

Federated Kaufmann Small Cap Fund

4Q
2019

12/31/19

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

\$4.4 billion

Ticker Symbols

R6 Shares - FKALX
IS Shares - FKAIX
A Shares - FKASX
C Shares - FKCSX
R Shares - FKSX

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

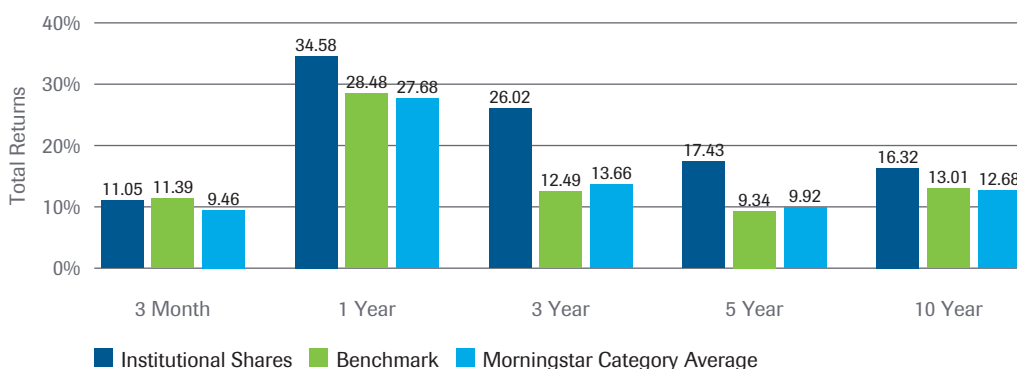
The fund seeks to provide capital appreciation by investing primarily in securities of small companies. Utilizing an intensive, bottom-up security selection process, it focuses on companies that exhibit positive growth characteristics.

Performance

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	11.05	34.61	34.61	25.90	17.25	16.23	10.95	14.84	0.95	0.90
Institutional Shares	11.05	34.58	34.58	26.02	17.43	16.32	11.01	14.87	1.03	0.91
A Shares (NAV)	10.93	33.97	33.97	25.45	17.00	16.11	10.87	14.77	1.53	1.37
A Shares (MOP)	4.83	26.60	26.60	23.11	15.68	15.45	10.45	14.39	1.53	1.37
Benchmark	11.39	28.48	28.48	12.49	9.34	13.01	8.81	-	-	-



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.

* 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.

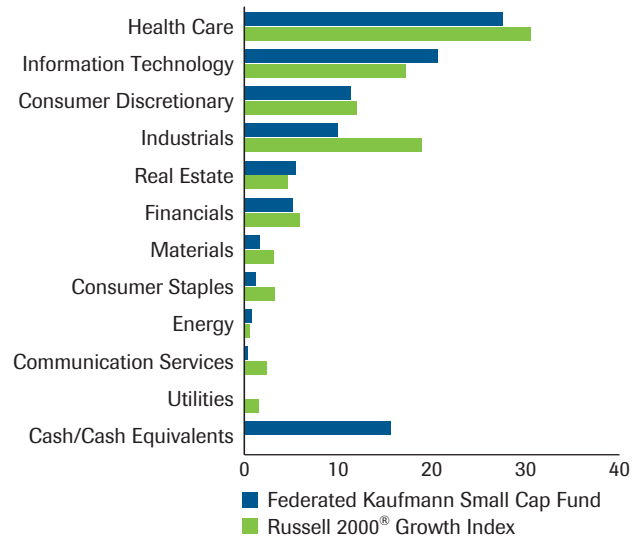
Portfolio Statistics

Weighted Median P/E (LTM)	41.2x
Weighted Median P/E (NTM)	29.7x
Weighted Median Market Cap	\$3.8 b
Number of Securities	221
Annual Portfolio Turnover	28.3%

Top Holdings (%)

Galapagos NV - ADR	1.6
Planet Fitness, Inc.	1.3
UniQure N.V.	1.3
Argenx SE - ADR	1.2
Galapagos NV	1.2
Ryman Hospitality Properties, Inc.	1.2
Ares Management Corp - A	1.1
Argenx SE	1.1
Mercury Systems, Inc.	1.0
Wingstop, Inc.	1.0
Total % of Portfolio	12.0

Sector Weightings (%)



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

Portfolio composition is based on net assets at the close of business on 12/31/19 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 were positive during the quarter
- Investors reverted back to their preference for growth stocks over value stocks
- Health Care sector stocks and high cash levels drove the fund's relative under performance

