

**This document is important and requires your immediate attention. If you are in any doubt as to the action you should take you should seek advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser.**

**If you have sold or transferred all of your shares in the Federated Hermes European Alpha Equity Fund, please pass this document at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee as soon as possible.**

**Capitalised terms used herein shall bear the same meaning as capitalised terms used in the prospectus for Federated Hermes Investment Funds plc (the "Company") dated 1 June 2021, as may be amended or supplemented from time to time (the "Prospectus") and the supplement for the Federated Hermes European Alpha Equity Fund (the "Supplement"). Copies of the Prospectus and Supplement are available upon request during normal business hours from the registered office of the Company or from the local representative of the Company in each jurisdiction in which the Fund is registered for public distribution.**

**In accordance with the current policy of the Central Bank, this document has not been reviewed by the Central Bank.**

24 June 2021

**Re: Proposed amendments to the investment objective, investment policy and name of the Federated Hermes European Alpha Equity Fund (the "Fund")**

Dear Shareholder

We are writing to you as a Shareholder in the Fund, to inform you of a proposal to amend the investment objective, investment policy and name of the Fund.

Sustainable investing is a topic at the forefront of the investment industry. We have seen a significant increase in demand from clients for sustainability related strategies. This trend has been accelerated by the introduction of new regulation within the EU focused on enhancing companies' disclosure on their sustainability practices. This means now is an exciting time to make changes to the Fund to align it with this emerging theme. As a business we are committed to sustainable investing and believe these changes will benefit investors by providing more information on the environmental impact of the Fund.

## **Amendments to the investment objective, investment policy and name of the Fund**

### *Investment Objective*

The Fund's current investment objective is to achieve long-term capital appreciation (the "**Investment Objective**").

It is proposed to amend the Investment Objective so that the Fund will have a dual investment objective. This being: (i) to achieve long-term capital growth over a rolling five-year period; and (ii) to have a reduced environmental footprint compared to the MSCI Europe Index. The introduction of a non-financial (or, sustainable) investment objective together with corresponding changes to the Fund's investment policy will result in the categorisation of the Fund as an Article 9 fund within the meaning of the Sustainable Finance Disclosure Regulation (SFDR).

### *Investment Policy and Investment Strategy*

The Fund's investment policy and investment strategy have been updated in line with the proposed investment objective.

We believe to be successful in achieving both objectives, the Fund should focus on investing in European companies that have strong sustainability practices as we believe these companies are well positioned to provide capital growth, which will compound over time.

Additionally, to achieve our objectives we would like to commit to excluding investment in companies that generate revenue from certain controversial or harmful activities.

A draft of the revised investment policy and strategy are set out in Appendix A to this circular.

### *Name of the Fund*

In order to more accurately reflect the Fund's proposed investment objective, policy and strategy, it is proposed to change the name of the Fund to the Federated Hermes Sustainable European Equity Fund.

### **Rationale for amending the investment objective and investment policy**

Federated Hermes aims to provide sustainable wealth creation: generating wealth through investments that enrich investors, society and the environment over the long term. We believe the proposed changes evidence our commitment to delivering both financial returns and having a positive impact on the environment and society through investing in companies that avoid harm, provide benefits to all stakeholders and and/or contribute to solutions.

We believe having a sustainable leaders strategy combined with the implementation of exclusions will more accurately reflect the sustainability values of our investors and will help us to continue to deliver long-term returns for investors, as well as better, more sustainable outcomes for society.

This change coincides with the introduction during 2021 of the SFDR, which seeks to re-focus capital on more sustainable businesses – a development we welcome with our long-standing commitment to authentic sustainable investing.

The above change will not result in a material change in the overall risk profile of the Fund and will not result in any change to the current fees and expenses payable to, or borne by, the Fund.

The costs associated with the proposed changes set out in this document shall be borne by Hermes Investment Management Limited.

### **Notice of Extraordinary General Meeting (“EGM”) to consider and vote on the changes**

In order to obtain Shareholder approval for these changes, the Directors have decided to convene an EGM of the Fund at which Shareholders of the Fund will be asked to consider passing an ordinary resolution approving the proposed amendments to the investment objective and policy of the Fund as set forth in this circular. You will find enclosed a notice of EGM which will be held at the offices of Arthur Cox, 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland on 21st July 2021 at the time indicated on the notice of EGM. As it is not currently possible to convene a physical meeting due to Covid-19 related issues, a dial-in telephone conference facility has been provided and the EGM shall be deemed to be held at the address of the chair of the EGM at the time indicated on the notice of EGM.

The proposed amendments to the investment objective and policy of the Fund require the approval of Shareholders by way of an ordinary resolution. This means that over 50% of the Shareholders present and voting in person or by proxy must vote in favour of the resolution. The quorum for the meeting is two Shareholders present (in person or by proxy). If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be adjourned for one week at the same time and place or to such other day, time and place as the Directors may determine.

