$(111,566,529)

The following acronym(s) are used throughout this portfolio:

- ADR —American Depositary Receipt
- ETF —Exchange-Traded Fund
- SPDR—Standard & Poor's Depositary Receipt

See Notes which are an integral part of the Financial Statements

# Financial Highlights – Class A Shares

(For a Share Outstanding Throughout Each Period)

	Six Months Ended (unaudited) 3/31/2022	Year Ended September 30,				
		2021	2020	2019	2018	2017
<b>Net Asset Value, Beginning of Period</b>	<b>\$7.79</b>	<b>\$10.11</b>	<b>\$12.58</b>	<b>\$13.27</b>	<b>\$16.27</b>	<b>\$19.50</b>
<b>Income From Investment Operations:</b>						
Net investment income (loss) <sup>1</sup>	0.09	(0.23)	(0.19)	0.10	(0.11)	(0.25)
Net realized and unrealized gain (loss)	(0.90)	(2.09)	(2.21)	(0.79)	(2.89)	(2.98)
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>(0.81)</b>	<b>(2.32)</b>	<b>(2.40)</b>	<b>(0.69)</b>	<b>(3.00)</b>	<b>(3.23)</b>
<b>Less Distributions:</b>						
Distributions from net investment income	—	—	(0.07)	—	—	—
<b>Net Asset Value, End of Period</b>	<b>\$6.98</b>	<b>\$7.79</b>	<b>\$10.11</b>	<b>\$12.58</b>	<b>\$13.27</b>	<b>\$16.27</b>
<b>Total Return<sup>2</sup></b>	<b>(10.40)%</b>	<b>(22.95)%</b>	<b>(19.15)%</b>	<b>(5.20)%</b>	<b>(18.44)%</b>	<b>(16.56)%</b>
<b>Ratios to Average Net Assets:</b>						
Net expenses <sup>3</sup>	2.69% <sup>4</sup>	3.02%	2.85%	2.84%	3.54%	3.34%
Net expenses excluding dividends and other expenses related to short sales	1.78% <sup>4</sup>	1.78%	1.78%	1.78%	1.89%	1.78%
Net investment income (loss)	(2.24)% <sup>4</sup>	(2.68)%	(1.65)%	0.74%	(0.74)%	(1.40)%
Expense waiver/reimbursement <sup>5</sup>	0.10% <sup>4</sup>	0.11%	0.11%	0.09%	0.10%	0.07%
<b>Supplemental Data:</b>						
Net assets, end of period (000 omitted)	\$38,123	\$40,185	\$59,987	\$53,827	\$57,253	\$82,782
Portfolio turnover <sup>6</sup>	57%	148%	247%	313%	284%	315%

- Per share numbers have been calculated using the average shares method.*
- Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods of less than one year are not annualized.*
- Amount does not reflect net expenses incurred by investment companies in which the Fund may invest.*
- Computed on an annualized basis.*
- This expense decrease is reflected in both the net expense and the net investment income (loss) ratios shown above. Amount does not reflect expense waiver/reimbursement recorded by investment companies in which the Fund may invest.*
- Securities that mature are considered sales for purposes of this calculation.*

See Notes which are an integral part of the Financial Statements

# Financial Highlights – Class C Shares

(For a Share Outstanding Throughout Each Period)

	Six Months Ended (unaudited) 3/31/2022	Year Ended September 30,				
		2021	2020	2019	2018	2017
<b>Net Asset Value, Beginning of Period</b>	<b>\$6.74</b>	<b>\$8.81</b>	<b>\$10.98</b>	<b>\$11.67</b>	<b>\$14.42</b>	<b>\$17.41</b>
<b>Income From Investment Operations:</b>						
Net investment income (loss) <sup>1</sup>	0.01	(0.25)	(0.25)	0.00 <sup>2</sup>	(0.20)	(0.34)
Net realized and unrealized gain (loss)	(0.73)	(1.82)	(1.92)	(0.69)	(2.55)	(2.65)
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>(0.72)</b>	<b>(2.07)</b>	<b>(2.17)</b>	<b>(0.69)</b>	<b>(2.75)</b>	<b>(2.99)</b>
<b>Net Asset Value, End of Period</b>	<b>\$6.02</b>	<b>\$6.74</b>	<b>\$8.81</b>	<b>\$10.98</b>	<b>\$11.67</b>	<b>\$14.42</b>
<b>Total Return<sup>3</sup></b>	<b>(10.68)%</b>	<b>(23.50)%</b>	<b>(19.76)%</b>	<b>(5.91)%</b>	<b>(19.07)%</b>	<b>(17.17)%</b>

## Ratios to Average Net Assets:

Net expenses <sup>4</sup>	3.45% <sup>5</sup>	3.77%	3.63%	3.59%	4.28%	4.09%
Net expenses excluding dividends and other expenses related to short sales	2.53% <sup>5</sup>	2.53%	2.53%	2.53%	2.63%	2.53%
Net investment income (loss)	(3.00)% <sup>5</sup>	(3.44)%	(2.46)%	0.01%	(1.49)%	(2.16)%
Expense waiver/reimbursement <sup>6</sup>	0.10% <sup>5</sup>	0.11%	0.11%	0.09%	0.10%	0.07%

## Supplemental Data:

Net assets, end of period (000 omitted)	\$7,291	\$8,018	\$12,696	\$10,422	\$12,090	\$18,278
Portfolio turnover <sup>7</sup>	57%	148%	247%	313%	284%	315%

- Per share numbers have been calculated using the average shares method.*
- Represents less than \$0.01.*
- Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods of less than one year are not annualized.*
- Amount does not reflect net expenses incurred by investment companies in which the Fund may invest.*
- Computed on an annualized basis.*
- This expense decrease is reflected in both the net expense and the net investment income (loss) ratios shown above. Amount does not reflect expense waiver/reimbursement recorded by investment companies in which the Fund may invest.*
- Securities that mature are considered sales for purposes of this calculation.*

See Notes which are an integral part of the Financial Statements

# Financial Highlights – Institutional Shares

(For a Share Outstanding Throughout Each Period)