Looking Back

During the fourth quarter of 2019, the U.S. economy began to show signs of stabilization with stronger employment gains, stabilizing ISM data and strong consumer spending, which helped U.S. gross domestic product for the remainder of 2019. Global equity markets were improving as trade worries subsided and many global economies showed signs of improvement. The U.S. equity market's slightly positive performance was led by small-cap stocks, represented by the Russell 2000 Index, up 9.93% for the quarter, the S&P 500 Index, up by 9.06%, which was followed by large-cap stocks, represented by the Russell 1000 Index, up 9.03%, finally followed by mid-cap stocks, represented by the Russell Midcap Index, up by 7.05%. Mid-cap growth stocks outperformed mid-cap value stocks, a continuation of a multiyear trend.

During the quarter, the portfolio team added the following equity positions: Genpact Ltd. (new), Tetra Tech (new), SunPower Corp. (new), Scotts Co (new), MSA Safety (new) and Orchard Therapeutics.

Also during the quarter, the portfolio exited or reduced the following positions in pursuit of better opportunities: Focus Financial Partners (exited), Two Harbors Investment Co., Nektra Therapeutics (exited), nLight Inc. and GrubHub Inc.

Also of note, the fund participated in the following initial public offerings (IPOs) during the quarter: BILL.COM, Andlauer Healthcare, Tela Bio, Centogen and Frequency Therapeutics.

Finally, the fund team was very active in the secondary equity markets as well and participated in the following secondary offerings during the quarter: Contrafact Corp., Orthopediatrics Corp., Scynexis, Inc., Ryman Hospitality, Tufin Software, Clarivate Analytics, SunPower Corp., Performance Food Group Co., Crispr Therapeutics, Cushman and Wakefield, Yeti Holdings, Merus NV and Grocery Outlet.

Performance

Federated Kaufmann Small Cap Fund Institutional Shares returned 11.05% at NAV for the three months ended December 31 2019. That compares with its benchmark, the Russell 2000 Growth Index, which returned 11.38% during the same period.

Performance Contributors

- Stocks that made a positive contribution to performance included uniQure NV, Galapagos NV, ArQule Inc., argenx SE and Planet Fitness, Inc.

Performance Detractors

- Stocks that detracted from performance AnaptysBio, Etsy Inc., Beyond Meat Inc., Mercury Systems and GrubHub Inc.

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How We Are Positioned

As the U.S. economy enters 2020, the positive economic momentum over the last two years has shown signs of slowing but has stabilized. As economic data improved from the third quarter and global central banks remain accommodative, equities are well positioned going into 2020. While earnings have slowed, lower rates have supported valuation for equities until economic growth can reaccelerate. The Kaufmann team, however, continues to be focused in those companies that have little dependence on the economy, good or bad, to generate significant sales and earnings growth.

This quarter the fund had approximately 69% 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.

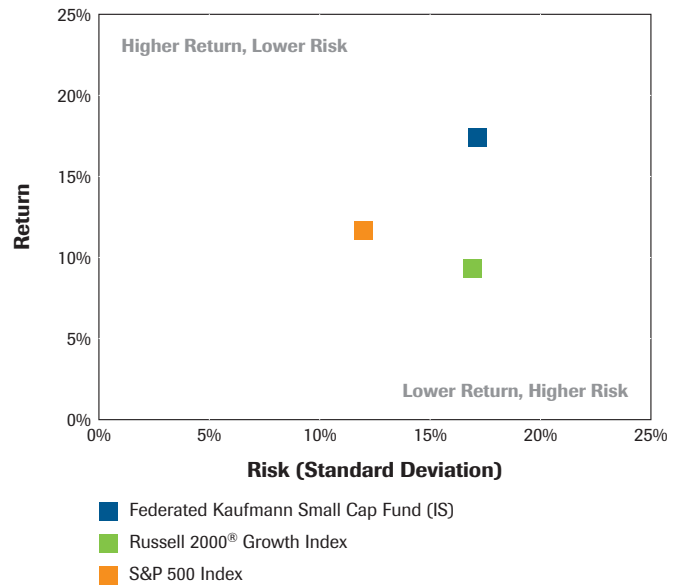
Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	15.58	17.14	16.50	18.56
Alpha	12.81	7.79	5.66	3.42
Beta	0.87	0.94	0.94	0.98
R ²	86.33	86.61	85.84	86.51

