

# Federated Hermes International Equity Fund

9/30/23

## Fund facts

### Performance inception date

8/1/97

### Benchmark

MSCI ACWI ex USA Index

### Morningstar category

Foreign Large Blend

### Lipper classification

International Multi-Cap Growth

### Fund assets

\$1.3 billion

### Ticker symbols

R6 Shares - PEIRX

Institutional Shares - PIUIX

A Shares - PMIEX

C Shares - PIUCX

### Key investment team

Martin Schulz

Calvin Zhang

Bernard R. Horn, Jr.

Sumanta Biswas, CFA

Bin Xiao, CFA

Jason Crawshaw

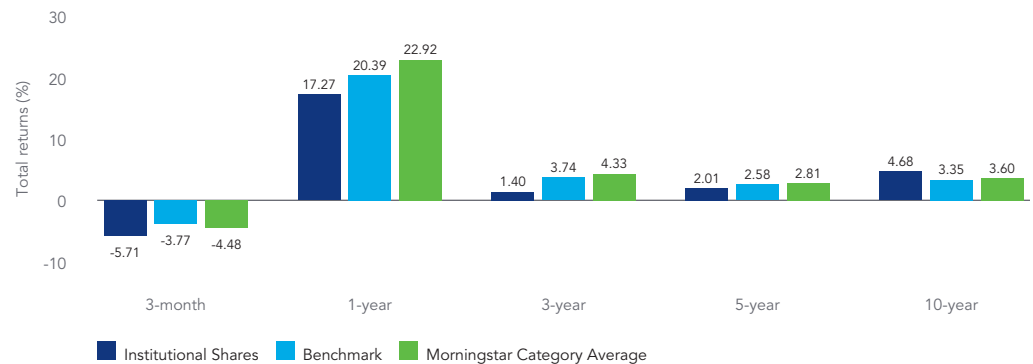
## Fund description

The fund seeks long-term capital appreciation by investing primarily in equity securities that are tied to numerous countries throughout the world in both developed and emerging markets. Employing a top-down approach to country selection and a bottom-up security selection process, the fund may invest in companies of any capitalization, and its allocation is typically split between growth and value stocks.

## Average annual total returns (%)

Performance shown is before tax.

	3-month	YTD	1-year	3-year	5-year	10-year	Since inception	Expense ratio*	
								Before waivers	After waivers
<b>R6 Shares</b>	-5.71	2.80	17.32	1.44	2.05	4.71	5.08	1.40	0.90
<b>Institutional Shares</b>	-5.71	2.76	17.27	1.40	2.01	4.68	5.07	1.48	0.94
<b>A Shares (NAV)</b>	-5.82	2.55	16.96	1.13	1.74	4.39	4.78	1.73	1.19
<b>A Shares (MOP)</b>	-11.00	-3.09	10.54	-0.75	0.59	3.80	4.55	1.73	1.19
<b>Benchmark</b>	-3.77	5.34	20.39	3.74	2.58	3.35	-	-	-



## Calendar year total returns (%)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Institutional Shares</b>	-22.38	8.03	21.78	22.53	-12.54	33.27	0.49	1.00	-5.12	29.90
<b>Benchmark</b>	-16.00	7.82	10.65	21.51	-14.20	27.19	4.50	-5.66	-3.87	15.30
<b>Morningstar Category Average</b>	-15.84	9.72	9.30	21.59	-14.59	25.12	0.79	-1.59	-4.98	19.44

Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit [FederatedHermes.com/us](http://FederatedHermes.com/us). Maximum offering price figures reflect the maximum sales charge of 5.5% for A Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund. Total returns for periods of less than one year are cumulative.

\* The fund's expense ratio is from the most recent prospectus. The expense ratio may reflect voluntary fee waivers and/or expense reimbursements determined by the fund's Advisor and its affiliates. The voluntary waivers and/or reimbursements, if applicable, are in effect up to but not including the later of 8/1/24 or the date of the fund's next effective prospectus.

