

Federated Hermes Kaufmann Small Cap Fund

6/30/20

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

\$6.3 billion

Ticker symbols

R6 Shares - FKALX

IS Shares - FKAIX

A Shares - FKASX

C Shares - FKCSX

R Shares - FKKSX

Key investment team

Hans Utsch

John Ettinger, CFA®

Stephen DeNichilo, CFA®

Barbara Miller

Tom Brakel, M.D.

Jonathan Art

Mark Bauknight

Steven Abrahamson

Vivian Wohl

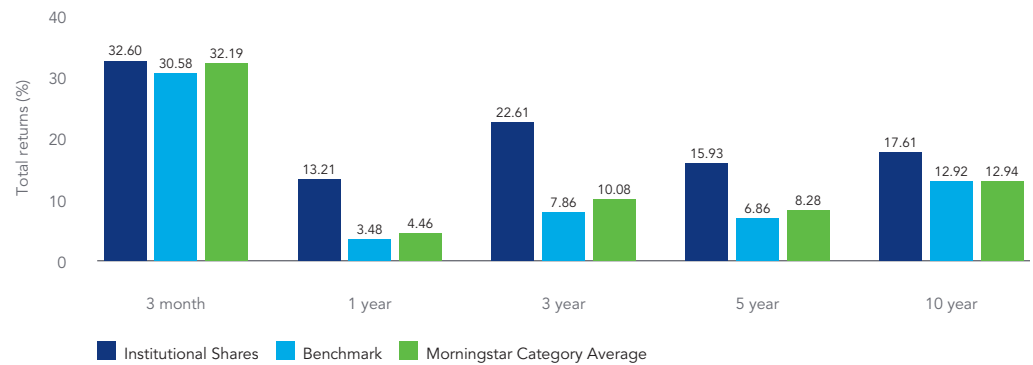
Fund description

The fund seeks to provide capital appreciation by investing primarily in securities of small companies. Utilizing an intensive, bottom-up security selection process, it 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	15 year	Since inception	Expense ratio*	
									Before waivers	After waivers
R6 Shares	32.57	8.89	13.22	22.58	15.75	17.52	11.58	14.95	0.95	0.90
Institutional Shares	32.60	8.88	13.21	22.61	15.93	17.61	11.63	14.98	1.03	0.91
A Shares (NAV)	32.46	8.64	12.70	22.05	15.45	17.37	11.48	14.87	1.53	1.37
A Shares (MOP)	25.18	2.68	6.50	19.77	14.15	16.70	11.06	14.50	1.53	1.37
Benchmark	30.58	-3.06	3.48	7.86	6.86	12.92	8.85	-	-	-



Calendar year returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Institutional Shares	34.58	7.40	38.46	6.27	4.98	5.66	40.35	21.27	-14.18	31.61
Benchmark	28.48	-9.31	22.17	11.32	-1.38	5.60	43.30	14.59	-2.91	29.09
Morningstar Category Average	27.68	-5.76	21.50	11.20	-2.41	2.44	40.91	13.15	-3.55	26.98

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 FederatedInvestors.com. 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 1/1/21 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 30-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.

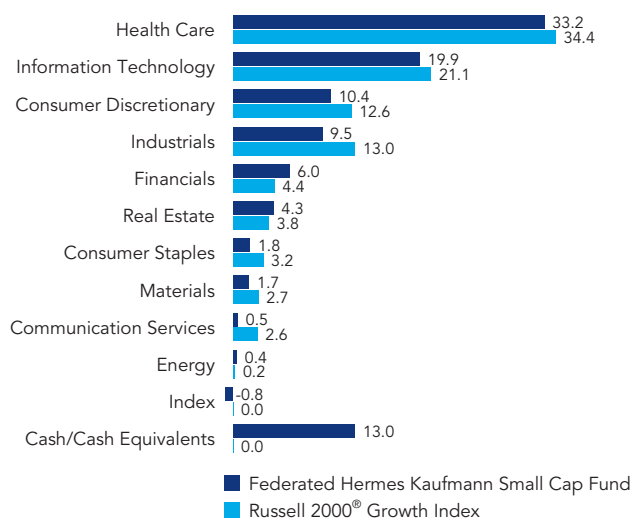
Portfolio statistics

Weighted median P/E (LTM)	59.8x
Weighted median P/E (NTM)	37.9x
Weighted median market cap	\$4.1 b
Number of securities	224
Annual portfolio turnover	24.4%

