

## Evaluation and Approval of Sub-Advisory Contract – May 2019

### **FEDERATED EMERGING MARKET DEBT FUND (THE “FUND”)**

At its meetings in May 2019 (the “Meeting”), the Fund’s Board of Directors (the “Board”), including a majority of those Directors who are not “interested persons” of the Fund, as defined in the Investment Company Act of 1940 (the “Independent Directors”), reviewed and unanimously approved a proposed subadvisory contract between Federated Investment Management Company (the “Adviser”) and Federated Investors (UK) LLP (the “Sub-Adviser”) with respect to the Fund for an initial two-year term (the “Sub-Advisory Contract”). The Board’s decision to approve the Sub-Advisory Contract reflects the exercise of its business judgment after considering all of the information received on whether to approve the Sub-Advisory Contract.

As of the date of the Meeting, the Board noted that the Adviser served as the investment adviser to the Fund pursuant to an investment advisory contract between the Fund and the Adviser (the “Advisory Contract”). The Board further noted that the Advisory Contract provides that the Adviser may employ one or more investment sub-advisers to perform advisory services to the Fund, subject to required approvals, including by the Board. Based on information provided to the Board by Federated at the Meeting, the Board’s approval of the Sub-Advisory Contract permits the Sub-Adviser to be appointed as a sub-adviser to the Fund and enables the Fund to add an additional portfolio manager who is an employee of the Sub-Adviser. The Board noted that the Adviser and Sub-Adviser are both indirect wholly-owned subsidiaries of the same parent company, Federated Investors, Inc. (together with its subsidiaries, “Federated”).

At the Meeting, the Board received information regarding the Adviser’s plan to transfer a portion of the investment functions performed by the Adviser under the Advisory Contract to the Sub-Adviser as part of an internal reallocation of investment advisory responsibilities within Federated (the “Transition”). The Board received information that, in connection with the Transition, the Adviser would continue providing investment services to the Fund under the Advisory Contract and the Sub-Adviser would assume a portion of the responsibilities in managing the Fund. The Board also received information from Federated confirming that the assumption of a portion of the Adviser’s responsibilities by the Sub-Adviser would not result in a change of control of the investment adviser to the Fund under the Investment Company Act of 1940.

In considering the proposal to approve the Sub-Advisory Contract, the Board reviewed information furnished for the Meeting, including the materials and presentations furnished to the Board in connection with its annual approval of the continuation of the advisory and sub-advisory contracts for the funds advised by Federated (each, a “Federated Fund”) (the “2019 Annual Contract Renewal”). As part of this review, the Board considered the independent written evaluation (the “CCO Fee Evaluation Report”) furnished to the Board by the Fund’s Chief Compliance Officer (“CCO”) at the request of the Independent Directors, along with other information, in evaluating the reasonableness of the Fund’s management fee and in deciding to approve the continuation of the Advisory Contract. In addition to the extensive materials that comprise and accompany the CCO Fee Evaluation Report, the Board received detailed information about the Fund and the Federated organization throughout the year, and in connection with the 2019 Annual Contract Renewal. In this regard, in the months preceding the Meeting, the Board requested and reviewed written materials prepared by Federated in response to requests on behalf of the Independent Directors encompassing a wide variety of topics.

In connection with the 2019 Annual Contract Renewal, the Board also considered judicial decisions concerning allegedly excessive investment advisory fees in making its decision. Using these judicial decisions as a guide, the Board observed that various factors may be relevant to an adviser’s fiduciary duty with respect to its receipt of compensation from a fund. The Board was aware of these factors and was guided by them in its review of the Sub-Advisory Contract to the extent it considered them to be appropriate and relevant, as discussed further below. The Board considered and weighed these factors in light of its substantial accumulated experience in governing the Fund and working with Federated on matters relating to the Federated Funds. The Independent Directors were assisted in their deliberations by independent legal counsel.

The Board was assured that the Transition would not result in, among other things, any change to the nature or level of services currently being provided by the Adviser under the Advisory Contract or a change in control at the ownership level of the Adviser or the Sub-Adviser. In this regard, the Board considered the services that the Sub-Adviser will provide as well as the ongoing services to be provided by the Adviser, including the background and experience of the portfolio managers who would manage the Fund following the Transition. With respect to the approval of the Sub-Advisory Contract, the Board noted that the terms of the Sub-Advisory Contract are substantially similar to the terms of the standard forms used by Federated with affiliated sub-advisers for other Federated Funds. Accordingly, in addition to the information considered at the Meeting and at prior meetings of the Board, the Board considered relevant information provided by Federated in connection with the approvals of sub-advisory contracts with other Federated Funds.