## Investment process – two distinct managers



### Portfolio statistics

Weighted median P/E (NTM)	13.1x
Weighted median market cap	\$25.4 b
Weighted median price/book	2.2x
Number of securities	61

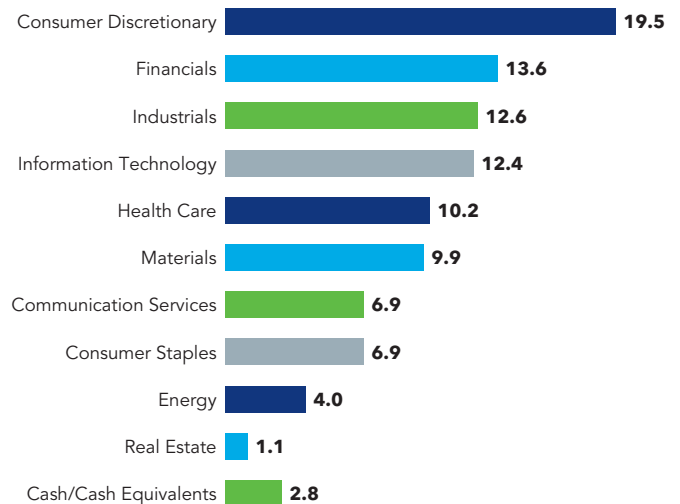
### Top holdings (%)

Federated Hermes International Growth Fund <i>United States</i>	50.5
Honda Motor Co., Ltd. <i>Japan</i>	1.4
Munich Reinsurance Company <i>Germany</i>	1.3
Novartis AG <i>Switzerland</i>	1.3
Publicis Groupe Sa <i>France</i>	1.3
DNB Bank ASA <i>Norway</i>	1.2
Linde PLC <i>United Kingdom</i>	1.2
Methanex Corporation <i>Canada</i>	1.2
NEXT plc <i>United Kingdom</i>	1.2
SK hynix Inc. <i>South Korea</i>	1.2
Total % of portfolio	61.8

### Top country weightings (%)

Japan	14.9	Ireland	3.4
United Kingdom	10.8	Netherlands	2.7
France	8.1	Brazil	2.5
Canada	7.4	Italy	2.4
South Korea	7.4	Sweden	2.2
Germany	6.2	Denmark	1.7
China	5.1	Belgium	1.6
Switzerland	3.7	India	1.5
Norway	3.7	Cash/Cash Equivalents	2.8

### Sector weightings (%)



Portfolio composition is based on net assets at the close of business on 9/30/23 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes. Because this is a managed portfolio, the investment mix will change.

## Highlights

- International stock markets slightly underperformed relative to the U.S., driven by larger declines in developed markets
- Volatility spiked as inflationary fears returned along with expectations the U.S. Federal Reserve would keep interest rates higher for longer
- The U.S. dollar strengthened considerably
- Internationally, value outperformed growth by another wide margin
- Energy prices rebounded while many other commodity prices were mixed. Higher rice prices posed a new inflationary risk in Asia amid supply concerns
- The Federated Hermes International Growth Fund underperformed its benchmark during the quarter

## Looking back

U.S. labor market resilience and resilient core inflation drove expectations for the U.S. Fed to remain hawkish, resulting in rising U.S. 10-year yields and a stronger dollar. Concerns around inflation and tighter monetary policy resurfaced as OPEC+ producers extended supply cuts, resulting in a rebound in oil prices. Globally, central bank policies and inflationary trends continued to diverge somewhat as some countries saw further disinflation while others struggled with stubborn inflationary levels or even a return to deflation, exacerbated by weaker foreign currencies inflating import prices. Broadly speaking, central banks in Western developed markets continued to hike rates while most in Asia held rates steady; meanwhile, the PBOC in China and several central banks in Latin America even began to cut rates.

