

Do your portfolio managers play well with others?

A look at Federated Hermes MDT's excess return correlation

Outperformance is valuable, but how managers interact within an investor's portfolio can be just as critical to achieving consistent, risk-adjusted returns. Federated Hermes MDT (MDT) funds haven't just outperformed — they've outperformed differently. Their consistently low excess return correlations with other active managers suggest they could be strong complements to your existing lineup.

Managers with low excess return correlation tend to "play well with others," meaning they provide diversification benefits by performing differently than other funds in a portfolio. This complementary performance can help smooth returns across market cycles. Want the full story? Request our in-depth analysis, "Seeking outperformance and smoother relative returns?"

What is excess return correlation?

Excess return correlation refers to the relationship between the excess returns (portfolio return minus benchmark return) of two or more portfolios. It indicates how similarly the portfolios performed, excluding beta.



MDT funds' excess returns have moved differently than most, providing the opportunity for true diversification

10-year average excess return correlations of MDT funds with other US active equity funds

MDT funds exhibited low excess return correlation with other active managers. This suggests MDT could enhance diversification — whether used alongside other managers in one asset class or across multiple asset classes.

Federated Hermes MDT fund	Morningstar Category (active funds only)					
	Large Blend	Large Growth	Large Value	Mid-Cap Growth	Small Blend	Small Growth
All Cap Core	0.02	0.11	0.05	-0.09	0.10	0.08
Large Cap Growth	0.01	0.14	0.00	-0.03	0.05	0.04
Large Cap Value	0.00	-0.03	0.04	-0.11	0.04	0.02
Mid Cap Growth	0.03	-0.02	0.04	-0.03	0.11	0.07
Small Cap Core	0.01	-0.02	0.04	-0.01	0.18	0.14
Small Cap Growth	0.04	-0.02	0.04	-0.02	0.21	0.18

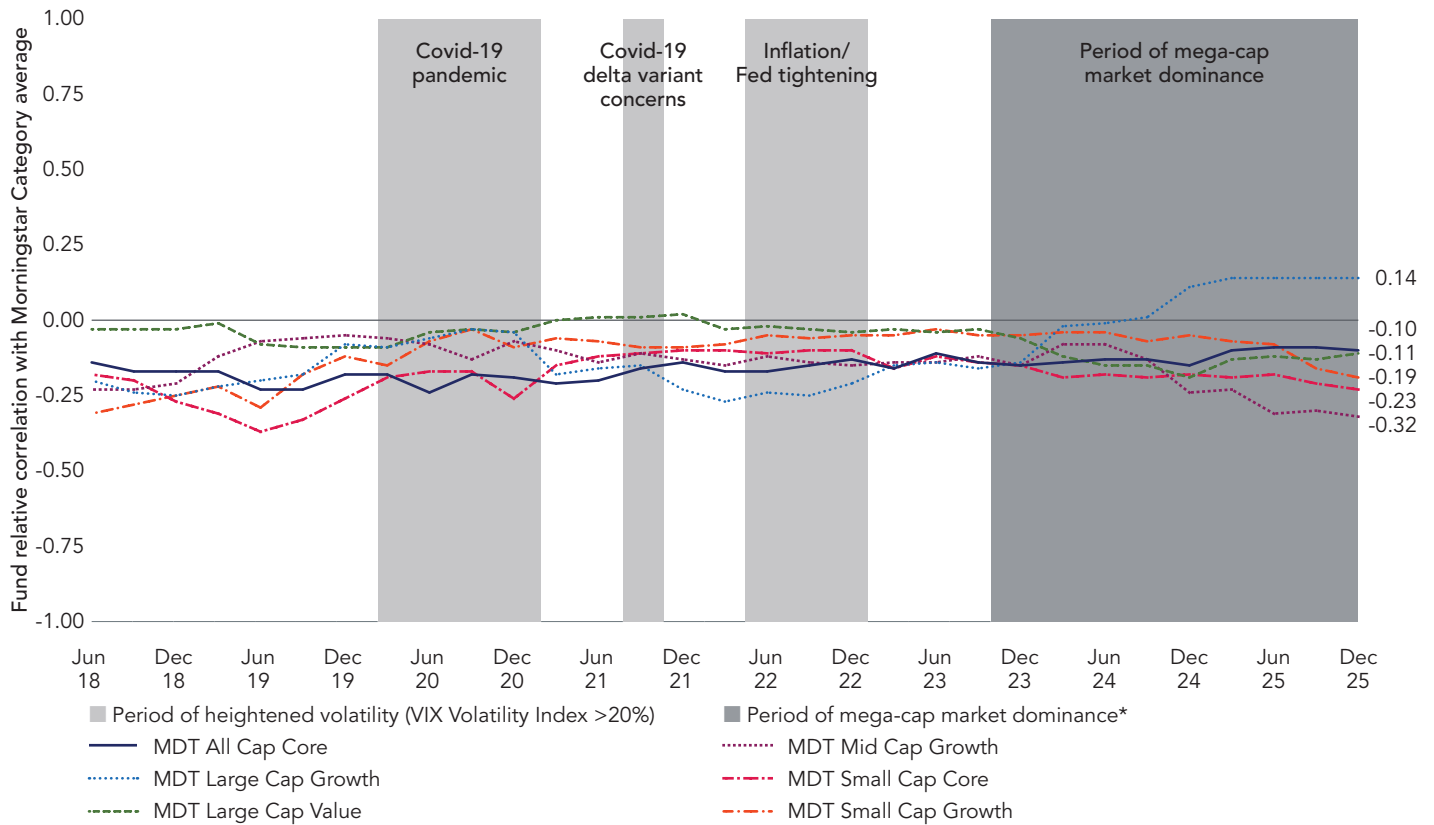
As of 12/31/25. Sources: Morningstar, Inc. and Federated Hermes, Inc. Based on monthly Institutional Share (IS) returns. To create the correlation matrix, we first calculated the correlation of each MDT fund's 10-year excess return stream with that of each active fund in the Morningstar Categories shown individually. Then, we segmented the correlations by Morningstar Category. Next, we calculated the averages. All MDT's excess returns were between 0.21 and -0.11, with more than 70% below or equal to 0.05. Only categories with an MDT long-only equity fund were analyzed.

