

Federated Hermes Kaufmann Small Cap Fund

12/31/20

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

\$9.8 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

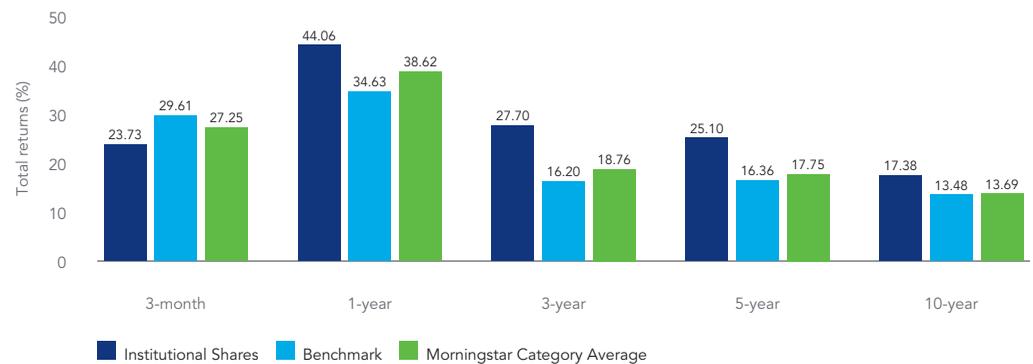
Fund description

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 | Since inception | Expense ratio* | |
|-----------------------------|---------|-------|--------|--------|--------|---------|-----------------|----------------|---------------|
| | | | | | | | | Before waivers | After waivers |
| R6 Shares | 23.72 | 44.07 | 44.07 | 27.71 | 24.91 | 17.29 | 16.30 | 0.94 | 0.90 |
| Institutional Shares | 23.73 | 44.06 | 44.06 | 27.70 | 25.10 | 17.38 | 16.32 | 1.04 | 0.91 |
| A Shares (NAV) | 23.58 | 43.41 | 43.41 | 27.10 | 24.53 | 17.11 | 16.20 | 1.52 | 1.37 |
| A Shares (MOP) | 16.78 | 35.54 | 35.54 | 24.73 | 23.13 | 16.45 | 15.83 | 1.52 | 1.37 |
| Benchmark | 29.61 | 34.63 | 34.63 | 16.20 | 16.36 | 13.48 | - | - | - |



Calendar year total returns (%)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|-------------------------------------|-------|-------|-------|-------|-------|-------|------|-------|-------|--------|
| Institutional Shares | 44.06 | 34.58 | 7.40 | 38.46 | 6.27 | 4.98 | 5.66 | 40.35 | 21.27 | -14.18 |
| Benchmark | 34.63 | 28.48 | -9.31 | 22.17 | 11.32 | -1.38 | 5.60 | 43.30 | 14.59 | -2.91 |
| Morningstar Category Average | 38.62 | 27.68 | -5.76 | 21.50 | 11.20 | -2.41 | 2.44 | 40.91 | 13.15 | -3.55 |

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 1/1/22 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.

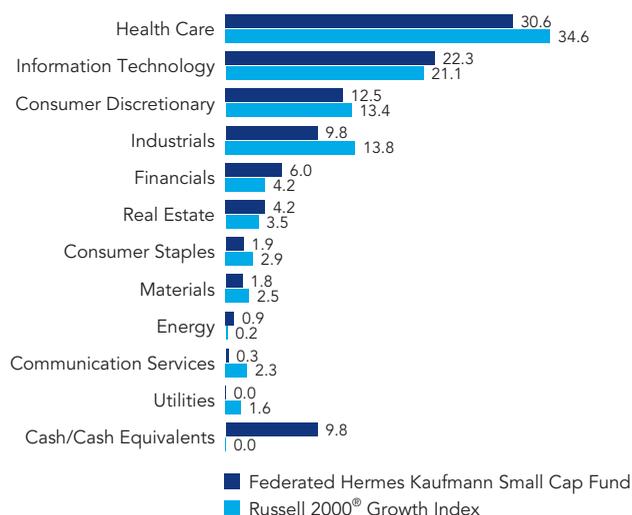
Portfolio statistics

| | |
|----------------------------|---------|
| Weighted median P/E (LTM) | 69.9x |
| Weighted median P/E (NTM) | 51.1x |
| Weighted median market cap | \$5.1 b |
| Number of securities | 295 |
| Annual portfolio turnover | 21.30% |

