

# Federated Hermes MDT Mid Cap Growth Fund



Nasdaq symbol — R6: FGSKX | IS: FGSIX | A: FGSAX

## Combining factors to produce alpha potential

December 31, 2023

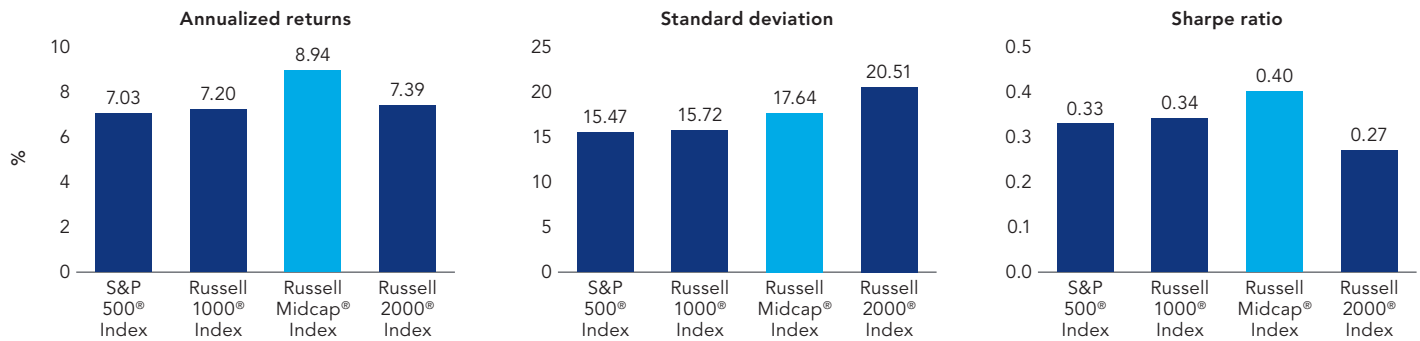
### Below the radar: considering mid cap stocks

With many desirable characteristics, mid cap companies can combine the beneficial features of larger companies—financial stability, sustainable business models, adaptability—with those of smaller companies—growth potential, niche markets and nimble management.

While large companies have dominated market returns of late, mid cap stocks have demonstrated sought-after risk/return characteristics over the long run.

#### Exhibit 1: Index return and risk characteristics - 1/1/00 to 12/31/23

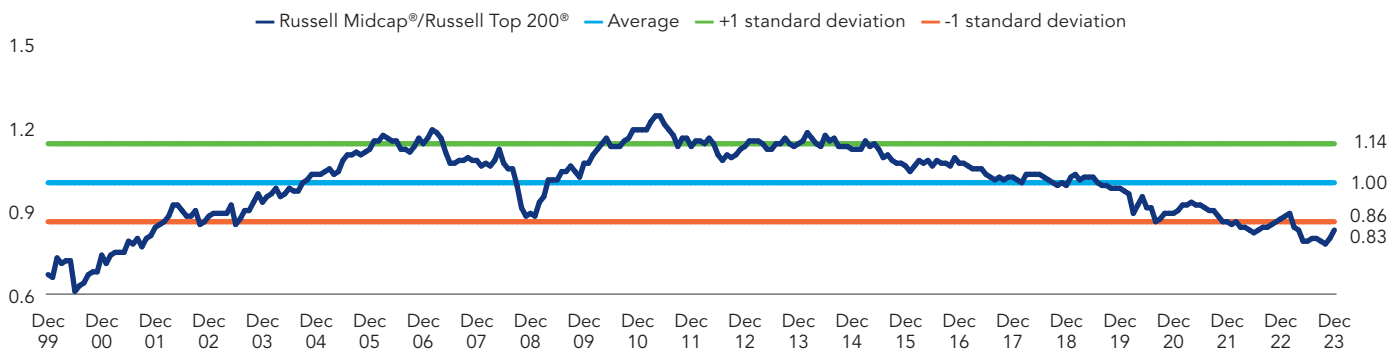
Mid cap stocks have shown better performance and return efficiency (measured by Sharpe ratio) than both small and large cap stocks since 2000.



Source: Federated Hermes. Data as of 12/31/23. **Past performance is no guarantee of future results.** This chart and the one below is for illustrative purposes only and is not indicative of any specific investment.

### A two-decade low relative valuation may provide opportunistic entry point

#### Exhibit 2: Russell Top 200® and Russell Midcap® Indexes relative forward P/E ratio



Sources: Morningstar, Inc.; Federated Hermes. Data as of 12/31/23.

- The chart above shows the relative forward price-to-earnings ratio of the Russell Midcap® and Russell Top 200® Indexes. A measure of 1.00 would indicate “fair value” between the two, with a level below 1.00 currently indicating undervaluation of mid caps.
- The relative valuation between large and mid cap stocks is hovering around levels last observed in late 2001.
- Five year returns subsequent to 11/1/01 saw the Russell Midcap® Index outperform the Russell Top 200® Index by more than 900 bps annually.
- Russell 1000® investors concerned about valuation and concentration in mega cap stocks may want to consider mid cap stocks with an earnings growth focus as a way to pursue return potential within the growth stock space.

