

Federated Hermes MDT Small Cap Core Fund

12/31/20

Fund facts

Performance inception date

9/15/05

Benchmark

Russell 2000® Index

Morningstar category

Small Blend

Lipper classification

Small-Cap Core Funds

Fund assets

\$827.0 million

Ticker symbols

R6 Shares - QLSCX

Institutional Shares - QISCX

A Shares - QASCX

C Shares - QCSCX

Key investment team

Daniel Mahr, CFA®

Frederick Konopka, CFA®

John Paul Lewicke

Damien Zhang, CFA®

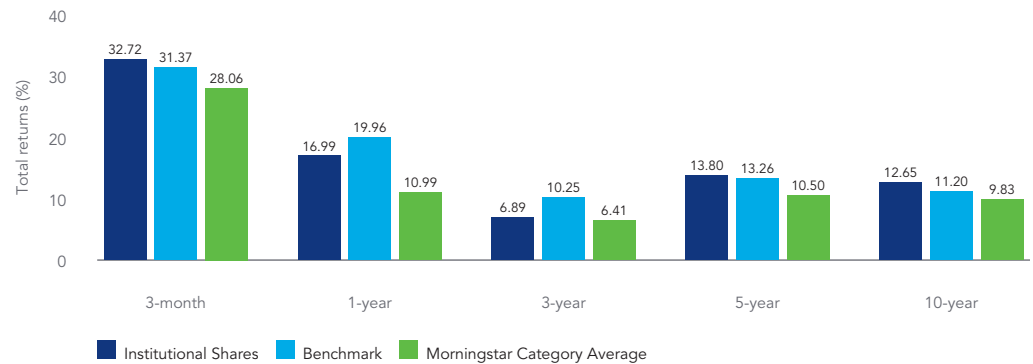
Fund description

The fund pursues long-term capital appreciation by investing in a diversified portfolio of U.S. small-cap companies from the Russell 2000 Index. Through a fundamentally based, bottom-up, systematic approach, the fund seeks to remove subjective and emotional influences from the stock-selection process.

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	32.71	16.99	16.99	6.89	13.78	11.96	5.53	0.96	0.88
Institutional Shares	32.72	16.99	16.99	6.89	13.80	12.65	7.97	1.06	0.89
A Shares (NAV)	32.64	16.74	16.74	6.64	13.53	12.37	7.72	1.45	1.14
A Shares (MOP)	25.36	10.30	10.30	4.64	12.26	11.74	7.32	1.45	1.14
Benchmark	31.37	19.96	19.96	10.25	13.26	11.20	-	-	-



Calendar year total returns (%)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Institutional Shares	16.99	18.06	-11.58	15.58	35.23	-3.20	3.15	46.16	20.35	-1.84
Benchmark	19.96	25.53	-11.01	14.65	21.31	-4.41	4.89	38.82	16.35	-4.18
Morningstar Category Average	10.99	23.75	-12.72	12.28	20.78	-5.38	3.79	37.39	15.46	-4.07

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 10/1/21 or the date of the fund's next effective prospectus.

Investment process

Fundamentally based research

Research identifies powerful combinations of classic fundamentals enhanced with behavioral signals that work across market environments.

Stock selection

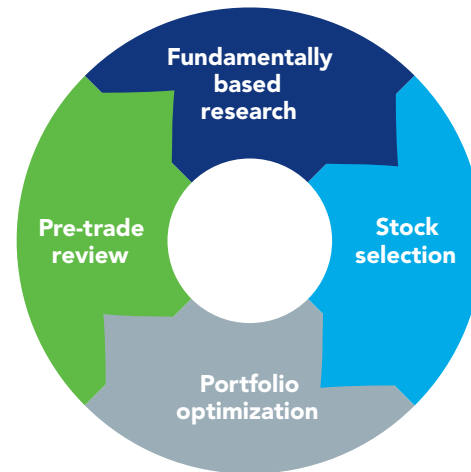
Stock alphas are forecasted based on each company's characteristics.

Portfolio optimization

Proprietary software is used to maximize portfolio alpha, net of trading costs, while managing risk.

Pre-trade review

All trades are reviewed to ensure they are based on the most recent and accurate information. Insights from pre-trade review provide important feedback to the team and inspire further research.