Top holdings (%)

| | |
|---------------------------------|------|
| Ultragenyx Pharmaceutical, Inc. | 2.0 |
| Argenx SE | 1.7 |
| Zai Lab Limited - ADR | 1.5 |
| Rapid7, Inc. | 1.1 |
| Natera, Inc. | 1.0 |
| Nuvei Corp. | 1.0 |
| Planet Fitness, Inc. | 1.0 |
| Q2 Holdings, Inc. | 1.0 |
| Mercury Systems, Inc. | 0.9 |
| YETI Holdings, Inc. | 0.9 |
| Total % of portfolio | 12.1 |

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 12/31/20 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 continued their ascent during the quarter
- Investors shifted their preference for value stocks over growth stocks, reversing a multiyear trend
- Cash levels and Health Care stocks contributed to the fund's relative underperformance
- Stock selection and sector weighting drove the negative, relative performance for the fund

Looking back

During the fourth quarter of 2020, the U.S. economy and most significant westernized economies continued their economic rebound after suffering from Covid-19-related government shutdowns that caused 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 and in the U.S. to all-time high levels with the help of stimulus and relative improvement of economic data throughout the summer with most states and countries either reopening or reducing restrictions. The U.S. equity markets rose sharply during the quarter led by small-cap stocks, represented by the Russell 2000 Index, up 31.36%, followed by the Russell Mid-Cap Index, up 19.91%, followed by large-cap stocks, represented by the Russell 1000 Index, up 13.69%, followed by the S&P 500, up 12.14% during the quarter. Mid-cap value stocks outperformed mid-cap growth stocks, a reversal of a multiyear trend.

During the third quarter, the portfolio team added to the portfolio new or to existing positions of the following: Arcturus Therapeutics Holding, Meltwaters Holding BV (new), Taylor Morrison Home Corp. (new), Plug Power, Inc. (new), Skillz Inc., Seeing Machines Ltd. (new), New Fortress Energy Inc., Montrose Environmental Group (new), Datto Holding Corp, Hydrofarm Holdings (new), Leslies Inc (new), Academy Sports & Outdoors (new), Gossamer Bio (new), Kape Technologies (new), STAG Industrial (new), Ideaya Biosciences (new) and Certara Inc. (new).

Also, during the quarter, the portfolio exited or reduced the following equity positions in pursuit of better opportunities: Parsons Corp (exited), Cardtronics (exited), Genpact (exited), Penumbra Inc. and Galapagos NV.

Capital markets activities during the quarter: The small-cap fund participated in 18 IPOs. The following is a list of select IPO's during the quarter: 4D Molecular Therapeutics Inc, 908 Devices, Inc., Abcam PLC, AbCellera Biologics, Academy Sports and Outdoors, Inc., Aligos Therapeutics, Allegro MicoSystems, Certara, Inc., Datto Holding Corp., GDS Holdings, Hydrofarm Holdings Group, Inc., Kinnate Biopharma, Leslies, Inc., Meltwater Holding BV, Neogames SA, Olema Pharmaceuticals, Pulmonx Corp, Seer Inc.

Finally, the fund participated in 22 secondary offers during the quarter. The following are a select list of these secondary offerings: Americold Realty Trust, Arcturus Therapeutics Holdings, Avrobio, Camtek, Ltd., DraftKings Inc., Global Fashion Group SA, Grow Generation Corp., Intellia Therapeutics, International Money Express Inc., Jamf Holding Corp., Kape Technologies, Montrose Environmental Group, NanString Technologies, New Fortress Energy, Inc., Plug Power Inc, Scholar Rock Holding Corp, STAG industrial, Stoke Therapeutics, Turning Point Therapeutics, Utragenyx Pharmaceutical Inc., Vital Farms.

Performance

Federated Hermes Kaufmann Small Cap Fund Institutional Shares returned 23.73% at NAV for the three months ended December 31, 2020. That compares with its benchmark, the Russell 2000 Growth Index, which returned 29.61% during the same period.