The Board’s consideration of the Sub-Advisory Contract included review of the CCO Fee Evaluation Report, accompanying data and additional information covering the following matters, among others (certain information was considered by the Board in connection with the 2019 Annual Contract Renewal): Federated’s investment philosophy, revenue, profitability, personnel and processes; investment and operating strategies; the Fund’s short-term and long-term

performance (in absolute terms, both on a gross basis and net of expenses, as well as in terms relative to its particular investment program and certain competitor or “peer group” funds and/or other benchmarks, as appropriate) and comments on the reasons for performance; the Fund’s investment objectives; the Fund’s fees and expenses, including the advisory fee to be paid by the Fund, the proposed sub-advisory fee to be paid by the Adviser to the Sub-Adviser, and the overall expense structure of the Fund (both in absolute terms and relative to similar and/or competing funds), with due regard for contractual or voluntary expense limitations; the use and allocation of brokerage commissions derived from trading the Fund’s portfolio securities (if any); and the nature, quality and extent of the advisory and other services provided to the Fund by the Adviser and its affiliates and to be provided to the Fund by the Sub-Adviser.

The Board considered the nature, extent and quality of the services to be provided to the Fund by the Sub-Adviser under the Sub-Advisory Contract and the resources of the Sub-Adviser that will be dedicated to the Fund. In this regard, the Board evaluated, among other things, the Sub-Adviser’s (as a part of the broader Federated organization) personnel, experience, track record, financial resources, overall reputation and willingness to invest in personnel and infrastructure that will benefit the Fund. In evaluating the services to be provided by the Sub-Adviser, the Board considered, among other things, the Sub-Adviser’s investment process, investment research capabilities and trade execution capabilities. In addition, the Board reviewed the qualifications, background and responsibilities of the Sub-Adviser’s investment professional who, along with the Fund’s current portfolio managers, will be primarily responsible for the day-to-day management of the Fund and the Sub-Adviser’s ability and experience in attracting and retaining qualified personnel to service the Fund. In particular, the Board considered the abilities and experience of the Sub-Adviser’s investment professional in analyzing factors such as special considerations relevant to investing in emerging market debt investments. The Board considered the international investment capabilities of the Sub-Adviser, which is based in London, and the benefits to the Fund of having portfolio management services involving investments in non-U.S. securities provided by an investment professional located abroad. The Board also considered the infrastructure, operational capabilities and support staff in place to assist in the portfolio management and operations of the Fund. In addition, the Board considered that the portfolio managers who would manage the Fund following the Transition are currently the portfolio managers for another Federated Fund that is advised by the Adviser and sub-advised by the Sub-adviser and that implements an emerging market strategy similar to that of the Fund.

The Board also noted the compliance program of the Adviser and the Sub-Adviser and the compliance-related resources provided to the Fund by the Adviser and to be provided to the Fund by the Sub-Adviser, including the Adviser’s and the Sub-Adviser’s commitment to respond to rulemaking initiatives of the SEC.

After consideration of the foregoing factors, among others, the Board concluded that the nature, extent and quality of the services to be provided by the Sub-Adviser, taken as a whole with the services provided by the Adviser and by other Federated entities, will be appropriate and consistent with the terms of the Sub-Advisory Contract and warrant the approval of the Sub-Advisory Contract.

The Board considered the fact that, as part of the 2019 Annual Contract Renewal with respect to the Fund, the Board had concluded that (i) the performance of the Fund supported renewal of the Advisory Contract, (ii) the fees and expenses of the Fund were reasonable, (iii) Federated’s profits did not appear to be excessive and (iv) the benefits from any economies of scale when they are realized by the Adviser were likely to be shared with the Federated Fund family as a whole.

In considering whether to approve the Sub-Advisory Contract, the Board considered the fact that both the Adviser and the Sub-Adviser are indirect wholly-owned subsidiaries of the same parent company, Federated, and, as indicated above, that the appointment of the Sub-Adviser under the Sub-advisory Contract is not expected to result in a change in control at the ownership level of the Adviser or the Sub-Adviser. The Board also considered that the Transition is not expected to result in any change in the terms of the Advisory Contract (including the fees payable thereunder), and that the Adviser will be responsible for the payment of all fees to the Sub-Adviser. Accordingly, the Board considered that approval of the Sub-advisory Contract is not expected to adversely affect the performance of the Fund, the reasonableness of the management fee payable to the Adviser, the profits to be realized by Federated in providing services to the Fund or the extent to which the Federated Fund family can be expected to benefit from economies of scale, if any, in the future.

The Board based its decision to approve the Sub-Advisory Contract on the totality of the circumstances and relevant factors and with a view to past and future long-term considerations. Not all of the factors and considerations identified above were necessarily relevant to the Fund, nor did the Board consider any one of them to be determinative. With respect to the factors that were relevant, the Board’s decision to approve the Sub-Advisory Contract reflects its view that, based upon the information requested and supplied, and Federated’s past performance and actions in providing services to the Fund (which the Board has found to be satisfactory), provided a satisfactory basis to support the decision to approve the Sub-Advisory Contract.