Subject to Shareholder approval being obtained, the changes to the investment objective and policy of the Fund will be effective on 26 October 2021 or such later date as shall be notified in advance to Shareholders (the “**Effective Date**”). In advance of the effective date, we may make changes to the portfolio to align it with the new investment objective and strategy. This will be conducted in line with the normal course of business.

The results of the EGM vote will be available on or around 48 hours following the EGM on Federated Hermes’s website at <https://www.hermes-investment.com/ie/fund-documents/>

## Measures to reduce Covid-19 transmissions at the EGM

We consider the health of Shareholders, attendees at the EGM and the staff of the Company's service providers a top priority.

Due to the restrictions on gatherings and travel, save for very limited purposes, under the regulations and guidance issued by the Government of Ireland relating to Covid-19, the EGM will proceed under constrained circumstances.

It is not currently possible to convene a physical EGM due to Covid-19 related issues. As such, if you wish to listen to the EGM proceedings, you can do so by availing of the telephone facility and dialing-in to the following number at the time of the meeting:

<b>Dial-in Code</b>	<b>639375#</b>
<b>Dial-in Number</b>	<b>00353 1 489 7260 (Dublin)</b>
	<b>0044 20 7099 2087 (London)</b>
	<b>01 212 796 5560 (New York)</b>

You will still need to submit your proxy form by the relevant deadline before the EGM, as it will not be possible to vote using the telephone facility.

Should you have any questions relating to these matters, you should either contact us at the above address or alternatively you should contact your investment consultant, tax adviser and/or legal adviser as appropriate.

## Casting your Vote/Proxy Form

The form of proxy accompanying the notice of the EGM enclosed with this letter should be completed and returned in accordance with the instructions thereon, so as to be received by email to FundsCoSec@arthurcox.com or by fax to +353 1 920 1020 as soon as possible and in any event, not later than 48 hours before the time fixed for the holding of the EGM. Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM.

## Transfer of Shares

Subject to the Shareholders passing the resolution approving the proposed amendments to the investment objective and policy at the EGM, Shareholders will be given the option to switch into the newly created founders classes, Class X and W, priced at 25bps at 50bps respectively.

## **Redemption of Shares**

Subject to the Shareholders passing the resolution approving the proposed amendments to the investment objective and policy at the EGM, Shareholders who do not wish to remain invested in the Fund will have the opportunity to redeem some or all of their Shares on any Dealing Day prior to the EGM and at any time after the EGM and before the Effective Date in accordance with the terms of the Prospectus and Supplement.

## **Recommendation**

The Directors consider the proposed changes to be in the best interests of the Shareholders as a whole. The Directors recommend that you vote in favour of the proposed amendments.

Should you have any questions relating to these matters, you should either contact us at the above address or alternatively you should contact your investment consultant, tax adviser and/or legal adviser as appropriate.

Yours sincerely,



Director  
**Federated Hermes Investment Funds plc**

Enclosures: - Notice of Meeting; and  
- Form of Proxy

## **Appendix A – Revised Investment Objective, Policy and Strategy**

### **Investment Objective**

The investment objectives of the Fund are to: (i) achieve long-term capital growth over a rolling five-year period; and (ii) have a reduced environmental footprint compared to the Benchmark (as defined below).

### **Investment Policy**

The Fund is an Article 9 fund for the purpose of Regulation (EU) 2019/2088 of the European Parliament and the Council on sustainability-related disclosures in the financial services sector (SFDR).

The Fund will seek to achieve its objective by investing at least 80% in a diversified portfolio of equity securities and/or equity-related securities of, or relating to, companies in, or companies that derive a large proportion of their revenues from, the developed and emerging European market region (including Russia and Turkey). These companies will be listed and/or traded on a Regulated Market worldwide.

In aiming to achieve superior long-term returns, the Investment Manager will also exclude investment in the following companies (based on information available to the Investment Manager on these companies)

- Companies that generate over 5% of their revenues from the extraction or exploration of fossil fuels or from the use of fossil Fuels for electricity generation;
- Electricity utility companies with a carbon intensity not aligned with a below 1.5 degrees scenario;
- Companies that generate revenue from the production of controversial weapons and companies that generate over 5% of their revenues from production of conventional weapons;
- Companies that generate over 5% of their revenues from nuclear power;
- Companies that generate revenues from the production of tobacco products and companies that receive over 5% of their revenues from tobacco distribution;
- Companies that generate over 2% of their revenues from gambling products;
- Companies that generate over 2% of their revenues from adult entertainment products;
- Companies that generate over 2% of their revenues from the production of alcohol and companies that receive over 5% of their revenues from alcohol distribution; and

- Companies that generate over 5% of their revenue from GMO crop production.

In addition, the Investment Manager excludes companies that are in contravention of the principles of the UN Global Compact.

### **Investment Strategy**

A high conviction (i.e. taking large positions in a small number of stocks), actively managed portfolio using a disciplined bottom-up stock selection process, within a thematic framework. The Investment Manager will seek to invest in European companies with accelerating levels of income and cash flow that can demonstrate sustainable growth over the long term. Independent research is undertaken in order to identify companies and industries undergoing fundamental change that are not recognised by other investors in the market. Generally, the Investment Manager focuses on entities with a free market capitalisation of EUR1 billion or more.

