

Federated Hermes Kaufmann Small Cap Fund

3/31/24

Fund facts

Performance inception date

12/18/02

Benchmark

Russell 2000® Growth Index

Morningstar category

Small Growth

Lipper classification

Small-Cap Growth Funds

Fund assets

\$4.3 billion

Ticker symbols

R6 Shares - FKALX

Institutional Shares - FKAIX

A Shares - FKASX

C Shares - FKCSX

R Shares - FKKSX

Key investment team

John Ettinger, CFA

Hans Utsch

Stephen DeNichilo, CFA

Barbara Miller

Tom Brakel, M.D.

Mark Bauknight

Steven Abrahamson

Aditi Singhania, Ph.D.

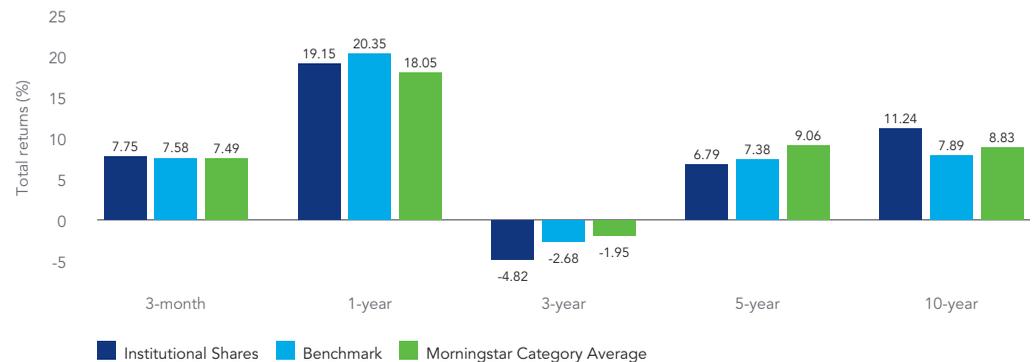
Fund description

The fund seeks to provide capital appreciation by investing primarily in securities of small companies. Utilizing an intensive, bottom-up security selection process, the fund focuses on companies that exhibit positive growth characteristics.

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
R6 Shares	7.75	7.75	19.16	-4.81	6.80	11.16	12.97	0.93	0.89
Institutional Shares	7.75	7.75	19.15	-4.82	6.79	11.24	12.99	1.02	0.90
A Shares (NAV)	7.64	7.64	18.59	-5.26	6.30	10.82	12.80	1.51	1.36
A Shares (MOP)	1.71	1.71	12.07	-7.03	5.10	10.19	12.51	1.51	1.36
Benchmark	7.58	7.58	20.35	-2.68	7.38	7.89	-	-	-



Calendar year total returns (%)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Institutional Shares	15.03	-31.09	2.97	44.06	34.58	7.40	38.46	6.27	4.98	5.66
Benchmark	18.66	-26.36	2.83	34.63	28.48	-9.31	22.17	11.32	-1.38	5.60
Morningstar Category Average	16.68	-27.77	11.89	38.62	27.68	-5.76	21.50	11.20	-2.41	2.44

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](https://www.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 1/1/25 or the date of the fund's next effective prospectus.

Distinguishing characteristics

Transparent and accountable process

- Capital efficiency and transparency are built into the compensation structure
- Bonus pool is allocated according to individual's contribution to results
- Incentivized to optimize capital

Tenured team, differentiated portfolio

Team follows same 35-year philosophy and process used since inception of the Kaufmann strategy

- Distinguished professionals with specialized industry ties; organized for full accountability
- Continuity of team allows for constructive problem solving
- Seeking a differentiated, small-cap portfolio

Extensive research, long-term results

Independent, proprietary research focuses on:

- Exceptional business models
- Positive inflections of business momentum
- Clear pathway to free cash flow growth

Past performance is no guarantee of future results.

