For market neutral, correlations matter

Federated Hermes MDT Market Neutral Fund

December 31, 2025

Ticker — IS: QQMNX | A: QAMNX

The Federated Hermes MDT Market Neutral Fund employs a quantitative model to invest in companies within the Russell 3000® Index universe, and it targets returns that are uncorrelated to market direction, i.e., a zero beta. Federated Hermes MDT Advisers (MDT), which began managing the fund in September 2021, has been managing market neutral portfolios for more than 25 years.

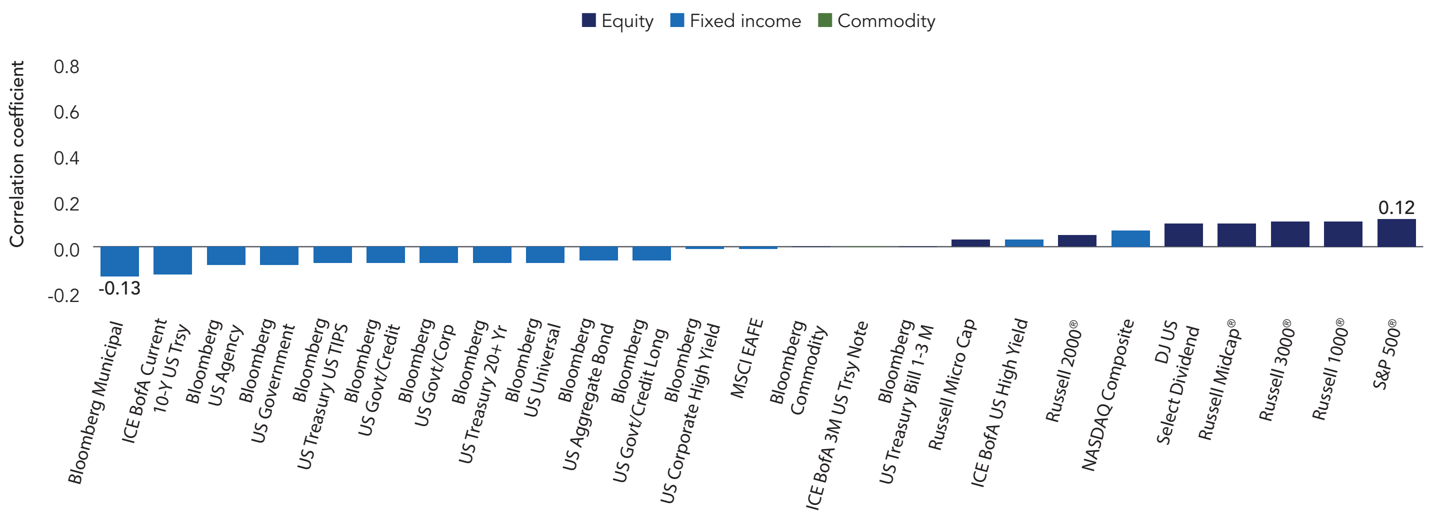
What level of correlation typically indicates a systematic relationship between two asset classes?

- A systematic relationship between two asset classes is typically indicated by a high positive (or negative) correlation, measured on a scale from -1 to +1:
  - **+1:** Perfect positive correlation, meaning the two asset classes have moved in exactly the same direction over a specified period.
  - **0:** No correlation, meaning the movements of the two asset classes are completely unrelated.
  - **-1:** Perfect negative correlation, meaning the two asset classes have moved in exact opposite directions over a specified period.
- A correlation coefficient above +0.7 generally suggests a strong positive relationship, indicating that the asset classes tend to move together systematically. Conversely, a correlation below -0.7 indicates a strong negative relationship, where the asset classes move in opposite directions.
- A correlation coefficient between +0.3 and +0.7 generally suggests a reasonably positive relationship, indicating that the asset classes generally tend to move together systematically but to a more modest extent. Conversely, a correlation between -0.3 and -0.7 indicates a more modest negative relationship, where the asset classes move in opposite directions.
- A correlation coefficient between +0.3 and -0.3 indicates low to no relationship exists between asset classes — their performance is largely independent of each other.

Thus, the closer the correlation coefficient gets to +1.0 or -1.0, the stronger the relationship — positive or negative — between two assets.