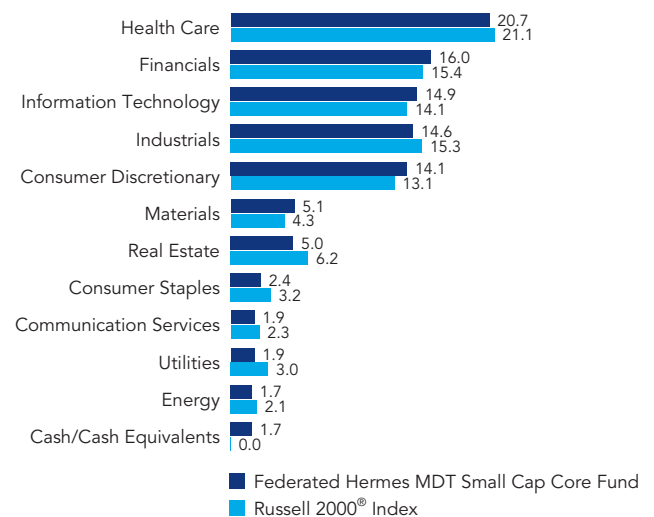
Portfolio statistics

Weighted median P/E (LTM)	23.3x
Weighted median P/E (NTM)	17.3x
Weighted median market cap	\$2.5 b
Weighted median price/book	4.0x
Number of securities	300

Top holdings (%)

TriNet Group, Inc.	1.7
Advanced Drainage Systems, Inc.	1.3
Artisan Partners Asset Management, Inc.	1.3
Selective Insurance Group, Inc.	1.3
Shockwave Medical Inc.	1.3
Commvault Systems, Inc.	1.2
YETI Holdings, Inc.	1.2
Macom Technology Solutions H	1.1
RMR Group, Inc./The	1.1
Varonis Systems, Inc.	1.1
Total % of portfolio	12.6

Sector weightings (%)



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

- Small-cap value stocks gained more than small-cap growth stocks
- Overweight of and favorable stock selection among stocks with prices not near 52-week highs but no need for high external financing contributed most to outperformance
- Fund ended quarter roughly sector-neutral to benchmark

Looking back

The fourth quarter of the year was a strong one for the domestic market as the Russell 3000 returned 14.68%. Stocks with smaller capitalizations led stocks with larger capitalizations: the Russell Microcap Index was the highest at 31.39% for the quarter, followed closely by the small-cap Russell 2000 at 31.37%. The Russell Midcap Index and the mega-cap Russell Top 200 Index trailed, at 19.91% and 14.68%, respectively.

The fine performance of the market during the fourth quarter can be attributed to the announcement that Covid-19 vaccines were approved for emergency use and vaccinations could begin for the highest risk cases. The market had been losing ground during the months of September and October on fears that prices were at bubble levels, and there was a preference for value over growth stocks in those months. Starting in November, however, good news from the vaccine trials buoyed the market and by December growth stocks were leading value stocks again. At the end of the quarter, 2020 had been the best calendar year for growth stocks relative to value stocks in the history of the Russell 3000 Growth and Russell 3000 Value indexes, with the former leading the latter by 35.39 percentage points with respective cumulative returns of 38.26% and 2.87%.

Performance

Federated Hermes MDT Small Cap Core Fund Institutional Shares returned 32.72% in the fourth quarter of 2020, outperforming the 31.37% return of its benchmark, the Russell 2000 Index.

Performance contributors

- Overweight of and favorable stock selection among stocks with prices not near 52-week highs but no need for high external financing
- Security selection in Health Care, Consumer Discretionary and Industrials sectors
- Strong performers overweighted by the fund: AnaptysBio, Inc., Steven Madden, Ltd. and Plantronics, Inc.

Performance detractors

- Overweight of and unfavorable stock selection among young, growth-oriented stocks with neutral to high analyst conviction and prices near 52-week highs
- Security selection in Financials and Consumer Staples sectors
- Weak performers overweighted by the fund: Atlas Air Worldwide Holdings, Inc., Silk Road Medical, Inc. and BJ's Wholesale Club Holdings, Inc.

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How we are positioned

The fund ended the fourth quarter roughly sector-neutral to the benchmark according to the GICS sectors. Within the sectors there were overweight positions in the Software & Services and insurance industries. There was an underweight position in the technology hardware & equipment industry. At the end of the period, the fund was tilted toward growth stocks.

See disclosure section for important disclosures and definitions.