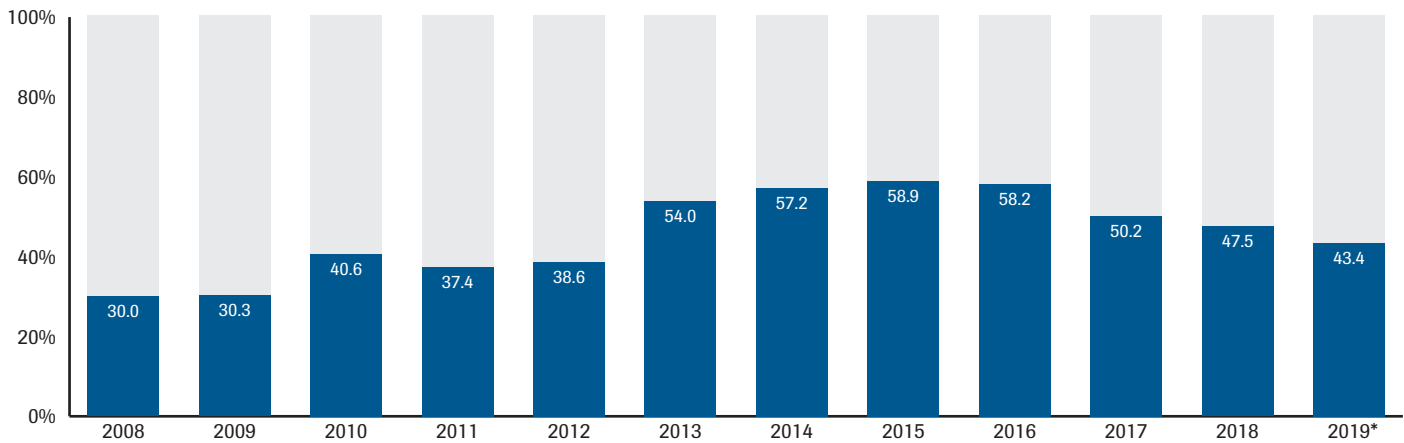
Sources: Federated Investors, Morningstar, Inc.
Fund vs. Russell 2000® Growth Index

See disclosure section for important definitions.

5-Year Risk/Return



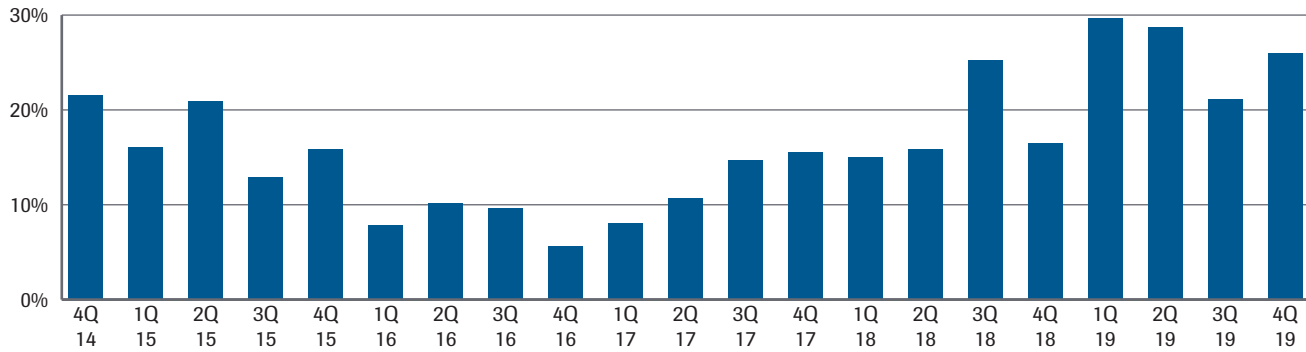
Percent of Portfolio Invested in IPOs



* As of 12/31/19

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3-Year Rolling Returns (IS)



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Category Rankings

Morningstar Small Growth Category

R6 Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	19	3	2	3
Morningstar Category Rank	142 of 640 Funds	-	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	19	2	1	3
Morningstar Category Rank	143 of 640 Funds	7 of 571 Funds	-	-
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	21	3	2	3
Morningstar Category Rank	161 of 640 Funds	10 of 571 Funds	6 of 505 Funds	11 of 379 Funds

Lipper Small-Cap Growth Funds

R6 Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	24	-	-	-
Lipper Classification Rank	147 of 630 Funds	-	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	24	1	-	-
Lipper Classification Rank	148 of 630 Funds	4 of 561 Funds	-	-
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	27	2	1	3
Lipper Classification Rank	165 of 630 Funds	7 of 561 Funds	3 of 489 Funds	8 of 372 Funds

Past performance is no guarantee of future results. Rankings are based on total return and do not take sales charges into account.

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.

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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