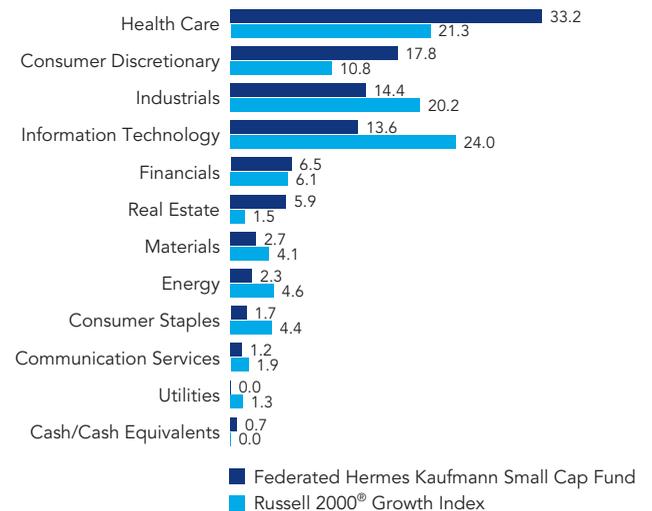
Portfolio statistics

Weighted median P/E (LTM)	41.3x
Weighted median P/E (NTM)	29.0x
Weighted median market cap	\$6.4 b
Number of securities	156
Annual portfolio turnover	29.7%

Top holdings (%)

Argenx SE	3.3
Wingstop, Inc.	3.1
IDEAYA Biosciences, Inc.	2.4
Comfort Systems USA, Inc.	2.2
Hamilton Lane, Inc.	2.2
Ares Management Corporation	1.9
Arcturus Therapeutics Holdings Inc	1.7
Camtek Ltd/Israel	1.6
Merus NV	1.5
Amphastar Pharmaceuticals, Inc.	1.4
Total % of portfolio	21.3

Sector weightings (%)



Totals may not add up to 100% due to rounding.

The index position were small hedges we invested in given macro uncertainty.

Portfolio composition is based on net assets at the close of business on 3/31/24 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

- Global equity markets rallied during the quarter as markets began to price in expectations for easier monetary policies along with lower inflation expectations.
- Growth stocks outperformed value stocks during the quarter.
- Stock selection led to relative outperformance.
- The Health Care and Industrial sectors both positively contributed to the fund's performance on a relative basis.

Looking back

During the first quarter of 2024, the U.S. economy and most significant westernized economies saw economic growth moderate as rising rates and inflation took their toll on economic activity. Inflation has continued to moderate at a tepid pace as fiscal stimuli slowed and geopolitical issues seem contained. The global inflationary pressures easing are enabling central banks to halt and begin to reverse their monetary tightening policies. The bond markets have begun to price in lower relative rates and a potentially more dovish Federal Reserve stance in 2024, boosting equities early in the year. The U.S. indexes that were up the most during the last quarter were the S&P 500 Index, which returned 10.55%, followed by large cap stocks represented by the Russell 1000 Index, which returned 10.29%, followed by the technology heavy NASDAQ Composite Index, which returned 9.32%, followed by mid-cap stocks represented by the Russell Mid Cap Index, which returned 8.60% and, finally, small cap stocks represented by the Russell 2000 Index, which returned 5.17%. Small-cap growth stocks outperformed small cap value stocks during the quarter.

During the quarter, the portfolio team added new positions of the following equity positions to the portfolio: Duolingo Inc (new), Genius Sports (new), Modine Manufacturing Co(new), Portillo's Inc (new), Smith Douglas Homes Corp (IPO), Toast Inc (new), Summit Therapeutics (new), Syndax Pharmaceuticals Inc (new), Vericel Corp (new), Axon Enterprise, Inc (new), Copart Inc (new), Vertiv Holdings (new), CyberArk Software Ltd (new), Hubspot (new), Procore Technologies (new), SentinelOne Inc (new), Eagle Materials (new) and Healthpeak Properties (new).

Also during the quarter, the portfolio exited or reduced the following equity positions in pursuit of better opportunities: Alteryx Inc (exited), Amphastar Pharmaceuticals, Merus NV, Argenx and Wingstop Inc.