	Six Months Ended (unaudited) 3/31/2022	Year Ended September 30,				
		2021	2020	2019	2018	2017
<b>Net Asset Value, Beginning of Period</b>	<b>\$8.02</b>	<b>\$10.38</b>	<b>\$12.92</b>	<b>\$13.59</b>	<b>\$16.63</b>	<b>\$19.88</b>
<b>Income From Investment Operations:</b>						
Net investment income (loss) <sup>1</sup>	(0.34)	(0.21)	(0.22)	0.14	(0.07)	(0.20)
Net realized and unrealized gain (loss)	(0.49)	(2.15)	(2.21)	(0.81)	(2.97)	(3.05)
TOTAL FROM INVESTMENT OPERATIONS	(0.83)	(2.36)	(2.43)	(0.67)	(3.04)	(3.25)
<b>Less Distributions:</b>						
Distributions from net investment income	—	—	(0.11)	—	—	—
<b>Net Asset Value, End of Period</b>	<b>\$7.19</b>	<b>\$8.02</b>	<b>\$10.38</b>	<b>\$12.92</b>	<b>\$13.59</b>	<b>\$16.63</b>
<b>Total Return<sup>2</sup></b>	(10.35)%	(22.74)%	(18.97)%	(4.93)%	(18.28)%	(16.35)%
<b>Ratios to Average Net Assets:</b>						
Net expenses <sup>3</sup>	2.53% <sup>4</sup>	2.69%	2.64%	2.56%	3.26%	3.04%
Net expenses excluding dividends and other expenses related to short sales	1.53% <sup>4</sup>	1.53%	1.53%	1.53%	1.63%	1.53%
Net investment income (loss)	(2.04)% <sup>4</sup>	(2.38)%	(1.79)%	1.03%	(0.48)%	(1.09)%
Expense waiver/reimbursement <sup>5</sup>	0.09% <sup>4</sup>	0.11%	0.09%	0.09%	0.10%	0.06%
<b>Supplemental Data:</b>						
Net assets, end of period (000 omitted)	\$151,516	\$116,071	\$196,933	\$77,603	\$86,727	\$107,720
Portfolio turnover <sup>6</sup>	57%	148%	247%	313%	284%	315%

- 1 Per share numbers have been calculated using the average shares method.
- 2 Based on net asset value. Total returns for periods of less than one year are not annualized.
- 3 Amount does not reflect net expenses incurred by investment companies in which the Fund may invest.
- 4 Computed on an annualized basis.
- 5 This expense decrease is reflected in both the net expense and the net investment income (loss) ratios shown above. Amount does not reflect expense waiver/reimbursement recorded by investment companies in which the Fund may invest.
- 6 Securities that mature are considered sales for purposes of this calculation.

See Notes which are an integral part of the Financial Statements



# Statement of Assets and Liabilities

March 31, 2022 (unaudited)

## Assets:

Investment in securities, at value including \$45,410,306 of investments in an affiliated holding* (identified cost \$194,079,857)	\$ 190,311,988
Cash denominated in foreign currencies (identified cost \$131,662)	132,155
Deposit at broker for short sales	106,638,496
Income receivable	192,787
Income receivable from an affiliated holding	3,644
Interest receivable on short positions	34,513
Receivable for investments sold	2,906,138
Receivable for shares sold	4,054,913
Receivable for variation margin on futures contracts	1,047,888
TOTAL ASSETS	305,322,522

## Liabilities:

Securities sold short, at value (proceeds \$82,318,295)	107,672,656
Dividends payable on short positions	284,166
Payable for investments purchased	229,545
Payable for shares redeemed	87,124
Payable for investment adviser fee (Note 5)	6,479
Payable for administrative fee (Note 5)	412
Payable for distribution services fee (Note 5)	4,777
Payable for other service fees (Notes 2 and 5)	13,890
Accrued expenses (Note 5)	92,264
TOTAL LIABILITIES	108,391,313
Net assets for 27,733,747 shares outstanding	\$ 196,931,209

## Net Assets Consist of:

Paid-in capital	\$1,183,637,906
Total distributable earnings (loss)	(986,706,697)
TOTAL NET ASSETS	\$ 196,931,209

# Statement of Assets and Liabilities – continued

## **Net Asset Value, Offering Price and Redemption Proceeds Per Share:**

### **Class A Shares:**

Net asset value per share ( $\$38,123,403 \div 5,458,402$ shares outstanding), no par value, unlimited shares authorized	\$	6.98
Offering price per share (100/94.50 of \$6.98)	\$	7.39
Redemption proceeds per share	\$	6.98

### **Class C Shares:**

Net asset value per share ( $\$7,291,499 \div 1,211,333$ shares outstanding), no par value, unlimited shares authorized	\$	6.02
Offering price per share	\$	6.02
Redemption proceeds per share (99.00/100 of \$6.02)	\$	5.96

### **Institutional Shares:**

Net asset value per share ( $\$151,516,307 \div 21,064,012$ shares outstanding), no par value, unlimited shares authorized	\$	7.19
Offering price per share	\$	7.19
Redemption proceeds per share	\$	7.19

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

See Notes which are an integral part of the Financial Statements

# Statement of Operations

Six Months Ended March 31, 2022 (unaudited)

**Investment Income:**

Interest	\$	232,696
Dividends (including \$7,734 received from an affiliated holding*)		139,496
<b>TOTAL INCOME</b>		<b>372,192</b>

**Expenses:**

Investment adviser fee (Note 5)		974,807
Administrative fee (Note 5)		62,146
Custodian fees		16,018
Transfer agent fees		91,912
Directors'/Trustees' fees (Note 5)		825
Auditing fees		18,719
Legal fees		4,603
Portfolio accounting fees		37,869
Distribution services fee (Note 5)		27,006
Other service fees (Notes 2 and 5)		54,919
Share registration costs		30,413
Printing and postage		17,518
Miscellaneous (Note 5)		15,125
Expenses related to short positions		757,509
<b>TOTAL EXPENSES</b>		<b>2,109,389</b>

**Waiver and Reimbursement:**

Waiver/reimbursement of investment adviser fee (Note 5)		(72,655)
Net expenses		2,036,734
Net investment loss		(1,664,542)

## Statement of Operations – continued

### **Realized and Unrealized Gain (Loss) on Investments, Foreign Currency Transactions, Futures Contracts and Short Sales:**

Net realized loss on investments (including net realized loss of \$(211,109) on sales of investments in affiliated companies*)	\$ (4,322,666)
Net realized loss on foreign currency transactions	(4,743)
Net realized loss on futures contracts	(1,439,060)
Net realized loss on short sales	(3,527,451)
Net change in unrealized depreciation of investments (including net change in unrealized depreciation of \$119,189 on investments in affiliated companies*)	(1,842,884)
Net change in unrealized appreciation/depreciation of translation of assets and liabilities in foreign currency	1,259
Net change in unrealized appreciation of futures contracts	(6,918,706)
Net change in unrealized depreciation of securities sold short	260,517
Net realized and unrealized gain (loss) on investments, foreign currency transactions, futures contracts and short sales	(17,793,734)
Change in net assets resulting from operations	\$(19,458,276)