Top holdings (%)

Argenx SE	2.0
Ultragenyx Pharmaceutical, Inc.	1.7
Zai Lab Limited - ADR	1.4
Wingstop, Inc.	1.2
Alteryx, Inc.	1.1
Galapagos NV - ADR	1.1
Moderna, Inc.	1.1
Planet Fitness, Inc.	1.1
Galapagos NV	1.0
Ares Management Corporation	0.9
Total % of Portfolio	12.6

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 6/30/20 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 rebounded sharply during the quarter
- Investors continued their preference for growth stocks over value stocks
- Technology and Health Care stocks contributed to the fund's relative outperformance
- Stock selection drove the positive, relative performance for the fund

Looking back

During the second quarter of 2020, the U.S. economy and most significant westernized economies suffered from Covid-19-related government shutdowns of all activity for months causing economic devastation. The stimulus response by central banks as well as fiscal responses helped to soften the blow and allowed financial markets to rebound from a record sell-off in the first quarter. Global equities rallied back to near beginning-of-the-year-levels with the help of stimulus and the relative improvement of economic data in June with most states and countries either reopening or beginning the process of reopening. The U.S. equity markets rose sharply during the quarter led by mid-cap stocks represented by the Russell Midcap Index, up 31.15%, followed by small-cap stocks represented by the Russell 2000 Index, up 25.42%, followed by large-cap stocks represented by the Russell 1000 Index, up 21.82%. Finally, the S&P 500 Index was up 20.54% during the quarter. Mid-cap growth stocks outperformed mid-cap value stocks, a continuation of a multiyear trend.

During the quarter, the portfolio team added new or to existing positions of the following: Catalent, Inc. (new), Kratos Defense & Security (new), GoDaddy, Inc., Colfax Corp, Flir Systems (new) and Repligen.

Also during the quarter, the portfolio exited or reduced the following equity positions in pursuit of better opportunities: Moderna Inc., Coupa Software Inc., Ringcentral Inc., Atara Biotherapeutics and Crown Holdings.

Capital markets activities during the second quarter: The small cap fund participated in 21 IPOs, the following is a list of select IPO's during the quarter: Kingsoft Cloud Holdings, SelectQuote Inc, Inari Medical, Pliant Therapeutics, Legend Biotech Corporation, Shift4Payments, The AZEK company, Avidity Biosciences, and Akouos Inc.

Finally, the team was very active in the secondary equity markets as well, the fund participated in 27 secondary offers and the following are a select list of secondary offerings during the quarter: Grocery Outlet Holdings, VapoTherm Inc, Q2 Holdings, Dynavax Technologies, Fiverr International, QTS Realty Trust, Plural Sight Inc, DraftKings, Kratos Defense and Security, EDITAS medicine, and translate bio, inc.

Performance

Federated Hermes Kaufmann Small Cap Fund Institutional Shares returned 32.60% at NAV for the three months ended June 30, 2020. That compares with its benchmark, the Russell 2000 Growth Index, which returned 30.58% during the same period.

Performance contributors

- Stocks that made a positive contribution to performance included Moderna, Inc., Ultragenyx Pharmaceutical, Inc., Argenx SE, Wingstop Inc. and Etsy, Inc.