Capital Markets activities during the quarter: The small cap fund participated in one IPO in the quarter, Smith Douglas Homes Corp., as the IPO market remained in recovery mode from the 2021 record year but showing some signs of recovery.

The team was active in the secondary equity markets during the quarter. The fund participated in three secondary offers. The following are a select list of secondary offerings during the quarter: Dyne Therapeutics Inc, CG Oncology Inc and First Watch Restaurant Group Inc.

Performance

Federated Hermes Kaufmann Small Cap Fund Institutional Shares returned 7.75% at NAV for the three months ended March 28, 2024. That compares with its benchmark, the Russell 2000 Growth Index, which returned 7.58% during the same period.

Performance contributors

- Stocks that made a positive contribution to performance: Wingstop Inc, Comfort Systems USA Inc, Merus N and Fusion Pharmaceuticals.

Performance detractors

- Stocks that detracted: Amphastar Pharmaceuticals, Inc, New Fortress Inc, SoundThinking, Yeti and Dynavax Technology.

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How we are positioned

As the U.S. economy enters 2024, many headwinds have turned to tailwinds, such as central banks rotating from tightening monetary policy to potential loosening. While there is some encouraging macro momentum, there are persistent worries, such as global elections, geopolitical uncertainty and rising oil prices. These questions, amongst others, are likely to endure into 2024, which could cause market uncertainty. One indicator of investor caution would be the continued quiet IPO activity since the peak in 2021. After a record-breaking year in 2021, U.S. IPO issuance in 2022 remained quiet with 71 IPOs priced in 2022. However, in 2023, the market showed some signs of recovering with 108 IPOs raising \$20 billion according to Renaissance Capital. That IPO momentum has continued into the first quarter of 2024 with 30 IPOs pricing in the U.S., raising \$7.8 billion and 48 IPOs globally. Despite the macro uncertainties, the Kaufmann team continues to be focused on its goal of finding and investing in companies that have little dependence on the economy, good or bad, to generate significant sales and earnings growth.

This quarter the fund had approximately 77% of the portfolio invested in four sectors: Information Technology, Health Care, Consumer and Industrials. The sector weightings of the portfolio are a byproduct of our bottom-up stock selection strategy with a team of sector-specialist portfolio managers. These sectors have historically provided good opportunities for bottom-up growth investors. We seek to find companies that have company-specific catalysts for growth rather than develop macro themes to construct sector weightings. The strategy's consistent growth bias has allowed the portfolio to produce the following statistics: average sales growth last twelve months of 23%, operating margins of 24% and median earnings growth for the last year of 26%. This compares to the Russell 2000 Growth Index as follows: average sales growth of 23%, median operating margins of 11% and median earnings growth of 11%.

See disclosure section for important disclosures and definitions.

Risk statistics

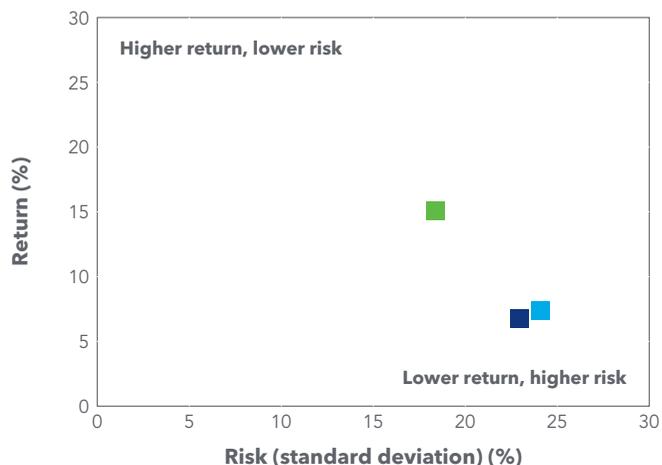
	3-year	5-year	7-year	10-year
Standard deviation	21.88	22.93	21.44	20.34
Alpha	-2.49	-0.21	4.32	3.54
Beta	0.94	0.92	0.92	0.93
R²	93.13	93.59	92.06	91.05