Performance contributors

- Stocks that made a positive contribution to performance: Utragenyx Pharmaceuticals, Zai Lab Ltd., SunPower Corp, Cerence Inc. and Yeti Holdings

Performance detractors

- Stocks that detracted from performance: Vital Farms, Inc., Galapagos NV, Limelight Networks, Tandem Diabetes Care, Inc. and Catabasis Pharmaceuticals

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](https://www.federatedinvestors.com).

How we are positioned

At the end of December 2020, many unknowns remained from the new composition of Washington D.C. to the distribution of the Covid-19 vaccine to the economic response to such a year as 2020. These themes amongst others are likely to persist throughout 2021 which could cause market uncertainty. However, the economic recovery has shown signs of a strong rebound and that momentum should continue as the year goes on. Despite the macro uncertainties the 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 75% of the portfolio invested in four sectors: Information Technology, Health Care, Consumer Discretionary 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. 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

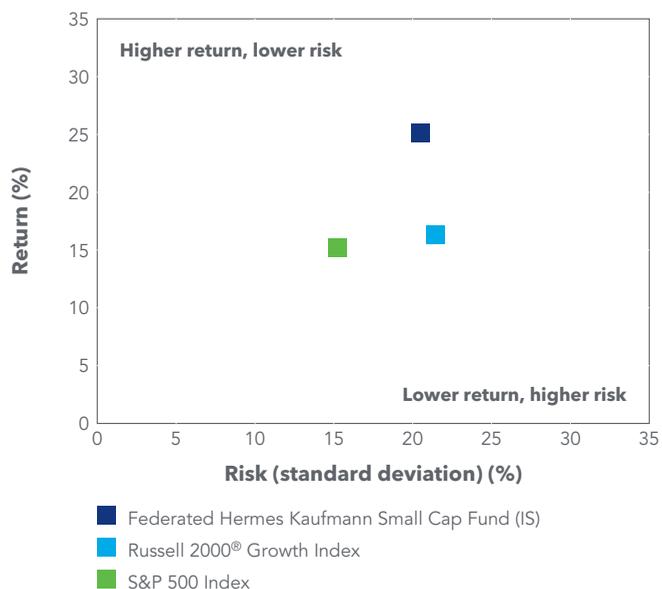
| | 3-year | 5-year | 7-year | 10-year |
|---------------------------|--------|--------|--------|---------|
| Standard deviation | 23.38 | 20.51 | 19.42 | 19.71 |
| Alpha | 10.94 | 8.64 | 7.04 | 4.01 |
| Beta | 0.89 | 0.91 | 0.92 | 0.96 |
| R² | 93.40 | 90.55 | 90.12 | 88.82 |

Sources: Federated Hermes, Morningstar, Inc.