Performance detractors

- Stocks that detracted from performance: Luckin Coffee Inc., Ryman Hospitality Properties, Minerva Neurosciences, JBG Smith Propers and ProSight Global

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How we are positioned

As the U.S. economy continues into the second half of 2020, the economic data may be bottoming and beginning to recover. Uncertainty continues to plague economies, governments and citizens as the virus persists and threatens reopening. For many societies this level of economic chaos has not been seen since the end of the First World War and the Spanish flu epidemic. Despite those uncertainties, the Federated Hermes Kaufmann team continues to be focused on 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 71% of the portfolio invested in four sectors: Information Technology, Health Care, Consumer Discretionary and Industrials. The sector weightings of the portfolio is a byproduct of our bottom-up stock selection strategy with a team of sector-specialist portfolio managers. We seek to find companies that have company-specific catalysts for growth rather than develop macro themes to construct sector weightings. These sectors also have historically provided good opportunities for bottom-up growth investors.

See disclosure section for important disclosures and definitions.

Risk statistics

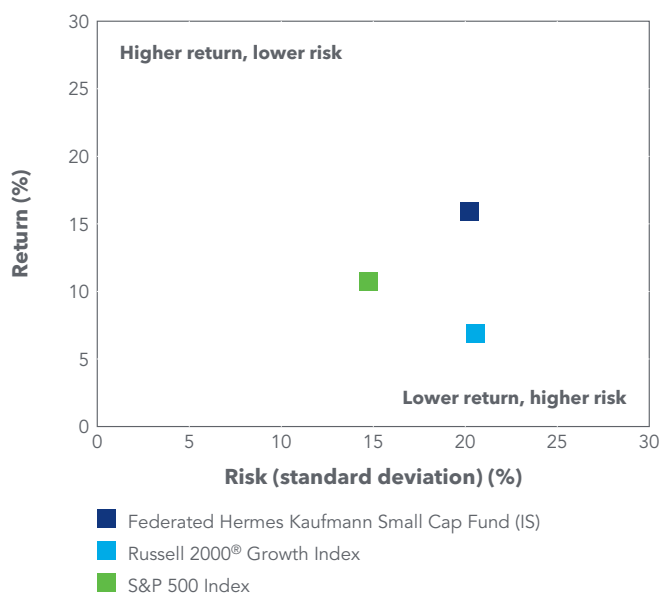
	3 year	5 year	7 year	10 year
Standard deviation	21.44	20.23	18.74	19.75
Alpha	13.45	8.66	7.95	4.69
Beta	0.90	0.93	0.93	0.97
R²	92.54	89.83	89.25	87.70

Sources: Federated Hermes

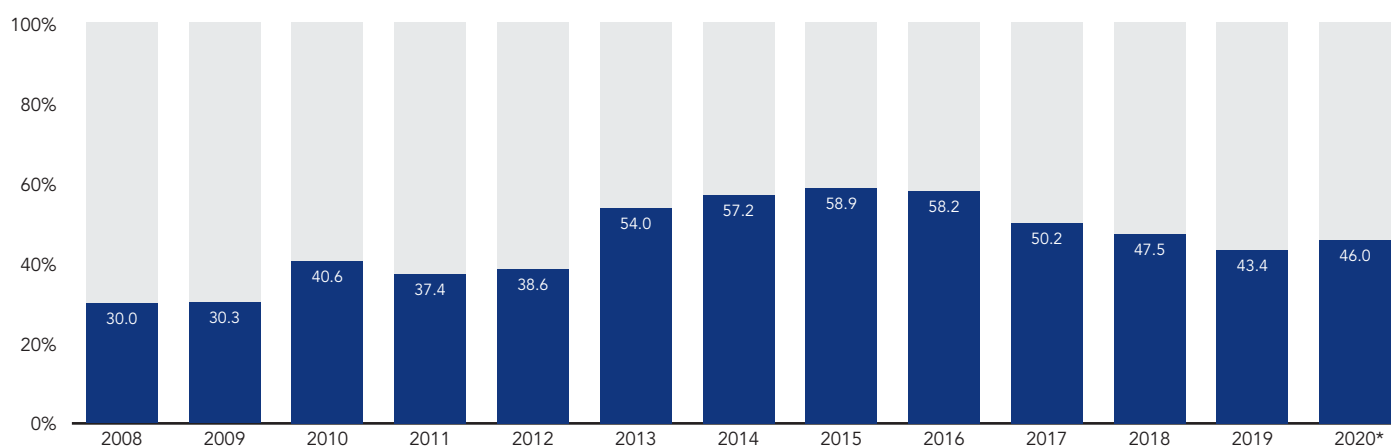
Morningstar, Inc. Fund vs. Russell 2000[®] Growth Index