Past performance 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. See page 3 for standard fund performance.

MDT's excess return correlations remained low over time

3-year rolling average relative excess return correlations of funds with Morningstar Category averages

It is often said that during a crisis, "all correlations go to 1" and everything sells off in lockstep. However, MDT funds' correlations remained generally lower than peer averages across market conditions. All MDT fund rolling spreads show how far under the average MDT funds were over time — even in periods of market stress or overconcentration.



As of 12/31/25. Sources: Morningstar, Inc., Federated Hermes, Inc.

Based on monthly IS returns. We calculated the 3-year excess return correlation of every active fund in the Morningstar Categories (as seen on page 1) with every one of their Morningstar Category active peers (including MDT funds), every quarter for the last seven years. Then, we calculated the quarterly average for each fund and Morningstar Category and compared them. Each data point represents the difference between the fund's 3-year average excess return correlation with peers (minus) the average excess return correlation of every active fund in the Morningstar Category with each of its peers over the same period.

Past performance is no guarantee of future results.

Why it matters: Differentiated returns that can complement your lineup

Federated Hermes MDT funds have a history of outperformance and differentiated excess returns that may help smooth relative returns and strengthen investors' portfolios.

MDT's repeatable, systematic process differs from traditional fundamental managers. At MDT Advisers, we:

- **Seek consistent alpha** by investing across companies with differing combinations of strengths
- **Strive to avoid unintended bets** by maintaining style and sector neutrality
- **Endeavor to adapt nimbly to changing markets** through daily stock scoring and trade optimization

This disciplined approach has resulted in distinct return patterns that can complement, not mimic, other managers.

A closer look at performance

Annualized total returns (%) and peer rankings as of 12/31/25

Federated Hermes mutual fund performance numbers in **bold** represent periods of outperformance vs. benchmark.