The Fund aims to reduce the environmental footprint in comparison to the Benchmark and this is measured (using available third party data relating to the carbon, water and waste metrics detailed below) by comparing the following characteristics of the European companies in respect of which the Fund holds equity with the Benchmark: (i) total carbon emissions normalised by the market value of the portfolio, expressed in tons CO<sub>2</sub> per \$ million invested; (ii) the total waste (landfill, nuclear and incinerated) for a portfolio normalised by the market value of the portfolio, tonnes per \$ million invested; and (iii) the total water used (cooling, processed and purchased) normalised by the market value of the portfolio, m<sup>3</sup> per \$ million invested.

The opportunity that this strategy targets is investment in European companies identified as 'sustainable leaders' in order to capture the growth of such companies, which can compound over time. Our definition of a 'sustainable leader' is predicated on three primary considerations and we consider these as part of a bottom-up process. Firstly, business model; the Investment Manager seeks to understand historic financial metrics and competitive dynamics (using Porter's Five Forces analysis will be used to identify a company's competitive advantage and the effect on the company's position in the market. The Five Forces consider how suppliers, buyers, market entrants, substitute products and competitor rivalry affect the profitability of a company) and, in conjunction with our thematic analysis outlined below, identify those who are capable of sustaining strong growth over the long-term.

Secondly, the Investment Manager considers how well companies manage environmental, social and governance ("ESG") factors. ESG includes environmental items (such as how companies limit their emissions), social issues (such as how they manage diversity in the workforce) and governance issues (such as how the board is structured). The Investment Manager assesses the ESG characteristics of a company by considering ESG research and

scores from a wide variety of sources such as proprietary analysis from EOS at Federated Hermes and third party providers such as ISS, CDP, MSCI, Sustainalytics and Trucost amongst others. The Investment Manager believes that quantitative ESG data must be complemented by a fundamental bottom-up review of ESG issues, leveraging its knowledge of and direct contact and engagement with companies. The Investment Manager's approach to ESG integration in its investment analysis draws upon both internal and external sources where an ESG score is assigned to each company within its investment universe. The percentage of ESG-analysed companies in the fund will always be between 90%-100%. As a result of the consideration of ESG factors, the Fund's weighted average ESG rating will be better than the weighted ESG rating of the Benchmark after eliminating the worst 20% of securities.

Our third consideration involves a thematic analysis whereby we seek to understand the broader benefit or cost of each company. As well as looking at European companies which do no significant harm, the Investment Manager also looks beyond this and, where appropriate, the portfolio will actively target those companies seeking to improve their effect on people and the planet through their products or services. This can be summarised as: (i) companies that avoid harm (i.e. companies that do not cause harm to the environment or society); (ii) companies that provide benefits to all stakeholders (i.e. companies that provide benefits to its shareholders, customers and the wider community); and (iii) companies that contribute to solutions (i.e. companies that provide solutions to environmental or social issues, such as public health and welfare). The belief is that following this thematic approach to idea generation and focussing on companies which meet the 'sustainable leader' criteria facilitates the Fund's goal to achieve superior long-term returns.

The Fund's market exposure (which is exposure to the categories of Investments outlined below, and excludes cash held by the Fund) may vary in time and will typically range between 95%-100% for long positions and 0% for short positions of the Net Asset Value of the Fund, depending on the Investment Manager's analysis of the prevailing market conditions and considered in light of the investment objective of the Fund. These ranges are not limits and the actual exposures may from time to time fall outside these estimated ranges.

The Fund is actively managed by the Investment Manager in accordance with the criteria set out in this Supplement and will seek to achieve its objective to provide capital growth over a rolling period of any five years on an active basis, without reference to a benchmark. The Company shall use the MSCI Europe Index (the "**Benchmark**") for performance comparisons with the Fund on certain marketing materials (e.g. fund fact-sheets, investor reports, shareholder presentations etc), as deemed appropriate. The Benchmark is a free float adjusted market capitalisation weighted benchmark that is designed to measure the performance of shares in large and mid-sized companies, denominated in various

currencies, which are listed in developed markets across Europe. As at the date of this Supplement, the Investment Manager has determined that this Benchmark may be used for such purposes.

In addition, the Fund will seek to achieve its investment objective to have a reduced environmental footprint compared to the Benchmark. The Investment Manager may (but is under no obligation to) invest in component securities of the Benchmark that meet the “sustainable leader” criteria set out above as well as in securities anticipated to enter or exit this Benchmark. The selection of securities remains at the entire discretion of the Investment Manager so the Fund’s portfolio may include securities which are not part of the Benchmark. However, the Fund’s portfolio composition will not be constrained in any way by the content of this Benchmark and the Benchmark is not aligned with the Fund’s sustainable investment objective. For the avoidance of doubt the Fund’s objective is not to track the performance of the Benchmark. The Fund does not charge any performance fees and, accordingly, no fees are paid to the Investment Manager on the basis of outperformance of the Benchmark.