Exhibit 1: Correlation of Federated Hermes MDT Market Neutral Fund (QQMNX) returns 1/1/22-12/31/25

Over the four plus years that MDT has managed the fund, correlations with major indexes have ranged from -0.13 to 0.12.



Source: Morningstar, Inc., Federated Hermes, Inc. Federated Hermes Market Neutral Fund IS daily returns used for correlations.

Performance for other share classes will vary due to differences in expenses.

Past performance is no guarantee of future results.

Seeking returns independent of market direction

The fund generated strong positive total returns uncorrelated to market direction in different market environments. It has continued to demonstrate its investment process by generating strong returns with low correlations to major market indexes.

Prior to 9/24/21, the fund was managed by a different firm using a different process.

Average annual total returns (%) as of 12/31/25

								Expense ratio (%)*		
NAV	Performance inception	Cumulative 3-month	1-year	3-year	5-year	10-year	Since inception	Before waivers	After waivers	Net expenses
IS	9/30/08	4.21	10.27	10.82	12.87	7.54	6.85	2.11	2.11	1.05
A	9/30/08	4.12	10.00	10.56	12.70	7.37	6.64	2.36	2.36	1.30
Benchmark: ICE BofA US 3-Month Treasury Bill Index	–	0.97	4.18	4.81	3.17	2.18	–	–	–	–
Maximum offering price										
A	9/30/08	-1.62	3.97	8.48	11.43	6.77	6.3	2.36	2.36	1.30

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.

The fund is the successor to the Hancock Horizon Quantitative Long/Short Fund (the "Predecessor Fund") pursuant to a reorganization involving the fund and the Predecessor Fund which occurred on 9/24/21. The Predecessor Fund is both the tax and accounting survivor of the reorganization. Prior to the date of the reorganization, the fund had no investment operations. Accordingly, the performance information, including information on fees and expenses and financial information provided in this prospectus for periods prior to the reorganization (the fund's commencement of operations) is historical information for the Predecessor Fund. **The Predecessor Fund pursued different investment strategies than the fund, so the performance of the fund is likely to differ post-reorganization. References to the fund throughout should be read to include the Predecessor Fund, unless otherwise noted.**

***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/or its affiliates. The voluntary waivers and/or reimbursements, if applicable, are in effect up to but not including the later of 3/1/27 or the date of the fund's next effective prospectus. The expense ratio includes Dividends and Other Expenses Related to Short Sales. If Dividends and Other Expenses Related to Short Sales were excluded, the total net expenses for A and IS Shares would have been 1.30% and 1.05%, respectively.**

Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a summary prospectus or prospectus containing this and other information, contact us or visit FederatedHermes.com/us. Please carefully read the summary prospectus or the prospectus before investing.

A word about risk

Mutual funds are subject to risks and fluctuate in value.

There is no guarantee that the use of long and short positions will succeed in limiting the fund's exposure to domestic stock market movements, capitalization, sector-swings or other risk factors.

The fund may make short sales of securities, which involves unlimited risk including the possibility that losses may exceed the original amount invested.

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.

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

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 price. Suitable securities of small-cap companies also can have limited availability and cause capacity constraints on investment strategies for funds that invest in them.

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.

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.

The fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional instruments.

Diversification does not assure a profit nor protect against a loss.

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Definitions

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 measures the similarity between two return series on a scale of -1.0 to +1.0. Assets with a correlation of 1.0 are perfectly correlated, -1.0 demonstrates negative correlation and 0.0 indicates the absence of correlation.

Bloomberg Commodity Index is a broadly diversified commodity price index that tracks the prices of futures contracts on physical commodities traded in the commodity markets.

Bloomberg US Aggregate Bond Index is an unmanaged index composed of securities from the Bloomberg Government/Corporate Bond Index, Mortgage-Backed Securities Index and the Asset-Backed Securities Index.

Bloomberg US Corporate High Yield Index is a benchmark that measures the performance of U.S. dollar-denominated, non-investment-grade corporate bonds.

Bloomberg US Treasury 20+ Year Bond Index is part of Bloomberg global family of government bonds iindexes. The index measures the performance of the U.S. Treasury bond market with maturities greater than 20 years, using market capitalization weighting and a standard rule-based inclusion methodology.

Bloomberg US Treasury Inflation-Linked Bond Index is a benchmark that measures the performance of U.S. Treasury Inflation-Protected Securities (TIPS) issued by the U.S. government.