Risk statistics

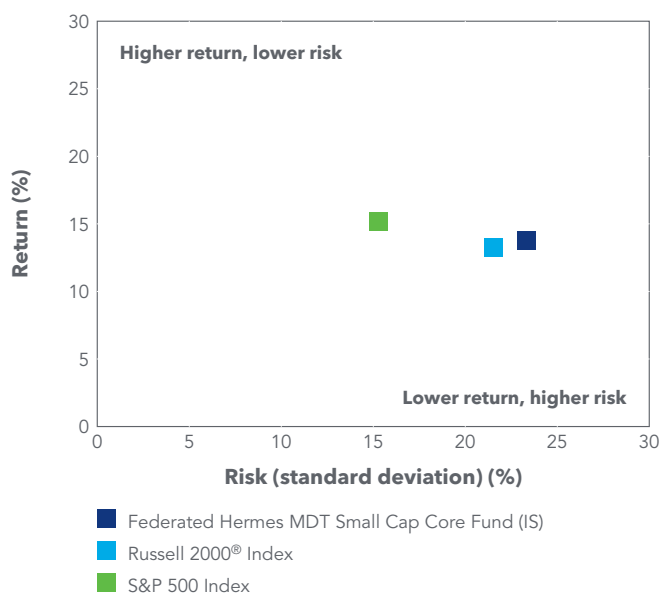
	3-year	5-year	7-year	10-year
Standard deviation	27.37	23.35	21.22	20.73
Alpha	-3.34	-0.07	0.05	0.75
Beta	1.06	1.07	1.05	1.08
Correlation	0.99	0.99	0.98	0.98
R²	98.76	97.57	96.55	96.35
Up capture ratio	99.75	106.01	103.54	107.04
Down capture ratio	110.04	106.89	103.50	103.90
Sharpe ratio	0.19	0.53	0.41	0.58
Tracking error	3.44	3.96	4.08	4.23

Sources: Federated Hermes, Morningstar, Inc.

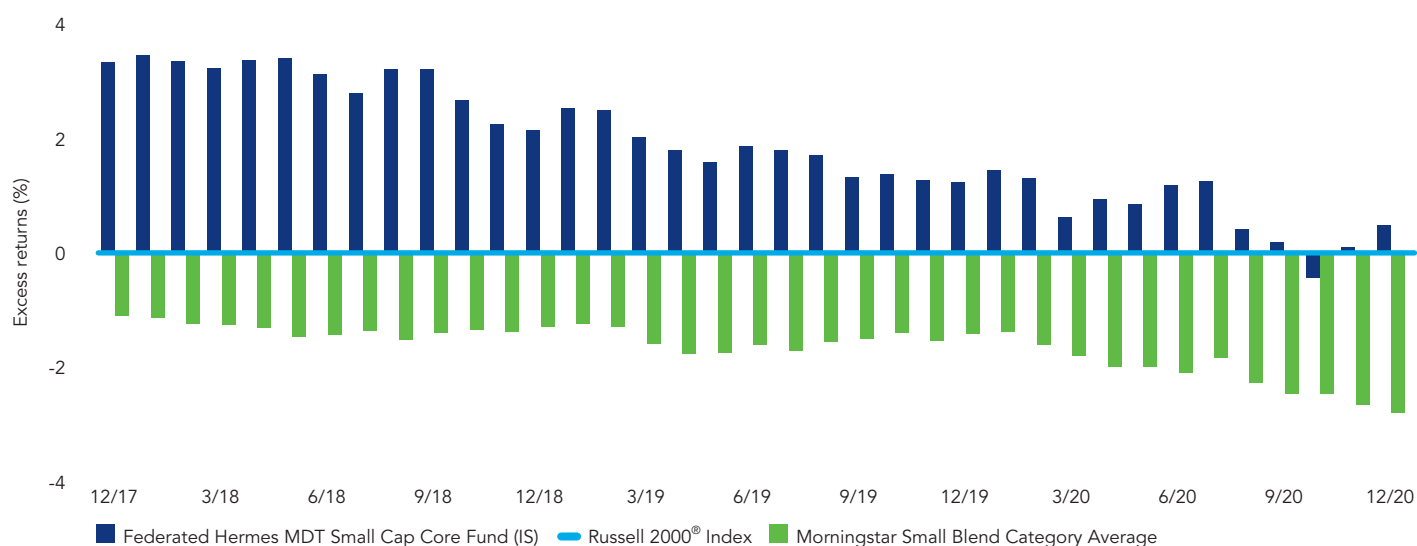
Fund vs. Russell 2000[®] Index

See disclosure section for important definitions.