\* 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

	Six Months Ended (unaudited) 3/31/2022	Year Ended 9/30/2021
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations:</b>		
Net investment loss	\$ (1,664,542)	\$ (4,280,552)
Net realized gain (loss)	(9,293,920)	(69,270,761)
Net change in unrealized appreciation/depreciation	(8,499,814)	23,781,034
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	(19,458,276)	(49,770,279)
<b>Share Transactions:</b>		
Proceeds from sale of shares	215,333,045	225,464,917
Cost of shares redeemed	(163,217,188)	(281,036,978)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	52,115,857	(55,572,061)
Change in net assets	32,657,581	(105,342,340)
<b>Net Assets:</b>		
Beginning of period	164,273,628	269,615,968
End of period	\$ 196,931,209	\$ 164,273,628

See Notes which are an integral part of the Financial Statements

# Notes to Financial Statements

March 31, 2022 (unaudited)

## 1. ORGANIZATION

Federated Hermes Equity Funds (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Trust consists of eight portfolios. The financial statements included herein are only those of Federated Hermes Prudent Bear 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 seek capital appreciation.

## 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 including shares of exchange traded funds 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.
- Fixed-income securities are fair valued using price evaluations provided by a pricing service approved by the Fund's Board of Trustees (the "Trustees").
- Shares of other mutual funds or non-exchange-traded investment companies are valued based upon their reported NAVs, or NAV per share practical expedient, as applicable.
- 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 Trustees.
- For securities that are fair valued in accordance with procedures established by and under the general supervision of the Trustees, 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, and the actual value obtained could be materially different.

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

The Trustees have ultimate responsibility for determining the fair value of investments for which market quotations are not readily available. The Trustees have appointed a Valuation Committee comprised of officers of the Fund, Federated Equity Management Company of Pennsylvania (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 Trustees 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 Trustees. The Trustees 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 Trustees.

The Trustees 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 traded principally 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 Trustees have adopted procedures whereby the Valuation Committee uses a pricing service to provide factors to update the fair value of equity securities traded principally in foreign markets from the time of the close of their respective foreign stock exchanges to the pricing time of the Fund. 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 Trustees. The Trustees 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 Fund's 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 waiver and reimbursement of \$72,655 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.

## 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 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 six months ended March 31, 2022, other service fees for the Fund were as follows:

	<b>Other Service Fees Incurred</b>
Class A Shares	\$45,996
Class C Shares	8,923
TOTAL	\$54,919

## 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 six months ended March 31, 2022, 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 March 31, 2022, tax years 2018 through 2021 remain subject to examination by the Fund's major tax jurisdictions, which include the United States of America and the Commonwealth of Massachusetts.

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.

## **Futures Contracts**

The Fund purchases and sells financial futures contracts to seek to increase return and to manage market and sector/asset class risks. Upon entering into a financial futures contract with a broker, the Fund is required to deposit with a broker, either U.S. government securities or a specified amount of cash, which is shown as due from broker in the Statement of Assets and Liabilities. Futures contracts are valued daily and unrealized gains or losses are recorded in a "variation margin" account. 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 clearinghouse, as counterparty to all exchange traded futures contracts, guarantees the futures contracts against default.

Futures contracts outstanding at period end are listed after the Fund's Portfolio of Investments.

The average notional value of short futures contracts held by the Fund throughout the period was \$58,656,261. This is based on amounts held as of each month-end throughout the six-month period.

## **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.

## Option Contracts

The Fund buys or sells put and call options to seek to increase returns and to manage individual security, market and sector/asset class risks. The seller (“writer”) of an option receives a payment or premium, from the buyer, which the writer keeps regardless of whether the buyer exercises the option. When the Fund writes a put or call option, an amount equal to the premium received is recorded as a liability and subsequently marked to market to reflect the current value of the option written. Premiums received from writing options which expire are treated as realized gains. The Fund, as a writer of an option, bears the market risk of an unfavorable change in the price of the underlying reference instrument. When the Fund purchases a put or call option, an amount equal to the premium paid is recorded as an increase to the cost of the investment and subsequently marked to market to reflect the current value of the option purchased. Premiums paid for purchasing options which expire are treated as realized losses. Premiums received/paid for writing/purchasing options which are exercised or closed are added to the proceeds or offset against amounts paid on the underlying reference instrument to determine the realized gain or loss. The risk associated with purchasing put and call options is limited to the premium paid. Options can trade on securities or commodities exchanges. In this case, the exchange sets all the terms of the contract except for the price. Most exchanges require investors to maintain margin accounts through their brokers to cover their potential obligations to the exchange. This protects investors against potential defaults by the counterparty.

Purchased option contracts outstanding at period-end are listed in the Fund’s Portfolio of Investments.

The average market value of purchased put options held by the Fund throughout the period was \$786,407. This is based on amounts held as of each month-end throughout the six-month period.

## Short Sales

In a short sale, the Fund sells a security it does not own in anticipation of a decline in the fair market value of the security. When the Fund sells a security short, it must borrow the security in order to deliver it at the completion of the sale. A gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, will be recognized upon the termination of the short sale.

The Fund has an obligation to replace the borrowed security (e.g., to purchase the security at a future date and deliver it to the lender of the security). While the security is borrowed, the proceeds from the sale are deposited with the lender (“Prime Broker”). The Fund may incur two types of expenses from short sales: borrowing expenses and dividend expenses. Borrowing expenses may occur because the Fund may be obligated to pay fees to the Prime Broker on borrowed securities. This fee is normally based upon the market value of the borrowed security and is dependent upon the availability of the security. Dividend expenses may occur because the Fund has to pay the Prime Broker the equivalent of any dividends earned on the borrowed security.

For the six months ended March 31, 2022, the net realized gain (loss) and the net change in unrealized appreciation/(depreciation) on short sales was \$(3,527,451) and \$260,517, respectively.

## 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 Trustees. The Fund 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 Trustees.

## Additional Disclosure Related to Derivative Instruments

### Fair Value of Derivative Instruments

	Assets	
	Statement of Assets and Liabilities Location	Fair Value
Derivatives not accounted for as hedging instruments under ASC Topic 815		
Equity contracts	Receivable for variation margin on futures contracts	\$(3,893,873)*
Equity contracts	Purchased options, within Investment in securities at value	475,750
Total derivatives not accounted for as hedging instruments under ASC Topic 815		\$(3,418,123)

\* Includes cumulative net depreciation of futures contracts as reported in the footnotes to the Portfolio of Investments. Only the current day's variation margin is reported within the Statement of Assets and Liabilities.