■ Rank 1-25 ■ Rank 26-50 ■ Rank 51-75 ■ Rank 76-100

Federated Hermes mutual fund	Ticker	Annualized total returns (%)				Morningstar % rank/# of funds in category				Expense ratio**	
		1-year	3-year	5-year	10-year	1-year	3-year	5-year	10-year	Gross	Net
MDT All Cap Core											
IS Shares	QIACX	20.24	24.86	17.04	16.25	10	8	3	1	0.92	0.75
A Shares (MOP)	QAACX	13.28	22.17	15.38	15.26	11	10	4	2	1.17	1.05
Benchmark: Russell 3000®	–	17.15	22.25	13.15	14.29	–	–	–	–	–	–
US Fund Large Blend	–	15.54	20.08	12.67	13.32	1,314	1,210	1,122	880	–	–
MDT Large Cap Growth											
IS Shares	QILGX	18.45	31.11	17.22	18.57	29	31	2	7	0.87	0.75
A Shares (MOP)	QALGX	11.65	28.35	15.61	17.61	33	33	2	8	1.11	1.00
Benchmark: Russell 1000® Growth	–	18.56	31.15	15.32	18.13	–	–	–	–	–	–
US Fund Large Growth	–	16.10	27.59	11.28	15.25	1,080	1,004	936	755	–	–
MDT Large Cap Value											
IS Shares	FMSTX	19.66	18.33	15.30	12.35	10	10	3	13	0.89	0.77
A Shares (MOP)	FSTRX	12.86	15.86	13.76	11.47	12	11	4	16	1.12	0.99
Benchmark: Russell 1000® Value	–	15.91	13.90	11.33	10.53	–	–	–	–	–	–
US Fund Large Value	–	14.97	13.88	11.66	10.74	1,107	1,059	995	832	–	–
MDT Mid Cap Growth											
IS Shares	FGSIX	9.86	23.16	11.67	14.97	30	7	3	5	0.97	0.85
A Shares (MOP)	FGSAX	3.51	20.50	10.09	14.00	32	8	3	6	1.30	1.15
Benchmark: Russell Midcap® Growth	–	8.66	18.64	6.65	12.49	–	–	–	–	–	–
US Fund Mid-Cap Growth	–	7.67	15.15	3.69	10.91	490	472	446	371	–	–
MDT Small Cap Core											
IS Shares	QISCX	14.13	16.48	9.62	11.69	11	8	20	7	0.99	0.89
A Shares (MOP)	QASCX	7.56	14.01	8.11	10.79	11	8	23	9	1.34	1.14
Benchmark: Russell 2000®	–	12.81	13.73	6.09	9.62	–	–	–	–	–	–
US Fund Small Blend	–	7.89	11.84	7.63	9.42	624	588	569	437	–	–
MDT Small Cap Growth											
IS Shares	QISGX	17.09	17.44	6.45	11.75	10	17	18	19	1.13	0.89
A Shares (MOP)	QASGX	10.35	14.95	4.99	10.83	11	18	19	22	1.41	1.14
Benchmark: Russell 2000® Growth	–	13.01	15.59	3.18	9.57	–	–	–	–	–	–
US Fund Small Growth	–	8.06	13.01	2.93	10.30	531	518	496	389	–	–

Morningstar peer group performance and percentile rankings use each fund's current Morningstar Category as of 12/31/25. Source: Morningstar, Inc. Rankings are based on total return and do not consider sales charges. Returns are for Institutional and A Shares. Other classes of shares are available, with performance that may vary due to different charges and expenses. Returns for periods longer than one year are annualized.

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 FederatedHermes.com/us. 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.

Not all funds shown are offered on all intermediary programs. Consult with your Federated Hermes representative about availability.

Investment professionals: Contact your Federated Hermes relationship consultant or call 1-888-400-7838 to see how MDT can complement your current manager lineup.

Do your portfolio managers play well with others?



*Mega-cap market dominance refers to the Magnificent 7 stocks (Apple, Inc., Amazon.com, Inc., Alphabet, Inc., Meta Platforms, Inc., Microsoft Corp., NVIDIA Corp. and Tesla, Inc.) and their high concentration in the S&P 500®, which ranged from 27.4% to 34.8% on a quarterly basis from 6/30/23 to 12/31/25.

**The funds' expense ratios are from their most recent prospectuses. Expense ratios may reflect voluntary fee waivers and/or expense reimbursements determined by the funds' Advisor and affiliates. The voluntary waivers and/or reimbursements, if applicable, are in effect up to but not including the later of each fund's next effective prospectus or 10/1/26 for MDT All Cap Core Fund, Large Cap Growth Fund, Small Cap Core Fund, Small Cap Growth Fund, 1/1/27 for MDT Large Cap Value Fund and Mid Cap Growth Fund.