5-year risk/return



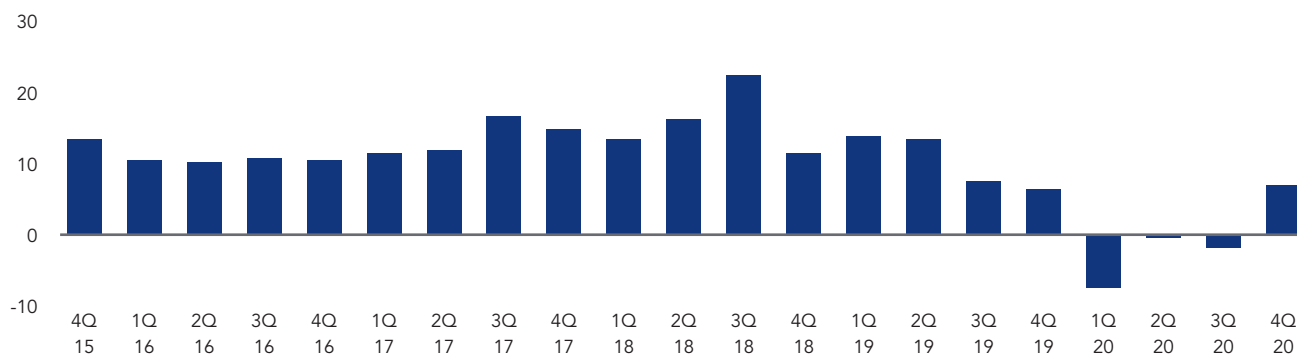
5-year rolling excess performance vs. Russell 2000[®] Index



Source: Morningstar, Inc. Performance for 5-year periods (1-month step) from 1/1/13 - 12/31/20. Returns are for IS Shares. Other classes of shares are available whose performance will vary due to different charges and expenses.

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3-year rolling returns - IS (%)



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Category rankings

Morningstar Small Blend Category

		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	27	49	5	2
	Morningstar Category Rank	176 of 671 funds	301 of 629 funds	–	–
IS Shares	Morningstar Category % Rank	27	49	5	2
	Morningstar Category Rank	175 of 671 funds	303 of 629 funds	24 of 517 funds	5 of 367 funds
A Shares	Morningstar Category % Rank	28	51	7	3
	Morningstar Category Rank	184 of 671 funds	320 of 629 funds	34 of 517 funds	13 of 367 funds

Lipper Small-Cap Core Funds

		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	21	36	–	–
	Lipper Classification Rank	185 of 899 funds	301 of 846 funds	–	–
IS Shares	Lipper Classification % Rank	21	36	5	2
	Lipper Classification Rank	185 of 899 funds	301 of 846 funds	36 of 726 funds	7 of 504 funds
A Shares	Lipper Classification % Rank	21	39	7	3
	Lipper Classification Rank	189 of 899 funds	328 of 846 funds	49 of 726 funds	13 of 504 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 MDT Small Cap Core 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 MDT Small Cap Core Fund.

The fund is the successor to MDT Small Cap Core Fund pursuant to a reorganization that took place on December 8, 2006. Prior to that date, the fund had no investment operations. Accordingly, the performance information shown for periods prior to that date is that of MDT Small Cap Core Fund.

The fund's R6 Shares commenced operations on June 30, 2016. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for the fund's Institutional Shares. The performance of the Institutional Shares has not been adjusted to reflect the expenses applicable to the R6 Shares since the R6 Shares have a lower expense ratio than the expense ratio of the Institutional Shares. The performance of the Institutional Shares have been adjusted to remove any voluntary waiver of the fund expenses related to the Institutional Shares that may have occurred during the period prior to the commencement of operations of the R6 Shares.

A word about risk

Mutual funds are subject to risks and fluctuate in value.

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

The quantitative models and analysis used by the fund may perform differently than expected and negatively affect fund performance.

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.

Correlation is the degree to which one variable (here, the fund's returns) fluctuates relative to another (the returns of the fund's benchmark). Correlation ranges from 1.00, when two variables move identically in the same direction, to -1.00, when two variables move identically in the opposite direction.

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.

Sharpe ratio is calculated by dividing a fund's annualized excess return by the fund's annualized standard deviation. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

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

Tracking error is the difference between a portfolio's returns and the benchmark or index it was meant to mimic or beat.

Up capture ratio/down capture ratio is a measure of how well a manager was able to replicate or improve on periods of positive benchmark returns and how badly the manager was affected by periods of negative benchmark returns. The up-market capture ratio is a measure of a manager's performance in up markets relative to the index during the same period. For example, a ratio value of 115 indicates that the manager has outperformed the market index by 15% in periods when the index has risen. The down-market capture ratio is the direct opposite of the up-market capture ratio, gauging performance of the manager relative to the index in down markets. A ratio value of 80 would indicate the manager had declined on 80% as much as the declining overall market, indicating relative outperformance.

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.

Weighted median price/book is a ratio comparing share price to book value or assets minus liabilities.

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.

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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