## The Effect of Derivative Instruments on the Statement of Operations for the Six Months Ended March 31, 2022

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

	Futures Contracts	Purchased Options Contracts <sup>1</sup>	Total
Equity contracts	\$(1,439,060)	\$(2,930,123)	\$(4,369,183)

<sup>1</sup> The net realized loss on Purchased Options Contracts is found within the Net realized loss on investments on the Statement of Operations.

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

	Futures Contracts	Purchased Options Contracts <sup>2</sup>	Total
Equity contracts	\$(6,918,706)	\$(585,241)	\$(7,503,947)

- 2 The net change in unrealized appreciation of Purchased Options Contracts is found within the Net change in unrealized depreciation of investments on the Statement of Operations.

### 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 materially from those estimated. The Fund applies investment company accounting and reporting guidance.

### 3. SHARES OF BENEFICIAL INTEREST

The following tables summarize share activity:

Class A Shares:	Six Months Ended 3/31/2022		Year Ended 9/30/2021	
	Shares	Amount	Shares	Amount
Shares sold	2,540,985	\$ 18,488,901	3,166,440	\$ 27,389,174
Shares issued to shareholders in payment of distributions declared	—	—	—	—
Shares redeemed	(2,238,353)	(16,144,212)	(3,946,531)	(34,863,911)
NET CHANGE RESULTING FROM CLASS A SHARE TRANSACTIONS	302,632	\$ 2,344,689	(780,091)	\$ (7,474,737)

Class C Shares:	Six Months Ended 3/31/2022		Year Ended 9/30/2021	
	Shares	Amount	Shares	Amount
Shares sold	208,354	\$ 1,311,432	341,660	\$ 2,607,941
Shares issued to shareholders in payment of distributions declared	—	—	—	—
Shares redeemed	(186,139)	(1,149,439)	(593,823)	(4,516,907)
NET CHANGE RESULTING FROM CLASS C SHARE TRANSACTIONS	22,215	\$ 161,993	(252,163)	\$ (1,908,966)

Institutional Shares:	Six Months Ended 3/31/2022		Year Ended 9/30/2021	
	Shares	Amount	Shares	Amount
Shares sold	26,042,948	\$ 195,532,712	21,814,821	\$ 195,467,802
Shares issued to shareholders in payment of distributions declared	—	—	—	—
Shares redeemed	(19,446,842)	(145,923,537)	(26,325,644)	(241,656,160)
NET CHANGE RESULTING FROM INSTITUTIONAL SHARE TRANSACTIONS	6,596,106	\$ 49,609,175	(4,510,823)	\$ (46,188,358)
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	6,920,953	\$ 52,115,857	(5,543,077)	\$ (55,572,061)

#### 4. FEDERAL TAX INFORMATION

At March 31, 2022, the cost of investments for federal tax purposes was \$194,079,857. The net unrealized depreciation of investments for federal tax purposes was \$7,661,742. This consists of net unrealized appreciation from investments for those securities having an excess of value over cost of \$1,198,803 and net unrealized depreciation from investments for those securities having an excess of cost over value of \$8,860,545. The amounts presented are inclusive of derivative contracts.

As of March 31, 2022, the Fund had a capital loss carryforward of \$933,784,793 which will reduce the Fund's taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Code, thereby reducing the amount of distributions to shareholders which would otherwise be necessary to relieve the Fund of any liability for federal income tax. Pursuant to the Code, these net capital losses retain their character as either short-term or long-term and do not expire.

The following schedule summarizes the Fund's capital loss carryforwards:

Short-Term	Long-Term	Total
\$706,950,627	\$226,834,166	\$933,784,793

#### 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. The Adviser may voluntarily choose to waive any portion of its fee and/or reimburse certain operating expenses of the Fund for competitive reasons such as to maintain the Fund's expense ratio, or as and when appropriate, to maintain positive or zero net yields. The Adviser can modify or terminate this voluntary waiver at any time at its sole discretion. For the six months ended March 31, 2022, the Adviser voluntarily waived \$71,609 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 six months ended March 31, 2022, the Adviser reimbursed \$1,046.

## 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 Hermes 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:

<b>Administrative Fee</b>	<b>Average Daily Net Assets of the Investment Complex</b>
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 six months ended March 31, 2022, the annualized fee paid to FAS was 0.080% of average daily net assets of the Fund.

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:

	<b>Percentage of Average Daily Net Assets of Class</b>
Class A Shares	0.05%
Class C Shares	0.75%

Subject to the terms described in the Expense Limitation note, FSC may voluntarily choose to waive any portion of its fee. For the six months ended March 31, 2022, distribution services fees for the Fund were as follows:

	<b>Distribution Services Fees Incurred</b>
Class C Shares	\$27,006

When FSC receives fees, it may pay some or all of them to financial intermediaries whose customers purchase shares. For the six months ended March 31, 2022, FSC retained \$5,972 of fees paid by the Fund.

For the six months ended March 31, 2022, the Fund's Class A Shares did not incur a distribution services fee; however, it may begin to incur this fee upon approval of the Trustees.

## 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 six months ended March 31, 2022, FSC retained \$8,780 in sales charges from the sale of Class A Shares. For the six months ended March 31, 2022, FSC also retained \$696 of CDSC relating to redemptions of Class C Shares.

## Other Service Fees

For the six months ended March 31, 2022, FSSC received \$5,750 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. Total annual fund operating expenses (as shown in the financial highlights, excluding dividends and other expenses related to short sales, interest expense, 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/or reimbursements) will not exceed 1.78%, 2.53% and 1.53% (the "Fee Limit"), respectively, up to but not including the later of (the "Termination Date"): (a) December 1, 2022, 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 Trustees.

## Interfund Transactions

During the six months ended March 31, 2022, the Fund engaged in sale transactions with funds that have a common investment adviser (or affiliated investment advisers), common Directors/Trustees and/or common Officers. These sale transactions complied with Rule 17a-7 under the Act and amounted to \$169,920. Net realized loss recognized on these transactions was \$86,908.