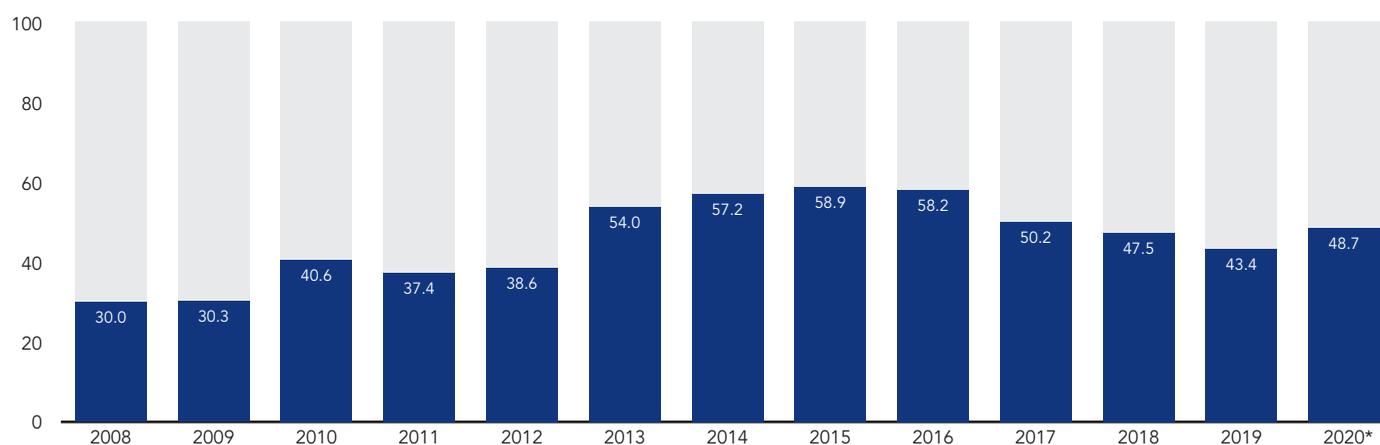
Fund vs. Russell 2000[®] Growth Index

See disclosure section for important definitions.

5-year risk/return



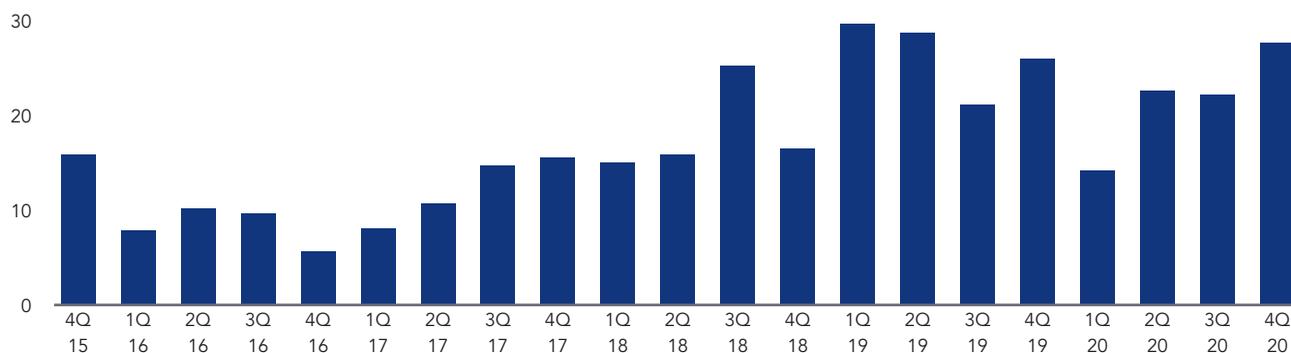
Percent of portfolio invested in IPOs (%)



* As of 12/31/20

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.

3-year rolling returns - IS (%)



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.

Category rankings

Morningstar Small Growth Category

| | | 1-year | 3-year | 5-year | 10-year |
|------------------|-----------------------------|------------------|-----------------|-----------------|-----------------|
| R6 Shares | Morningstar Category % Rank | 32 | 16 | 9 | 9 |
| | Morningstar Category Rank | 200 of 616 funds | 83 of 576 funds | – | – |
| IS Shares | Morningstar Category % Rank | 32 | 16 | 9 | 8 |
| | Morningstar Category Rank | 201 of 616 funds | 84 of 576 funds | 38 of 505 funds | – |
| A Shares | Morningstar Category % Rank | 33 | 17 | 11 | 9 |
| | Morningstar Category Rank | 212 of 616 funds | 93 of 576 funds | 52 of 505 funds | 30 of 381 funds |

Lipper Small-Cap Growth Funds

| | | 1-year | 3-year | 5-year | 10-year |
|------------------|------------------------------|------------------|-----------------|-----------------|-----------------|
| R6 Shares | Lipper Classification % Rank | 30 | 14 | – | – |
| | Lipper Classification Rank | 199 of 670 funds | 82 of 627 funds | – | – |
| IS Shares | Lipper Classification % Rank | 30 | 14 | 6 | – |
| | Lipper Classification Rank | 200 of 670 funds | 83 of 627 funds | 32 of 539 funds | – |
| A Shares | Lipper Classification % Rank | 32 | 15 | 9 | 7 |
| | Lipper Classification Rank | 210 of 670 funds | 92 of 627 funds | 46 of 539 funds | 26 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 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

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

Lipper Categories: Data Source: Lipper, A Reuters Company. Copyright 2021© Reuters. All rights reserved. Any copying, republication or redistribution of Lipper content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Lipper. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings over the past three years. If the fund is less than three years old, the category is based on the life of the fund. ©2021 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.