Overall, these trends led to the outperformance of value and energy stocks while pressuring international and longer duration growth assets. By region, Western Europe and Greater China drove market declines. China's weak economic recovery, lack of confidence, and insufficient policy stimulus continued to disappoint investors. Combined with pressure from higher interest rates, weakness in China also contributed to the underperformance of cyclical, luxury and most tech stocks in Europe.

## Performance

The Federated Hermes International Equity Fund returned -5.7% (Institutional Shares at NAV) for the quarter ending September 30, 2023. That compares to its benchmark, the MSCI ACWI ex USA Index, which returned -3.8% during the period.

### Performance contributors

- Positive country allocation effects came from overweights to Norway and Puerto Rico along with an underweight to Taiwan.
- Positive sector allocation effects came from an overweight to materials along with underweights to utilities and consumer staples.

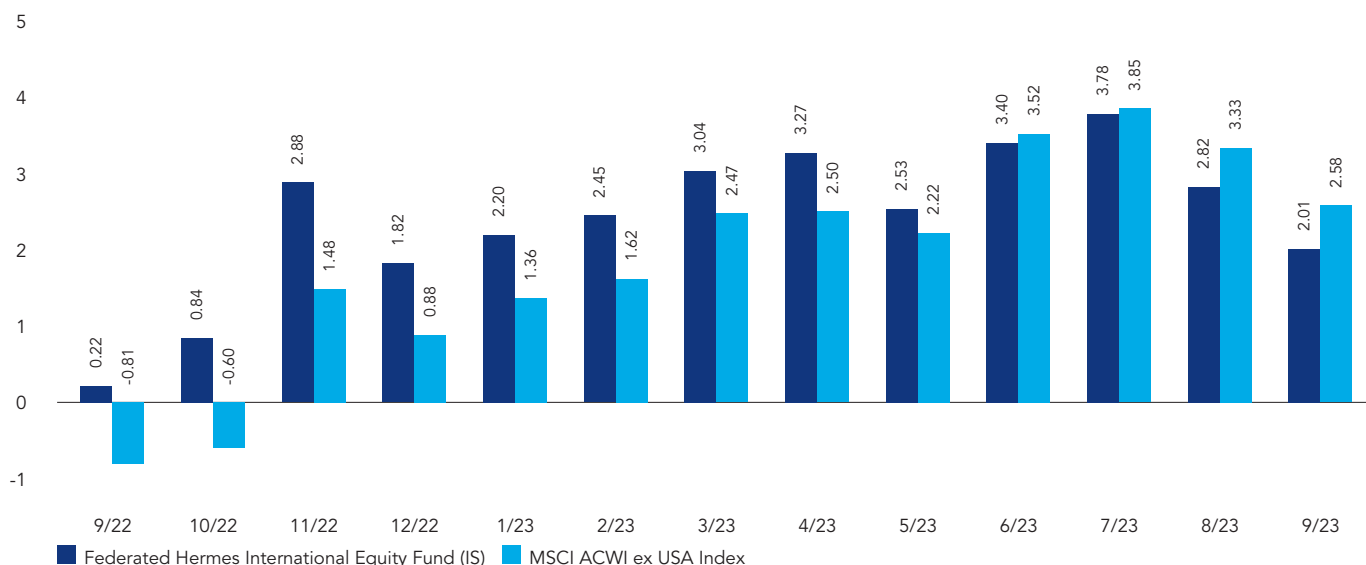
### Performance detractors

- Negative country allocation effects came from overweights to South Korea and Ireland along with an underweight to India.
- Negative sector allocation effects came from an overweight to consumer discretionary along with underweights to energy and financials.

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*See disclosure section for important disclosures and definitions.*

## 5-year rolling returns vs. MSCI ACWI ex USA Index (%)



Source: Morningstar, Inc. Performance for 5-year periods (1-month shift).

Returns are for Institutional Shares. Other classes of shares are available whose performance will vary due to different charges and expenses.