See disclosure section for important definitions.

5 year risk/return



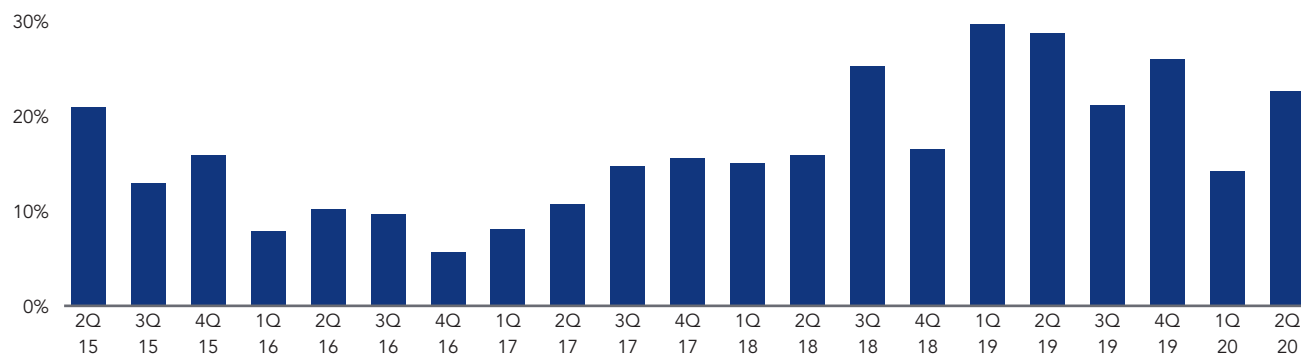
Percent of portfolio invested in IPOs



* As of 6/30/20

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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	18	7	5	4
	Morningstar Category Rank	106 of 625 Funds	–	–	–
IS Shares	Morningstar Category % Rank	18	6	5	4
	Morningstar Category Rank	107 of 625 Funds	38 of 577 Funds	–	–
A Shares	Morningstar Category % Rank	20	8	6	5
	Morningstar Category Rank	117 of 625 Funds	49 of 577 Funds	25 of 508 Funds	13 of 377 Funds

Lipper Small-Cap Growth Funds

		1 year	3 year	5 year	10 year
R6 Shares	Lipper Classification % Rank	17	–	–	–
	Lipper Classification Rank	104 of 621 Funds	–	–	–
IS Shares	Lipper Classification % Rank	17	6	–	–
	Lipper Classification Rank	105 of 621 Funds	32 of 573 Funds	–	–
A Shares	Lipper Classification % Rank	19	8	5	3
	Lipper Classification Rank	114 of 621 Funds	43 of 573 Funds	20 of 494 Funds	9 of 362 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 FederatedInvestors.com. Please carefully read the summary prospectus or the prospectus before investing.

As of June 29, 2020, the fund was renamed Federated Hermes Kaufmann Small Cap Fund.

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 IS Shares, the performance information shown is for the A Shares adjusted to reflect the expenses of the IS Shares for each year for which the expenses of the IS 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 IS 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 IS 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.

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

Definitions

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.

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 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 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.

Ratings and rating agencies

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