

Federated Hermes Kaufmann IPO update

Investing in the Kaufmann funds can provide early access to promising growth companies.

U.S. IPO market update

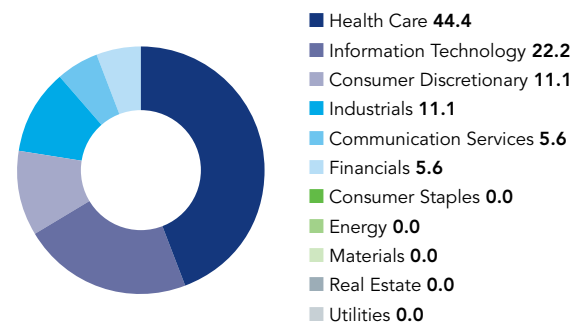
Initial public offerings (IPOs) are part of a healthy movement of capital into new, more productive growth channels. 2021 was the biggest year of U.S. IPO issuance by proceeds in history and the busiest year by deal count since 2000. In sharp contrast, just 18 companies went public in 1Q22, as the IPO market reflected investor caution toward growth stocks.

U.S. IPO activity — last five quarters

	1Q22	4Q21	3Q21	2Q21	1Q21
Number of deals	18	84	94	118	101
Proceeds raised (billions)	\$2.1	\$35.0	\$27.6	\$40.7	\$39.2
Median deal size (millions)	\$27.0	\$125.0	\$200.0	\$189.0	\$177.0

As of 3/31/22. Source: Renaissance Capital.

1Q22 sector breakdown (%)



As of 3/31/22. Source: Renaissance Capital. Breakdown by percent of IPOs. Total may not sum to 100 due to rounding.

Kaufmann IPO participation in 1Q22

Actively selective

- The Federated Hermes Kaufmann team looks for innovative companies that are long-term growth opportunities.
- One way they uncover new ideas is by participating in hundreds of IPO discussions each year.
- Strong ties to the IPO market gives the team an advantageous perspective when it comes to evaluating price and investing in potentially significant opportunities.
- The team's active IPO participation has provided Kaufmann investors early access to promising growth prospects that would be otherwise unavailable to most investors.

The team did not participate in 1Q22's quiet primary market. However, the IPO market continues to be a source of new ideas for the Kaufmann funds. As of 3/31/22, companies that were first purchased at IPO comprised the following percent of each Kaufmann fund:

- 49.59% of the Federated Hermes Kaufmann Small Cap Fund
- 21.91% of the Federated Hermes Kaufmann Fund
- 5.56% of the Federated Hermes Kaufmann Large Cap Fund

IPO outlook

- Looking ahead, the team sees opportunities to invest in growth at more attractive valuations in the 2022 IPO pipeline.
- Growth stocks tend to not need economic growth to sustain profits. This is especially true for proven, credible innovators with low debt, healthy free cash flow, wide competitive moats and years of runway for their products and services.
- Unlike IPOs in the past few years, innovative companies seeking to raise funds will enter a 2022 IPO market that is less impacted by exuberance and fear of missing out.
- A more volatile, risk-off market environment may allow the team to take advantage of mispriced growth opportunities.

The Kaufmann funds can provide early access to potentially significant growth opportunities — now at attractive valuations. Learn more by calling [1-888-400-7838](tel:1-888-400-7838).

As of 3/31/22.

IPO market data includes IPOs and direct listings with a market cap of at least \$50 million and excludes closed-end funds and SPACs.

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 [FederatedInvestors.com](https://www.federatedinvestors.com). Please carefully read the summary prospectus or prospectus before investing.

Please visit [FederatedInvestors.com](https://www.federatedinvestors.com) and click on the Characteristics tab for more information on the portfolio. Past performance is no guarantee of future results. For current performance, visit [FederatedInvestors.com](https://www.federatedinvestors.com).

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

Portfolio holdings are subject to change. Portfolio composition percentages are based on net assets at the close of business on the date indicated and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes. Because this a managed portfolio, the investment mix will change.

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.

Small company stocks may be less liquid and subject to greater price volatility than large capitalization stocks.