## Directors'/Trustees' and Miscellaneous Fees

Certain Officers and Trustees of the Fund are Officers and Directors or Trustees of certain of the above companies. To efficiently facilitate payment, Independent 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 six months ended March 31, 2022, were as follows:

Purchases	\$24,925,949
Sales	\$41,559,605



## **7. CONCENTRATION OF RISK**

A substantial portion of the Fund's portfolio may be comprised of securities deemed by the Adviser to be in similar sectors. As a result, the Fund may be more susceptible to any economic, business, political or other developments which generally affect these entities.

## **8. LINE OF CREDIT**

The Fund participates with certain other Federated Hermes Funds, on a several basis, in an up to \$500,000,000 unsecured, 364-day, committed, revolving line of credit (LOC) agreement dated June 23, 2021. The LOC was made available to temporarily finance 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), or a replacement rate as appropriate, and (iii) 0.0%, plus (b) a margin. Any fund eligible to borrow under the LOC pays its pro rata share of a commitment fee based on the amount of the lenders' commitment that has not been utilized, quarterly in arrears and at maturity. As of March 31, 2022, the Fund had no outstanding loans. During the six months ended March 31, 2022, the Fund did not utilize the LOC.

## **9. INTERFUND LENDING**

Pursuant to an Exemptive Order issued by the Securities and Exchange Commission, the Fund, along with other funds advised by subsidiaries of Federated Hermes, 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 March 31, 2022, there were no outstanding loans. During the six months ended March 31, 2022, the program was not utilized.

## **10. OTHER MATTERS**

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in late 2019 and subsequently spread globally. As of the date of the issuance of these financial statements, this coronavirus has resulted in closing borders, enhanced health screenings, disruptions to healthcare service preparation and delivery, quarantines, cancellations, and disruptions to supply chains, workflow operations and consumer activity, as well as general concern and uncertainty. The impact of this coronavirus may continue for an extended period of time and has resulted in substantial economic volatility. Health crises caused by outbreaks, such as the coronavirus outbreak, may exacerbate other pre-existing political, social and economic risks. The impact of this outbreak, and other epidemics and pandemics that may arise in the future, could continue to negatively affect the worldwide economy, as well as the economies of individual countries, individual companies (including certain Fund service providers and issuers of the Fund's investments) and the markets in general in significant and unforeseen ways. Any such impact could adversely affect the Fund's performance.

## 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 (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 October 1, 2021 to March 31, 2022.

### **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. 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 10/1/2021	Ending Account Value 3/31/2022	Expenses Paid During Period
<b>Actual:</b>			
Class A Shares	\$1,000	\$ 896.00	\$12.72
Class C Shares	\$1,000	\$ 893.20	\$16.28
Institutional Shares	\$1,000	\$ 896.50	\$11.96
<b>Hypothetical (assuming a 5% return before expenses):</b>			
Class A Shares	\$1,000	\$1,011.52	\$13.49
Class C Shares	\$1,000	\$1,007.73	\$17.27
Institutional Shares	\$1,000	\$1,012.32	\$12.69

1 Expenses are equal to the Fund's annualized net expense ratios, multiplied by the average account value over the period, multiplied by 182/365 (to reflect the one-half-year period). The annualized net expense ratios are as follows:

Class A Shares	2.69%
Class C Shares	3.45%
Institutional Shares	2.53%

# Evaluation and Approval of Advisory Contract – May 2021

## **FEDERATED HERMES PRUDENT BEAR FUND (THE “FUND”)**

At its meetings in May 2021 (the “May Meetings”), the Fund’s Board of Trustees (the “Board”), including those Trustees who are not “interested persons” of the Fund, as defined in the Investment Company Act of 1940 (the “Independent Trustees”), reviewed and unanimously approved the continuation of the investment advisory contract between the Fund and Federated Equity Management Company of Pennsylvania (the “Adviser”) (the “Contract”) for an additional one-year term. The Board’s determination to approve the continuation of the Contract reflects the exercise of its business judgment after considering all of the information and factors believed to be relevant and appropriate on whether to approve the continuation of the existing arrangement. The information, factors and conclusions that formed the basis for the Board’s approval are summarized below.

### **Information Received and Review Process**

At the request of the Independent Trustees, the Fund’s Chief Compliance Officer (the “CCO”) furnished to the Board in advance of its May Meetings an independent written evaluation presenting on the topics discussed below. 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 determining to approve the continuation of the Contract. 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 Trustees. At the request of the Independent Trustees, the CCO Fee Evaluation Report followed the same general approach and covered the same topics as that of the report that had previously been delivered by the CCO in his capacity as “Senior Officer” prior to the elimination of the Senior Officer position in December 2017.

In addition to the extensive materials that comprise and accompany the CCO Fee Evaluation Report, the Board considered information specifically prepared in connection with the approval of the continuation of the Contract that was presented at the May Meetings. In this regard, in the months preceding the May Meetings, the Board requested and reviewed written responses and supporting materials prepared by the Adviser and its affiliates (collectively, “Federated Hermes”) in response to requests posed to Federated Hermes on behalf of the Independent Trustees encompassing a wide variety of topics, including those summarized below. The Board also considered such additional

matters as the Independent Trustees deemed reasonably necessary to evaluate the Contract, which included detailed information about the Fund and Federated Hermes furnished to the Board at its meetings throughout the year and in between regularly scheduled meetings on particular matters as the need arose.

The Board's consideration of the Contract included review of materials and 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, and relative to the Fund's particular investment program and a group of its peer funds and/or its benchmark, as appropriate) and comments on the reasons for the Fund's 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 a group of its peer funds), with due regard for contractual or voluntary expense limitations (if any); 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 and managing 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 other funds advised by Federated Hermes (each, a "Federated Hermes Fund" and, collectively, the "Federated Hermes Funds"), which include a comprehensive array of funds with different investment objectives, policies and strategies, and the benefits to shareholders of being part of the family of Federated Hermes Funds, which include the general right to exchange investments between the same class of shares without the incurrence of additional sales charges; compliance and audit reports concerning the Federated Hermes Funds and Federated Hermes' affiliates that service them (including communications from regulatory agencies), as well as Federated Hermes' responses to any issues raised therein; and relevant developments in the mutual fund industry and how the Federated Hermes Funds and/or Federated Hermes may be responding to them. The Board noted that its evaluation process is evolutionary and that the criteria considered and the emphasis placed on relevant criteria may change in recognition of changing circumstances in the mutual fund marketplace.

The Board also considered judicial decisions concerning allegedly excessive investment advisory fees in determining to approve the Contract. 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 appropriately shared with a fund and its shareholders or the family of funds; (4) any "fall-out" 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 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 a fund board's approval of the fund's investment advisory contract generally align with the factors listed above. The Board was guided by these factors in its review of the 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 Hermes on matters relating to the Federated Hermes Funds.