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Russell 2000[®] Growth Index

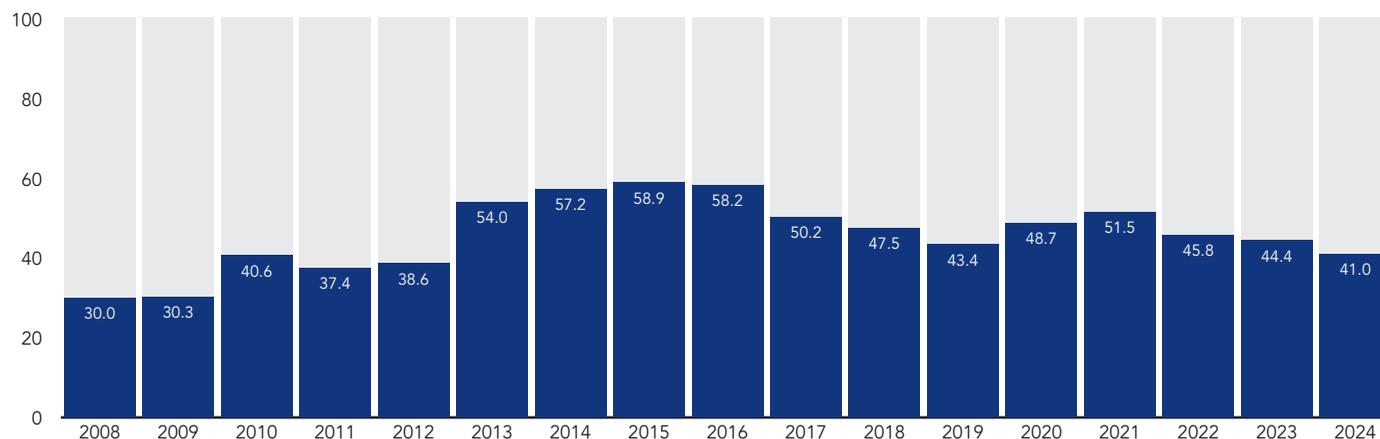
See disclosure section for important definitions.

5-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes Kaufmann Small Cap Fund (IS)	22.93	6.79
■ Russell 2000 [®] Growth Index	24.09	7.38
■ S&P 500 [®] Index	18.37	15.05

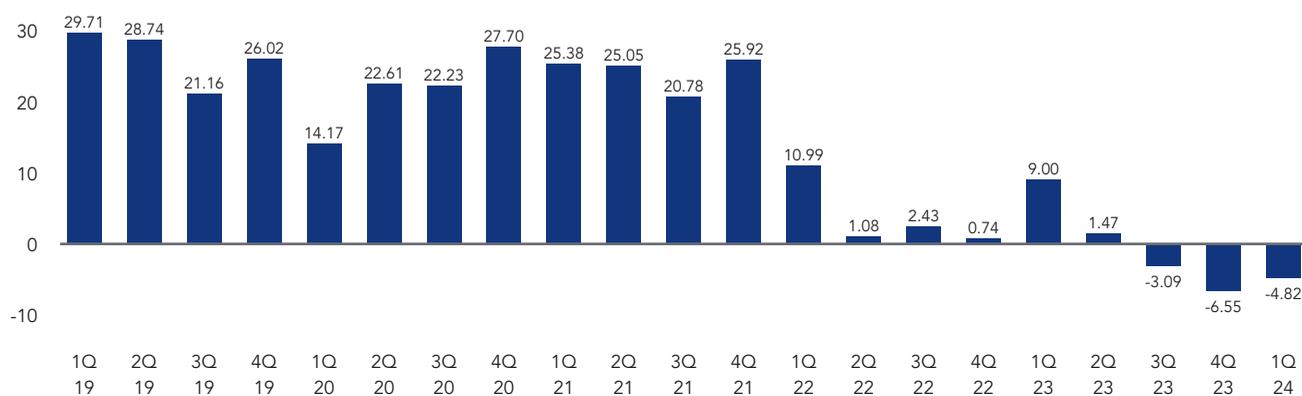
Percent of portfolio invested in IPOs (%)