## Why Federated Hermes MDT Mid Cap Growth Fund

### Disciplined investment process

**Rigorous factor research**

Research identifies powerful combinations of fundamental and technical factors that can be effective across market environments.

**Stock selection**

Stock alphas are forecasted based on each company's characteristics. Only stocks within the Russell Midcap® Growth Index are chosen.

**Portfolio optimization**

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

**Pre-trade review**

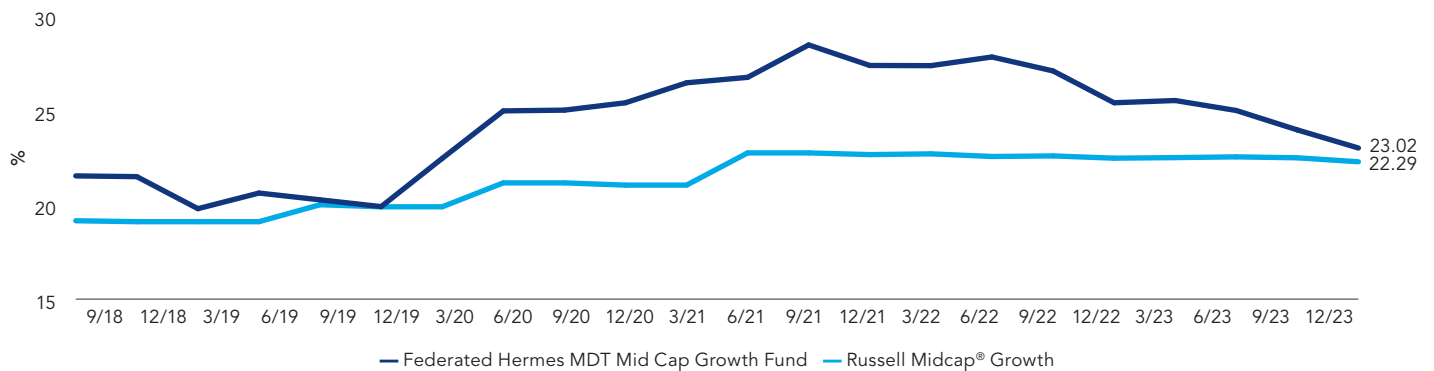
The team reviews all trades to ensure they are based on the most recent and accurate information. Insights from pre-trade review provide important feedback to the team and inspire further research.



### Active pursuit of growth

The fund has shown a higher growth rate than the Russell Midcap® Growth Index.

Exhibit 3: Trailing 5-year earnings per share growth rate



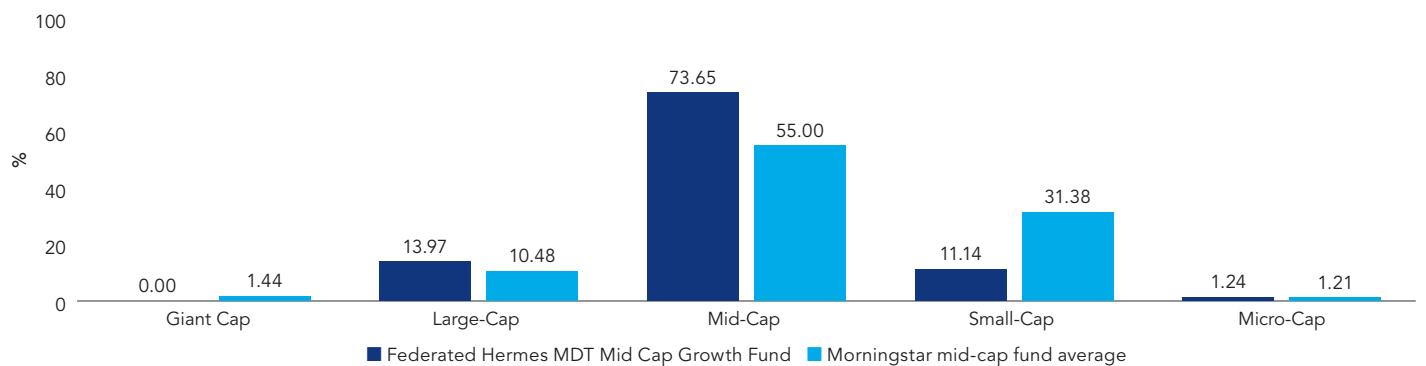
Sources: Factset; Federated Hermes. Quarterly 5-year trailing average earnings per share growth rate. **Past performance is no guarantee of future results.** This is for a selected time period, results may have varied over longer time periods.

### Style adherence

Federated Hermes MDT Mid Cap Growth Fund only selects stocks from within the Russell Midcap® universe, which has different parameters than the Morningstar categories. Many Mid-Cap funds have a substantial weighting in Small-Cap stocks which may reduce any diversification benefit.