In addition to considering the above-referenced factors, 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 the Contract. In particular, the Board recognized that many shareholders have invested in the Fund on the strength of Federated Hermes' industry standing and reputation and with the expectation that Federated Hermes will have a continuing role in providing advisory services to the Fund. Thus, the Board observed that in the marketplace there are a range of investment options available to the Fund's shareholders and such shareholders, having had the opportunity to consider other investment options, have effectively selected Federated Hermes by virtue of investing in the Fund.

In determining to approve the continuation of the Contract, the members of the Board reviewed and evaluated information and factors they believed to be relevant and appropriate through the exercise of their reasonable business judgment. While individual members of the Board may have weighed certain factors differently, the Board's determination to approve the continuation of the Contract was based on a comprehensive consideration of all information provided to the Board throughout the year and specifically with respect to the continuation of the Contract. The Independent Trustees were assisted throughout the evaluation process by independent legal counsel. In connection

with their deliberations at the May Meetings, the Independent Trustees met separately in executive session with their independent legal counsel and without management present to review the relevant materials and consider their responsibilities under applicable laws. In addition, senior management representatives of Federated Hermes also met with the Independent Trustees and their independent legal counsel to discuss the materials and presentations furnished to the Board at the May Meetings. The Board considered the approval of the Contract for the Fund as part of its consideration of agreements for funds across the Federated Hermes Funds family, but its approvals were made on a fund-by-fund basis.

**Nature, Extent and Quality of Services**

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 terms of the Contract and the range of services provided to the Fund by the Adviser and its affiliates. The Board considered the Adviser’s personnel, investment philosophy and process, investment research capabilities and resources, trade execution capabilities, experience and performance track record. 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 Fund’s ability to deliver competitive performance when compared to its Performance Peer Group (as defined below) was also deemed to be relevant by the Board as a useful indicator of how the Adviser is executing the Fund’s investment program.

In addition, the Board considered the financial resources and overall reputation of Federated Hermes and its willingness to consider and make investments in personnel, infrastructure, technology, cybersecurity, business continuity planning and operational enhancements that are designed to benefit the Federated Hermes Funds. The Board noted the significant acquisition of Hermes Fund Managers Limited by Federated Hermes in 2018, which has deepened the organization’s investment management expertise and capabilities and expanded the investment process for all of the Federated Hermes Funds to have access to analytical resources related to environmental, social and governance (“ESG”) factors and issuer engagement on ESG matters.

The Board considered the quality of the Adviser’s communications with the Board and responsiveness to Board inquiries and requests made from time to time with respect to the Fund and other Federated Hermes Funds. In this regard, the Board took into account the Adviser’s communications with the Board in light of the market volatility amidst the pandemic. The Board also considered that Federated Hermes is responsible for providing the Federated Hermes Funds’ officers.

The Board received and evaluated information regarding the Adviser's regulatory and compliance environment. The Board considered the Adviser's compliance program, compliance history, and reports from the CCO about the Adviser's compliance with applicable laws and regulations, including responses to regulatory developments and any compliance or other issues raised by regulatory agencies. The Board also noted Federated Hermes' support of the Federated Hermes Funds' compliance control structure and, in particular, the compliance-related resources devoted by the Adviser and its affiliates in support of the Fund's obligations pursuant to Rule 38a-1 under the Investment Company Act of 1940, including the Adviser's commitment to respond to rulemaking and other regulatory initiatives of the SEC. The Board considered Federated Hermes' day-to-day oversight of the Federated Hermes Funds' compliance with their investment objectives and policies as well as with applicable laws and regulations, noting that regulatory and other developments had over time led to an increase in the scope of Federated Hermes' oversight in this regard, including in connection with the designation of the Federated Hermes Funds' investment advisers as the administrators of the Federated Hermes Funds' liquidity risk management program.

The Board also considered discussions with Federated Hermes regarding the implementation of its business continuity plans and recognized steps taken by Federated Hermes to continue to provide the same nature, extent and quality of services to the Federated Hermes Funds during the pandemic. In addition, the Board noted Federated Hermes' commitment to maintaining high quality systems and expending substantial resources to prepare for and respond to ongoing changes due to the market, regulatory and control environments in which the Fund and its service providers operate, including changes associated with the pandemic.

Based on these considerations, the Board concluded that the nature, extent and quality of the Adviser's investment management and related services warrant the continuation of the Contract.

### **Fund Investment Performance**

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 also considered detailed investment reports on, and the Adviser's analysis of, the Fund's performance over different time periods that were provided to the Board throughout the year and in connection with the May Meetings. These reports include, among other items, information on the Fund's gross and net returns, the Fund's investment performance compared to one or more relevant investment categories and the Fund's benchmark index, portfolio attribution information and commentary on the effect of current and recent market conditions.



The Board also reviewed comparative information regarding the performance of other mutual funds in the category of peer funds selected by Morningstar, Inc. (the “Morningstar”), an independent fund ranking organization (the “Performance 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 there may be differences in the funds’ objectives or investment management techniques, or the costs to implement the funds, even within the same Performance Peer Group.

For the one-year, three-year and five-year periods ended December 31, 2020, the Fund’s performance was above the median of the Performance Peer Group.

Following such evaluation and full deliberations, the Board concluded that the performance of the Fund supported renewal of the Contract.

### **Fund Expenses**

The Board considered the advisory fee and overall expense structure of the Fund and the comparative fee and expense information that had been provided in connection with the May Meetings. 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, administrative fees, custody fees, portfolio accounting fees and transfer agency fees) relative to an appropriate group of peer funds compiled by Federated Hermes from the category of peer funds selected by Morningstar (the “Expense Peer Group”). The Board received a description of the methodology used to select the Expense Peer Group from the overall Morningstar category. The Board also reviewed comparative information regarding the fees and expenses of the broader group of funds in the overall Morningstar category.

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 noted that it found the use of such comparisons to be relevant to its deliberations. The Board focused on comparisons with other similar mutual funds more heavily than non-mutual fund products or services because such comparisons are believed to be more relevant. The Board considered that other mutual funds are the products most like the Fund, in that they are readily available to Fund shareholders as alternative investment vehicles, and they are the type of investment vehicle, in fact, chosen and maintained by the Fund’s shareholders. The Board noted that the range of such other mutual funds’ 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 Expense Peer Group. In this regard, the Board noted that the contractual advisory fee rate was at the median of the Expense Peer Group, and the Board was satisfied that the overall expense structure of the Fund remained competitive.