For more complete information, visit FederatedHermes.com/us or contact your Federated Hermes sales professional for summary prospectuses or prospectuses. You should consider the fund's investment objectives, risks, charges, and expenses carefully before you invest. Information about these and other important subjects is in the fund's summary prospectus or prospectus which you should read carefully before investing.

All analysis was based only on actively managed non-index funds in each Morningstar Category for which a Federated Hermes MDT long equity fund exists.

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. ©2026 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.

The MDT Large Cap Value Fund is the successor to the Federated MDT Large Cap Value Fund pursuant to a reorganization completed on December 8, 2017. The predecessor fund is both the tax and accounting survivor of the reorganization. The performance information, including information on fees and expenses and financial information provided above for periods prior to December 8, 2017, is historical information for the predecessor fund. The predecessor fund's A Shares commenced operations on May 1, 2014. The predecessor fund's IS Shares commenced operations on January 29, 2010. For the periods prior to the commencement of operations of the predecessor fund's A and IS Shares, the performance information is that of the predecessor fund's SS Shares. The performance of the SS Shares has not been adjusted, except for sales charges, to reflect the expenses applicable to the A Shares since the A Shares have the same net expense ratio as the SS Shares. The performance of the SS Shares has also not been adjusted to reflect the expenses applicable to the IS Shares since the IS Shares have a lower expense ratio than the expense ratio of the SS Shares.

A word about risk

Growth stocks tend to have higher valuations and thus are typically more volatile than value stocks. Growth stocks also may not pay dividends or may pay lower dividends than value stocks.

Large-cap companies may have fewer opportunities to expand the market for their products or services, may focus their competitive efforts on maintaining or expanding their market share, and may be less capable of responding quickly to competitive challenges. The above factors could result in the share price of large-cap companies lagging the overall stock market or growth in the general economy, and, as a result, could have a negative effect on the fund's portfolio, performance and share price.

Mid-capitalization companies often have narrower markets and limited managerial and financial resources compared to larger and more established companies.

Small-cap companies may have less liquid stock, a more volatile share price, unproven track records, a limited product or service base and limited access to capital. The above factors could make small-cap companies more likely to fail than larger companies and increase the volatility of the fund's portfolio, performance and share price. Suitable securities of small-cap companies also can have limited availability and cause capacity constraints on investment funds for funds that invest in them.

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

Diversification does not assure a profit nor protect against loss.

Investing in equities is speculative and involves substantial risk.

The value of equity securities in the fund's portfolio will fluctuate and, as a result, the fund's share price may decline.

Equity securities may decline in value because of an increase in interest rates or changes in the stock market.

Value stocks tend to have higher dividends and thus have a higher income-related component in their total return than growth stocks. Value stocks also may lag growth stocks in performance, particularly in late stages of a market advance.

Because the funds may allocate relatively more assets to certain industry sectors than others, performance may be more susceptible to any developments which affect those sectors emphasized.

Mutual funds are subject to risks and fluctuate in value.

Definitions

Alpha is a measure of excess performance.

Beta analyzes the market risk of a fund by showing how responsive the fund is to the market. The beta of the market is 1.00. Accordingly, a fund with a 1.10 beta is expected to perform 10% better than the market in up markets and 10% worse in down markets. Usually the higher betas represent riskier investments.

Correlation measures from how close two data series are to having a linear relationship from -1 to +1. In the context of manager performance, a correlation of +1 means they move in lockstep, offering no diversification. A -1 correlation means they move in opposite directions, potentially canceling each other out.

Russell 3000® Index: Measures the performance of the 3,000 largest US companies based on total market capitalization, which represents approximately 98% of the investable US equity market.

Russell 1000® Growth Index: Measures the performance of the large-cap growth segment of the US equity universe. The index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment.

Russell 1000® Value Index: Measures the performance of the large-cap value segment of the US equity universe. The index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment.

Russell 2000® Index: Measures the performance of the small-cap segment of the US equity universe. The index is constructed to provide a comprehensive and unbiased small-cap barometer.

Russell 2000® Growth Index: Measures the performance of the small-cap growth segment of the US equity universe. The index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment.

Russell Midcap® Growth Index: Measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000® Growth Index.

Indexes are unmanaged and cannot be invested in directly.