Exhibit 4: Federated Hermes MDT Mid Cap Growth Fund vs. Morningstar Mid-Cap universe

#### Market capitalization breakdown as of 12/31/23



Sources: Morningstar, Inc.; Federated Hermes. Data as of 12/31/23. All Morningstar mid-cap funds: mid-cap blend, mid-cap growth, mid-cap value (not including ETFs & index funds). Capitalization breakdowns follow Morningstar's methodology which evolves over time. As of 12/31/23: Giant: \$235,853m+; Large: \$47,433m to \$235,853m; Mid: \$8,303m to \$47,433m; Small: \$2,276m to \$8,303m; Micro: Less than \$2,276m.

**Consistent performance**

**Exhibit 5: Top quartile performance vs. peers**

**Peer rankings as of 12/31/23**

Rankings are based on total return and do not consider sales charges.

	1-year	3-year	5-year	10-year
<b>Morningstar Mid-Cap Growth Category Quartile Rank (IS and A)</b>				
<b>Morningstar Mid-Cap Growth Category Percentile Rank (IS/A)</b>	12/14	8/8	8/11	6/9
<b>Number of funds</b>	553	523	492	395

US Fund Mid-Cap Category peer group performance and percentile uses current Morningstar Category as of as of 12/31/23. 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 whose performance will vary due to different charges and expenses. Returns for periods longer than one year are annualized. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit [FederatedHermes.com/us](https://FederatedHermes.com/us).

**Trailing total returns (%) as of 12/31/23**

NAV	Performance inception	Cumulative 3-month	1-year annualized	3-year annualized	5-year annualized	10-year annualized	Expense ratio*	
							Before waivers	After waivers
<b>Federated Hermes MDT Mid Cap Growth Fund - R6</b>	8/23/84	14.16	27.45	5.82	15.61	11.35	0.94	0.84
<b>Federated Hermes MDT Mid Cap Growth Fund - IS</b>	8/23/84	14.16	27.44	5.81	15.60	11.57	1.03	0.85
<b>Federated Hermes MDT Mid Cap Growth Fund - A</b>	8/23/84	14.06	27.05	5.50	15.26	11.26	1.24	1.15
<b>Russell Midcap® Growth Index</b>		14.55	25.87	1.31	13.81	10.57	–	–
<b>Morningstar US Fund Mid-Cap Growth</b>		12.38	21.37	-0.86	12.46	9.23	–	–
Maximum offering price								
<b>Federated Hermes MDT Mid Cap Growth Fund - A</b>	8/23/84	7.77	20.06	3.53	13.96	10.64	1.24	1.15

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](https://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'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 1/1/25 or the date of the fund's next effective prospectus.

# Federated Hermes MDT Mid Cap Growth Fund



Nasdaq symbol — R6: FGSKX | IS: FGSIX | A: FGSAX

**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](https://FederatedHermes.com/us). Please carefully read the summary prospectus or the prospectus before investing.**

The fund's Institutional Shares commenced operations on January 29, 2010. For the period prior to the commencement of operations for the Institutional Shares, the performance information shown is for the fund's A Shares. The performance of the A Shares has not been adjusted to reflect the expenses of the Institutional Shares since the Institutional Shares have a lower expense ratio than the expense ratio of the A Shares. The performance of the A Shares has been adjusted to remove any voluntary waiver of the fund's expenses related to the A Shares that may have occurred during the period prior to the commencement of operations of the Institutional Shares. The performance information shown also has been adjusted to reflect the absence of sales charges applicable to the A Shares.

The fund's R Shares, re-designated as R6 Shares on September 1, 2016, commenced operations on December 12, 2006. For the period prior to the commencement of operations of the R Shares (now known as R6 Shares), the performance information shown is for the fund's A Shares, adjusted to reflect the expenses of the R Shares, and the performance information shown for the R6 Shares prior to September 1, 2016 reflects the higher R Shares expenses. The performance information shown also has been adjusted to reflect the absence of sales charges applicable to the A Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund.

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. ©2024 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.

## Definitions

**Alpha** is a measure of risk-adjusted returns. A portfolio with an alpha greater than 0 has earned more than expected given its beta (a measure of risk) — 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 level.

**Forward price-to-earnings ratio** is calculated by dividing stock price by an average of 1-year forward earnings estimates for that stock.

**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.

**Russell 1000® Index** measures the performance of the large-cap segment of the US equity universe. It includes approximately 1,000 largest US stocks, representing 93% of investable US equities by market capitalization. The index comprises the Russell Top 200® and the Russell Midcap® Indexes

**Russell 2000® Index** measures the performance of approximately 2,000 small-cap US equities.

**Russell Midcap® Growth Index** is a subset of the Russell 1000® Growth Index. It includes approximately 300+ securities based on a combination of their market cap and growth characteristics.

**Russell Top 200® Index** measures the performance of the 200 largest companies in the Russell 1000® Index.

**S&P 500® Index:** 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.

**Sharpe ratio** is calculated by using standard deviation and excess return to determine reward per unit of risk.

**Standard deviation** is a measure of volatility. More formally defined, a statistical measurement of dispersion about an average, which depicts how widely an investment's returns varied over a certain period.

## A word about risk

Mutual funds are subject to risks and fluctuate in value.

The quantitative models and analysis used by the fund 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.