* As of 3/31/24

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3-year rolling returns - IS (%)



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Category rankings

Morningstar Small Growth Category		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	44	73	81	-
	Morningstar Category Rank	244 of 585 funds	386 of 552 funds	406 of 520 funds	-
IS Shares	Morningstar Category % Rank	44	74	81	-
	Morningstar Category Rank	245 of 585 funds	388 of 552 funds	408 of 520 funds	-
A Shares	Morningstar Category % Rank	47	76	86	13
	Morningstar Category Rank	257 of 585 funds	408 of 552 funds	442 of 520 funds	45 of 400 funds

Lipper Small-Cap Growth Funds		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	48	74	80	-
	Lipper Classification Rank	295 of 620 funds	430 of 584 funds	435 of 544 funds	-
IS Shares	Lipper Classification % Rank	48	74	81	-
	Lipper Classification Rank	296 of 620 funds	432 of 584 funds	437 of 544 funds	-
A Shares	Lipper Classification % Rank	50	78	87	11
	Lipper Classification Rank	307 of 620 funds	451 of 584 funds	471 of 544 funds	44 of 406 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 Kaufmann Small Cap Fund

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

The fund's R6 Shares commenced operations on September 1, 2017. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for the fund's A Shares adjusted to reflect the expenses of the fund's R6 Shares for each year for which the Fund's R6 Shares expenses would have exceeded the actual expenses paid by the fund's A Shares. The performance information has also been adjusted to reflect any applicable differences between the sales loads and charges imposed on the purchase and redemption of R6 Shares and A Shares, as well as the removal of any voluntary waivers/reimbursements of fund expenses that may have occurred during the periods prior to the commencement of operations of the R6 Shares.

The fund's Institutional Shares commenced operations on December 30, 2015. For the period prior to the commencement of operations for the Institutional Shares, the performance information shown is for the A Shares adjusted to reflect the expenses of the Institutional Shares for each year for which the expenses of the Institutional Shares would have exceeded the actual expenses paid by the fund's A Shares. The performance information has also been adjusted to reflect any applicable differences between the sales loads and charges imposed on the purchase and redemption of Institutional and A Shares, as well as the removal of any voluntary waivers/reimbursements of fund expenses that may have occurred during the periods prior to the commencement of operations of the Institutional Shares.

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.

Investing in IPOs involves special risks such as limited liquidity and increased volatility.

The fund may invest in small capitalization (or "smallcap") companies. Small-cap companies may have less liquid stock, a more volatile share price, unproven track records, a limited product or service base and limited access to capital. The above factors could make small-cap companies more likely to fail than larger companies and increase the volatility of the fund's portfolio, performance and price. Suitable securities of small-cap companies also can have limited availability and cause capacity constraints on investment strategies for funds that invest in them.

Definitions

Alpha shows how much or how little return is generated, given the risk a portfolio takes. A portfolio with an alpha greater than 0 has earned more than expected given its beta—meaning the portfolio has generated excess return without increasing risk. A portfolio with a negative alpha is producing a lower return than would be expected given its risk.

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.

R-squared indicates what percentage of a portfolio's movement in performance is explained by movement in performance of the market. R-squared ranges from 0 to 100, and a score of 100 suggests that all movements of a portfolio's performance are completely explained by movements in the market as measured by the fund's benchmark.

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

Weighted median P/E (LTM—latest 12 months) is a ratio comparing share price to earnings per share using data from the previous 12 months.

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.

Russell 1000® Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000® represents approximately 92% of the U.S. market. The

Russell 1000® Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are reflected.

Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® Index companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics.

Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap® Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap® Index represents approximately 27% of the total market capitalization of the Russell 1000 companies.

S&P 500® Index is an unmanaged capitalization-weighted index of 500 stocks designated to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Indexes are unmanaged and cannot be invested in directly.

Ratings and rating agencies

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