## Risk statistics

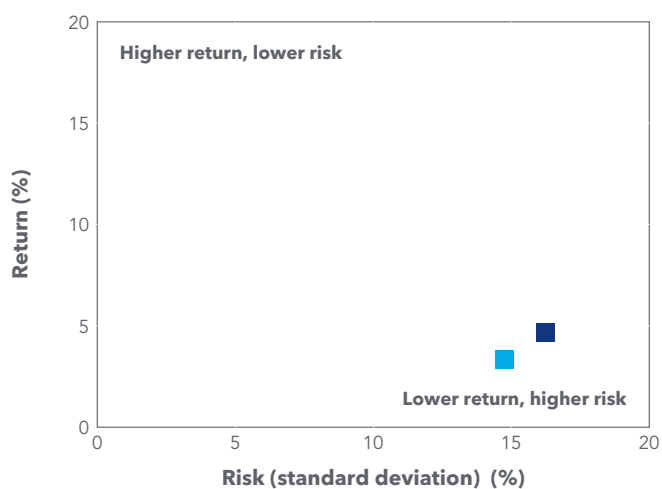
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	19.35	20.37	17.87	16.25
<b>Beta</b>	1.10	1.13	1.11	1.06
<b>Correlation</b>	0.98	0.98	0.97	0.96
<b>Up capture ratio</b>	106.18	112.18	109.77	106.58
<b>Down capture ratio</b>	117.51	115.25	109.13	100.60

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. MSCI ACWI ex USA Index

See disclosure section for important definitions.

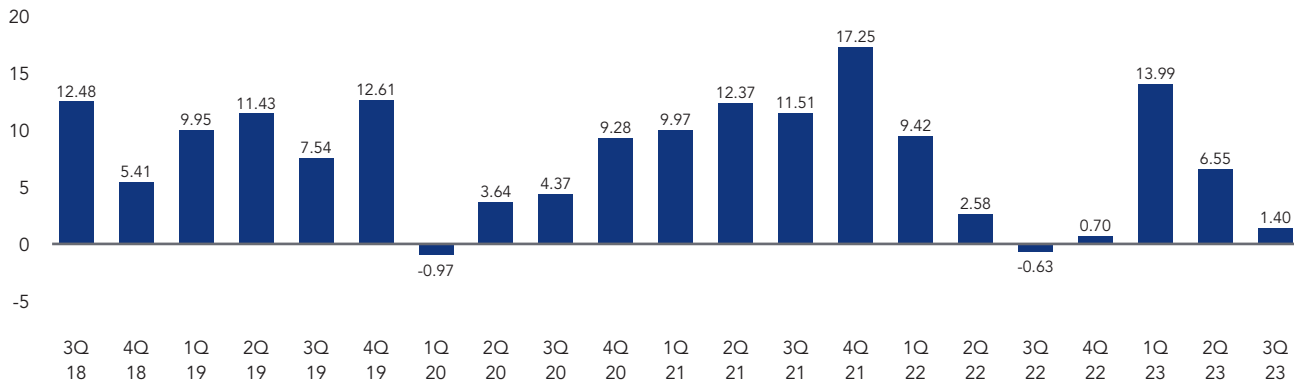
## 10-year risk/return



	Risk (%)	Return (%)
Federated Hermes International Equity Fund (IS)	16.25	4.68
MSCI ACWI ex USA Index	14.76	3.35

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



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## Category rankings

Morningstar Foreign Large Blend Category		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Morningstar Category % Rank	92	89	76	-
	Morningstar Category Rank	664 of 730 funds	598 of 679 funds	483 of 622 funds	-
<b>IS Shares</b>	Morningstar Category % Rank	92	89	77	10
	Morningstar Category Rank	665 of 730 funds	603 of 679 funds	493 of 622 funds	35 of 409 funds
<b>A Shares</b>	Morningstar Category % Rank	94	91	82	15
	Morningstar Category Rank	677 of 730 funds	616 of 679 funds	526 of 622 funds	57 of 409 funds

