

# Federated Hermes Kaufmann Fund

9/30/23

## Fund facts

### Performance inception date

Institutional Shares 1/1/06  
A Shares 2/21/86

### Benchmark

Russell Midcap<sup>®</sup> Growth Index

### Morningstar category

Mid-Cap Growth

### Lipper classification

Multi-Cap Growth Funds

### Fund assets

\$4.5 billion

### Ticker symbols

Institutional Shares - KAUIX  
A Shares - KAUAX  
C Shares - KAUCX  
R Shares - KAUFX

### Key investment team

Hans Utsch  
John Ettinger, CFA  
Mark Bauknight  
Tom Brakel, M.D.  
Barbara Miller  
Steven Abrahamson  
Stephen DeNichilo, CFA  
Aditi Singhania

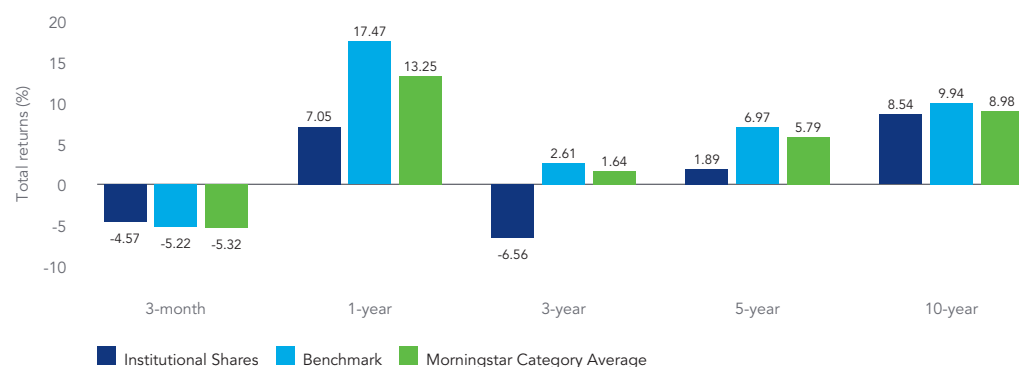
## Fund description

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

## 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
<b>Institutional Shares</b>	-4.57	3.09	7.05	-6.56	1.89	8.54	-	1.54	1.51
<b>A Shares (NAV)</b>	-4.59	2.58	6.46	-7.02	1.37	8.17	10.90	1.99	1.96
<b>A Shares (MOP)</b>	-9.84	-3.07	0.60	-8.76	0.23	7.56	10.73	1.99	1.96
<b>Benchmark</b>	-5.22	9.88	17.47	2.61	6.97	9.94	-	-	-



## Calendar year total returns (%)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Institutional Shares</b>	-29.97	3.02	29.07	33.88	3.94	28.52	3.07	5.96	9.14	40.50
<b>Benchmark</b>	-26.72	12.73	35.59	35.47	-4.75	25.27	7.33	-0.20	11.90	35.74
<b>Morningstar Category Average</b>	-27.79	13.05	39.26	32.52	-6.65	23.91	6.03	-0.95	7.00	34.93

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](http://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. 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 1/1/24 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 35-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, large-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.

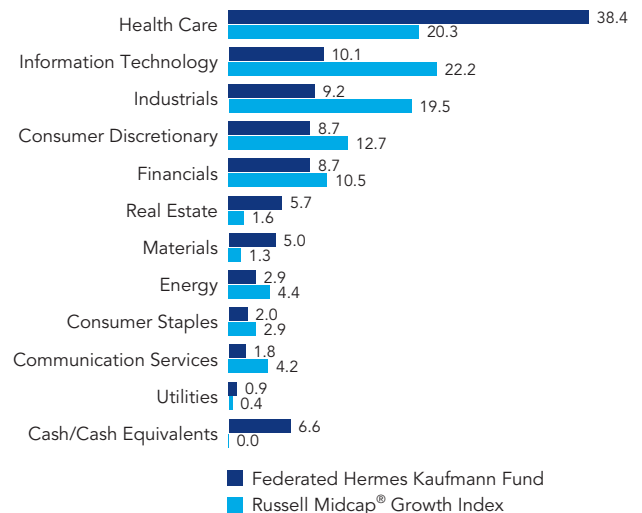
## Portfolio statistics

Weighted median P/E (LTM)	35.1x
Weighted median P/E (NTM)	26.3x
Weighted median market cap	\$27.3 b
Number of securities	182
Annual portfolio turnover	43.0%