The Board also received and considered information about the fees charged by Federated Hermes for providing advisory services to other types of clients with investment strategies similar to those of the Federated Hermes Funds, including non-mutual fund clients (such as institutional separate accounts) and third-party unaffiliated mutual funds for which the Adviser or its affiliates serve as sub-adviser. The Board noted the CCO's conclusion that non-mutual fund clients are inherently different products due to the following differences, among others: (i) different types of targeted investors; (ii) different applicable laws and regulations; (iii) different legal structures; (iv) different average account sizes and portfolio management techniques made necessary by different cash flows and different associated costs; (v) the time spent by portfolio managers and their teams (among other personnel across various departments, including legal, compliance and risk management) in reviewing securities pricing, addressing different administrative responsibilities, and addressing different degrees of risk associated with management; and (vi) a variety of different costs. The Board also considered information regarding the differences in the nature of the services required for Federated Hermes to manage its proprietary mutual fund business versus managing a discrete pool of assets as a sub-adviser to another institution's mutual fund, noting the CCO's view that Federated Hermes generally performs significant additional services and assumes substantially greater risks in managing the Fund and other Federated Hermes Funds than in its role as sub-adviser to an unaffiliated third-party mutual fund. The Board noted that the CCO did not consider the fees for providing advisory services to other types of clients to be determinative in judging the appropriateness of the Federated Hermes 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 Contract.

### **Profitability and Other Benefits**

The Board also received financial information about Federated Hermes, including information regarding the compensation and ancillary (or "fall-out") benefits that Federated Hermes derived from its relationships with the Federated Hermes Funds. This information covered not only the fees under the Federated Hermes Funds' investment advisory contracts, but also fees received by Federated Hermes' affiliates for providing other services to the Federated Hermes Funds under separate contracts (e.g., for serving as the

Federated Hermes Funds' administrator and distributor). In this regard, the Board considered that certain of Federated Hermes' affiliates provide distribution and shareholder services to the Federated Hermes Funds, for which they may be compensated through distribution and servicing fees paid pursuant to Rule 12b-1 plans or otherwise. The Board also received and considered information detailing any indirect benefit that Federated Hermes may derive from its receipt of research services from brokers who execute portfolio trades for the Federated Hermes Funds. In addition, the Board considered that, in order for the Federated Hermes Funds to remain competitive in the marketplace, the Adviser and its affiliates frequently waived fees and/or reimbursed expenses and have disclosed to Federated Hermes Fund shareholders and/or reported to the Board their intention to do so (or continue to do so) in the future. Moreover, the Board received and considered regular reports from Federated Hermes throughout the year as to the institution, adjustment or elimination of these voluntary waivers and/or reimbursements.

The Board received and considered information furnished by Federated Hermes, as 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 and described to the Board. The Board considered the CCO's view 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 because a single change in an allocation estimate may dramatically alter the resulting estimate of cost and/or profitability of a Federated Hermes Fund and may produce unintended consequences. The allocation information, including the CCO's view that cost allocations on a fund-by-fund basis may be unreliable, was considered in the evaluation by the Board. In addition, the Board considered the CCO's view that the allocation methodologies used by Federated Hermes in estimating profitability for purposes of reporting to the Board in connection with the continuation of the Contract are consistent with the methodologies previously reviewed by an independent consultant. The Board noted that the independent consultant had previously conducted a review of the allocation methodologies and reported that, although there is no single best method to allocate expenses, the methodologies used by Federated Hermes are reasonable.

The Board also reviewed information compiled by Federated Hermes comparing its profitability information to other publicly held fund management companies, including information regarding profitability trends over time. The Board considered the CCO's conclusion that, based on such profitability information, Federated Hermes' profit margins did not appear to be excessive. The Board also considered the CCO's view that Federated Hermes appeared financially sound, with the resources necessary to fulfill its obligations under its contracts with the Federated Hermes Funds.

## **Economies of Scale**

The Board received and considered information about the notion of possible realization of “economies of scale” as a fund grows larger, the difficulties of calculating economies of scale at an individual fund level, and the extent to which potential scale benefits are shared with shareholders. In this regard, the Board considered that Federated Hermes has made significant and long-term investments in areas that support all of the Federated Hermes Funds, such as personnel and processes for the portfolio management (including market data on which portfolio managers make investment decisions), trading operations, issuer engagement (including with respect to ESG matters), shareholder services, compliance, business continuity, internal audit and risk management functions, as well as systems technology (including technology relating to cybersecurity) and use of data. The Board noted that Federated Hermes’ investments in these areas are extensive and are designed to provide enhanced services to the Federated Hermes Funds and their shareholders. The Board considered that the benefits of these investments (as well as the benefits of any economies of scale, should they exist) are likely to be shared with the family of Federated Hermes Funds as a whole. In addition, the Board considered that the Adviser and its affiliates have frequently waived fees and/or reimbursed expenses for the Federated Hermes Funds and that such waivers and reimbursements are another means for potential economies of scale to be shared with shareholders and can provide protection from an increase in expenses if a Federated Hermes Fund’s assets decline. The Board also considered reports on adviser-paid fees (commonly referred to as “revenue sharing”) that were provided to the Board throughout the year and in connection with the May Meetings. The Board considered the beliefs of Federated Hermes and the CCO 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. The Board also noted the absence of any applicable regulatory or industry guidelines on this subject, which 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 fees as a fund attains a certain size.

## **Conclusions**

The Board considered: (i) the CCO’s conclusion that his observations and the information accompanying the CCO Fee Evaluation Report show that the management fee for the Fund was reasonable; and (ii) the CCO’s recommendation that the Board approve the management fee. The Board noted that, under these circumstances, no changes were recommended to, and no objection was raised to the continuation of, the Contract by the CCO. The CCO also recognized that the Board’s evaluation of the Federated Hermes Funds’ advisory and sub-advisory arrangements is a continuing and ongoing 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 ongoing oversight of the Federated Hermes Funds.

On the basis of the information and factors summarized above, among other information and factors deemed relevant by the Board, and the evaluation thereof, the Board, including the Independent Trustees, unanimously voted to approve the continuation of the Contract. The Board based its determination to approve the Contract on the totality of the circumstances and relevant factors and with a view of past and future long-term considerations. Not all of the factors and considerations identified above were necessarily deemed to be relevant to the Fund, nor did the Board consider any one of them to be determinative. With respect to the factors that were deemed to be relevant, the Board's determination to approve the continuation of the Contract reflects its view that Federated Hermes' performance and actions provided a satisfactory basis to support the determination to approve the continuation of the existing arrangement.