Lipper International Multi-Cap Growth Funds		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	68	27	58	-
	Lipper Classification Rank	159 of 235 funds	60 of 229 funds	121 of 213 funds	-
<b>IS Shares</b>	Lipper Classification % Rank	69	28	58	18
	Lipper Classification Rank	160 of 235 funds	62 of 229 funds	122 of 213 funds	28 of 159 funds
<b>A Shares</b>	Lipper Classification % Rank	71	32	63	25
	Lipper Classification Rank	164 of 235 funds	71 of 229 funds	132 of 213 funds	38 of 159 funds

Past performance is no guarantee of future results. Rankings are based on total return and do not take sales charges into account.

## Federated Hermes International Equity Fund

**Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a summary prospectus or prospectus containing this and other information, contact us or visit [FederatedHermes.com/us](https://FederatedHermes.com/us). Please carefully read the summary prospectus or prospectus before investing.**

The fund is the successor to the PNC International Equity Fund ("predecessor fund"), a portfolio of PNC Funds, pursuant to a reorganization involving the Fund and the predecessor fund on November 15, 2019. Prior to the date of the reorganization, the fund had no investment operations. Accordingly, the performance information, for periods prior to the reorganization is historical information for the predecessor fund. The predecessor fund was managed by the same portfolio management team as the fund, had an identical investment objective and substantially identical strategies, policies and restrictions.

### A word about risk

Mutual funds are subject to risks and fluctuate in value.

International investing involves special risks, including currency risk, increased volatility, political risks and differences in auditing and other financial standards.

Prices of emerging market and frontier market securities can be significantly more volatile than the prices of securities in developed countries, and currency risk and political risks are accentuated in emerging markets.

Due to their relatively high valuations, growth stocks are typically more volatile than value stocks.

Value stocks tend to have higher dividends and thus have a higher income-related component in their total return than growth stocks. Value stocks also may lag growth stocks in performance at times, particularly in late stages of a market advance.

The fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional instruments.

### Definitions

**Beta** measures a portfolio's volatility relative to the market. A beta greater than 1.00 suggests the portfolio has historically been more volatile than the market as measured by the fund's benchmark. A beta less than 1.00 suggests the portfolio has historically had less volatility relative to the market.

**Correlation** is the degree to which one variable (here, the fund's returns) fluctuates relative to another (the returns of the fund's benchmark). Correlation ranges from 1.00, when two variables move identically in the same direction, to -1.00, when two variables move identically in the opposite direction.

**Standard deviation** is a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

**Up capture ratio/down capture ratio** is a measure of how well a manager was able to replicate or improve on periods of positive benchmark returns and how badly the manager was affected by periods of negative benchmark returns. The up-market capture ratio is a measure of a manager's performance in up markets relative to the index during the same period. For example, a ratio value of 115 indicates that the manager has outperformed the market index by 15% in periods when the index has risen. The down-market capture ratio is the direct opposite of

the up-market capture ratio, gauging performance of the manager relative to the index in down markets. A ratio value of 80 would indicate the manager had declined on 80% as much as the declining overall market, indicating relative outperformance.

**Weighted average dividend yield** is a weighted average of the dividends of all the stocks in a portfolio.

**Weighted average EPS growth next 5 years** is the weighted average annual growth rate of fiscal year earnings-per-share for the next five years for a given corporation.

**Weighted median P/E (NTM—next 12 months)** is a ratio comparing share price to earnings-per-share using estimated data for the next 12 months.

**Weighted median market cap** is the calculation representing the median market capitalization of the stocks in the portfolio, weighted by the amount of each stock.

**Weighted median price/book** is a ratio comparing share price to book value or assets minus liabilities.

**MSCI ACWI ex USA Index** captures large- and mid-cap representation across 22 of 23 developed markets (DM) countries (excluding the U.S.) and 27 emerging markets (EM) countries. The index covers approximately 85% of the global equity opportunity set outside the U.S.

Indexes are unmanaged and cannot be invested in directly.

### Ratings and rating agencies

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