Bloomberg US Long Government/Credit Index is a benchmark index that measures the performance of investment-grade US government and corporate debt. The debt must be denominated in US dollars, have a fixed rate and have at least ten years to maturity.

Bloomberg US Government Bond Index is a market value weighted index of US government and government agency securities (other than mortgage securities) with maturities of one year or more.

Bloomberg Government/Corporate Index includes a mix of government and corporate bonds, providing a comprehensive benchmark for tracking the performance of these fixed income securities.

Bloomberg US Government/Credit Index is a broad-based benchmark that measures the performance of the non-securitized component of the US Aggregate Index. This index includes investment-grade, US dollar-denominated, fixed-rate Treasuries, government-related and corporate securities. It is designed to provide a comprehensive view of the US government and credit bond markets.

ICE BofA US High Yield Index tracks the performance of US dollar-denominated, below investment grade-rated corporate debt publicly issued in the US domestic market. This index includes bonds that are rated below investment grade by major rating agencies like Moody's, S&P and Fitch. It is widely used as a benchmark for the high-yield bond market, providing insights into the performance and yield of these riskier debt securities.

Bloomberg Municipal Bond Index is a market-value-weighted index for the long-term tax-exempt bond market. To be included in the index, bonds must have a minimum credit rating of Baa. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990 and must be at least one year from their maturity date.

Bloomberg US Agency Index measures the performance of the US agency sector, which includes debt issued by US government agencies, such as Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. This index is part of the broader Bloomberg Fixed Income Indices and provides a benchmark for the performance of agency securities in the US market.

Bloomberg US Treasury Bills 1-3 Month Index is a component of the Short Treasury Index. The Bloomberg Short Treasury Index includes aged U.S. Treasury bills, notes and bonds with a remaining maturity from one up to (but not including) 12 months. It excludes zero coupon strips.

Bloomberg US Universal Index is an index that represents the union of the US Aggregate Index, US Corporate High-Yield, Investment-Grade 144A Index, Eurodollar Index, US Emerging Markets Index and the non-ERISA eligible portion of the CMBS Index. The index covers USD-denominated, taxable bonds that are rated either investment grade or below investment grade.

Dow Jones US Select Dividend Index is defined as all dividend-paying companies in the Dow Jones U.S. Total Market Index that have a non-negative, historical, five-year dividend-per-share growth rate, a five-year average dividend earnings-per-share ratio of less than or equal to 60% and three-month average daily trading volume of 200,000 shares. Current index components are included in the universe regardless of their dividend payout ratio. The Dow Jones U.S. Total Market Index is a rules-governed, broad-market benchmark that represents approximately 95% of the US market capitalization.

ICE BofA US 3-Month Treasury Bill Index is composed of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date.

ICE BofA US 10-Year Treasury Index tracks the performance of US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury with a remaining maturity of approximately 10 years. This index is part of the broader family of ICE BofA indices, which are widely used benchmarks in the fixed income market.

MSCI EAFE Index represents the performance of large- and mid-cap securities across 21 developed markets, excluding the US and Canada.

NASDAQ Composite Index is a stock market index that includes almost all stocks listed on the NASDAQ stock exchange. It is one of the most widely followed indexes in the world and is known for its high concentration of technology and internet-based companies. The index includes over 3,000 companies, ranging from large-cap to small-cap stocks.

Russell 1000® Index measures the performance of the large-cap segment of the US equity universe. It is a subset of the Russell 3000® Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000® Index represents approximately 92% of the US 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® Index measures the performance of the smallest 2,000 companies in the Russell 3000® Index.

Russell 3000® Index measures the performance of the largest 3,000 US companies, representing approximately 98% of the investable US equity market.

Russell Microcap® Index measures the performance of the microcap segment of the US equity market. Microcap stocks make up less than 2% of the US equity market (by market cap, as of the most recent reconstitution) and consist of the smallest 1,000 securities in the small-cap Russell 2000® Index, plus the next 1,000 smallest eligible securities by market cap.

Russell Midcap® Index measures the performance of the mid-cap segment of the US equity universe. It is constructed to provide a comprehensive and unbiased barometer of the mid-cap market. The index is reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap market.

S&P 500® is an unmanaged capitalization-weighted index of 500 stocks designed 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.

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