## Liquidity Risk Management Program – Annual Evaluation of Adequacy and Effectiveness

In accordance with Rule 22e-4 under the Investment Company Act of 1940, as amended (the “Liquidity Rule”), Federated Hermes Equity Funds (the “Trust”) has adopted and implemented a liquidity risk management program (the “Program”) for Federated Hermes Prudent Bear Fund (the “Fund” and, collectively with the other non-money market open-end funds advised by Federated Hermes, the “Federated Hermes Funds”). The Program seeks to assess and manage the Fund’s liquidity risk. “Liquidity risk” is defined under the Liquidity Rule as the risk that the Fund is unable to meet redemption requests without significantly diluting remaining investors’ interests in the Fund. The Board of Trustees of the Trust (the “Board”) has approved the designation of the Fund’s investment adviser as the administrator for the Program with respect to the Fund (the “Administrator”). Each affiliated Federated Hermes advisory subsidiary (including the Fund’s investment adviser) that serves as investment adviser to a Federated Hermes Fund (including the Fund) has been approved as the administrator of the Program with respect to each Federated Hermes Fund that is managed by such advisory subsidiary (collectively, the “Administrator”). The Administrator, in turn, has delegated day-to-day responsibility for the administration of the Program to multiple Liquidity Risk Management Committees, which are comprised of representatives from certain divisions within Federated Hermes.

The Program is comprised of various components designed to support the assessment and/or management of liquidity risk, including: (1) the periodic assessment (no less frequently than annually) of certain factors that influence the Fund’s liquidity risk; (2) the periodic classification (no less frequently than monthly) of the Fund’s investments into one of four liquidity categories that reflect an estimate of their liquidity under current market conditions; (3) a 15% limit on the acquisition of “illiquid investments” (as defined under the Liquidity Rule); (4) to the extent a Fund does not invest primarily in “highly liquid investments” (as defined under the Liquidity Rule), the determination of a minimum percentage of the Fund’s assets that generally will be invested in highly liquid investments (an “HLIM”); (5) if a Fund has established an HLIM, the periodic review (no less frequently than annually) of the HLIM and the adoption of policies and procedures for responding to a shortfall of the Fund’s highly liquid investments below its HLIM; and (6) periodic reporting to the Board.

At its meetings in May 2021, the Board received and reviewed a written report (the “Report”) from the Federated Hermes Funds’ Chief Compliance Officer and Chief Risk Officer, on behalf of the Administrator, concerning the operation of the Program for the period from April 1, 2020 through March 31, 2021 (the “Period”). The Report addressed the operation of the Program and assessed its adequacy and effectiveness, including, where

applicable, the operation of any HLIM established for a Federated Hermes Fund and each Federated Hermes Fund's access to other available funding sources such as the Federated Hermes Funds' interfund lending facility, redemptions in-kind and committed lines of credit. There were no material changes to the Program during the Period. The Report summarized the operation of the Program and the information and factors considered by the Administrator in assessing whether the Program has been adequately and effectively implemented with respect to the Federated Hermes Funds. Such information and factors included, among other things:

- confirmation that the Fund did not utilize alternative funding sources during the Period;
- the periodic classifications of the Fund's investments into one of four liquidity categories and the methodologies and inputs used to classify the investments, including the Fund's reasonably anticipated trade size;
- the analysis received from a third-party liquidity assessment vendor that is taken into account in the process of determining the liquidity classifications of the Fund's investments and the results of an evaluation of the services performed by the vendor in support of this process;
- the fact that the Fund invested primarily in highly liquid investments during the Period and, therefore, was not required to establish, and has not established, an HLIM and the procedures for monitoring the status of the Fund as investing primarily in highly liquid investments;
- the fact that the Fund invested no more than 15% of its assets in illiquid investments during the Period and the procedures for monitoring this limit; and
- liquidity events during the Period, including the impact on liquidity caused by extended non-U.S. market closures and the March-April 2020 market conditions, and the fact that there were no specific liquidity events during the Period that materially affected the Fund's liquidity risk.

Based on this review, the Administrator concluded that the Program is operating effectively to assess and manage the Fund's liquidity risk, and that the Program has been and continues to be adequately and effectively implemented to monitor and, as applicable, respond to the Fund's liquidity developments.

## 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, Option #4. 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 [FederatedInvestors.com/FundInformation](https://www.federatedinvestors.com/fundinformation). Form N-PX filings are also available at the SEC's website at [sec.gov](https://www.sec.gov).

## Quarterly Portfolio Schedule

Each fiscal quarter, the Fund will file with the SEC a complete schedule of its monthly portfolio holdings on "Form N-PORT." The Fund's holdings as of the end of the third month of every fiscal quarter, as reported on Form N-PORT, will be publicly available on the SEC's website at [sec.gov](https://www.sec.gov) within 60 days of the end of the fiscal quarter upon filing. You may also access this information via the link to the Fund and share class name at [FederatedInvestors.com](https://www.federatedinvestors.com).



*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.

**IMPORTANT NOTICE ABOUT FUND DOCUMENT DELIVERY**

In an effort to reduce costs and avoid duplicate mailings, the Fund(s) intend to deliver a single copy of certain documents to each household in which more than one shareholder of the Fund(s) resides (so-called "householding"), as permitted by applicable rules. The Fund's "householding" program covers its/their Prospectus and Statement of Additional Information, and supplements to each, as well as Semi-Annual and Annual Shareholder Reports and any Proxies or information statements. Shareholders must give their written consent to participate in the "householding" program. The Fund is also permitted to treat a shareholder as having given consent ("implied consent") if (i) shareholders with the same last name, or believed to be members of the same family, reside at the same street address or receive mail at the same post office box, (ii) the Fund gives notice of its intent to "household" at least sixty (60) days before it begins "householding" and (iii) none of the shareholders in the household have notified the Fund(s) or their agent of the desire to "opt out" of "householding." Shareholders who have granted written consent, or have been deemed to have granted implied consent, can revoke that consent and opt out of "householding" at any time: shareholders who purchased shares through an intermediary should contact their representative; other shareholders may call the Fund at 1-800-341-7400, Option #4.

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## Sign up for Electronic Delivery!

*A faster way to receive documents.*

If you purchased shares through a financial intermediary (bank or broker-dealer), please contact your representative to set up e-delivery. Otherwise, contact the Fund at 1-800-341-7400, Option #4.



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Contact us at [FederatedInvestors.com](https://www.federatedinvestors.com)  
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