## Top holdings (%)

Argenx SE	6.7
Dexcom, Inc.	2.5
U.S. Treasury Note, 3.875%, 08/15/2033	2.5
Danaher Corp.	2.1
Dynavax Technologies Corp.	2.1
Blue Owl Capital - PIPE	1.9
CoStar Group Inc	1.9
Quanta Services, Inc.	1.9
Wingstop, Inc.	1.9
Lilly Eli & Company	1.8
Total % of portfolio	25.3

## Sector weightings (%)



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

The index position were small hedges we invested in given macro uncertainty.

Portfolio composition is based on net assets at the close of business on 9/30/23 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

- The global equity market's year-long rally took a pause as markets absorb the prospect of global central banks tightening further due to persistent inflation
- Growth stocks outperformed value stocks during the quarter continuing the year-long momentum
- Stock selection led to relative outperformance
- The Health Care sector positively contributed to the fund's performance on a relative basis

## Looking back

During the third quarter of 2023, the U.S. economy and most significant Westernized economies saw economic growth continuing to slow as rising rates and inflation took its toll on economic activity. Inflationary pressures persisted due to the impact from record monetary and fiscal stimulus as well as the Eastern European conflict along with regulatory restrictions causing supply disruptions. These inflationary pressures have caused most global central banks to pursue aggressive monetary tightening policies in 2022 and continued into 2023. This pressure has persisted longer than markets have anticipated causing some economic statistics to show potential signs of inflation taking longer to head lower. This led global equities to retreat in the third quarter of 2023. The U.S. indexes that were down the least during the quarter were led by small cap stocks represented by the Russell 2000 Index returning -5.14%, followed by mid cap stocks represented by the Russell Mid-Cap Index returning -4.68%, followed by technology and growth related stocks represented by the NASDAQ Composite Index returning -3.94%, followed by the S&P 500 Index returning -3.27%, followed by large cap stocks represented by the Russell Large-Cap Index returning -3.17%. Mid-cap growth stocks underperformed mid-cap value stocks during the quarter reversing a multi-quarter trend.

During the quarter, the portfolio team added new equity positions of the following select new holdings: Baidu Inc. (new), Maplebear Inc. (IPO), Ambrx Biopharm Inc. (new), Argenx ADR, Old Dominion Freight Line Inc. (new), Owens Corning Inc. (new), Alteryx Inc. (new), Datadog Inc. (new), Salesforce Inc. (new), Martin Marietta Materials Inc. (new), Inspire Medical Systems and Okta Inc.

Also during the quarter, the portfolio subtracted or reduced the following equity positions in pursuit of better opportunities: Nextera Energy Inc. (exited), Philip Morris International, Crown Castle Inc. (exited), Corecept Therapeutics Inc., Newmont Corporation.

## Performance

The Federated Hermes Kaufmann Fund (Institutional Shares) returned -4.57% at NAV for the three months ended September 29, 2023. That compares with its benchmark, the Russell Mid-Cap Growth Index, which returned -5.22% during the same period.

### Performance contributors

- Stocks that made a positive contribution to performance: Argenx SE, Corcept Therapeutics, New Fortress Energy Inc., Rhythm Pharmaceuticals and Apollo Global Management

### Performance detractors

- Stocks that detracted from performance included DexCom Inc., Seres Therapeutics Inc., Inspire Medical Systems, Insulet Corporation and CoStar Group Inc.

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## How we are positioned

As the U.S. economy continues through 2023, many headwinds persist from global monetary tightening to inflation to geopolitical uncertainty. These questions amongst others are likely to endure throughout the year, which could cause market uncertainty. One indicator of investor caution would be the continued quiet IPO activity since the peak in 2021. After a record-breaking year in 2021, the 2022 the U.S. IPO issuance remained quiet with 71 IPOs priced in 2022. However, in 2023, the market has shown some signs of recovering with 78 IPOs raising \$16 billion according to Renaissance Capital. Despite the macro uncertainties, the Kaufmann team continues to be focused on its goal of finding and investing in companies that have little dependence on the economy, good or bad, to generate significant sales and earnings growth.

See disclosure section for important disclosures and definitions.

## Risk statistics

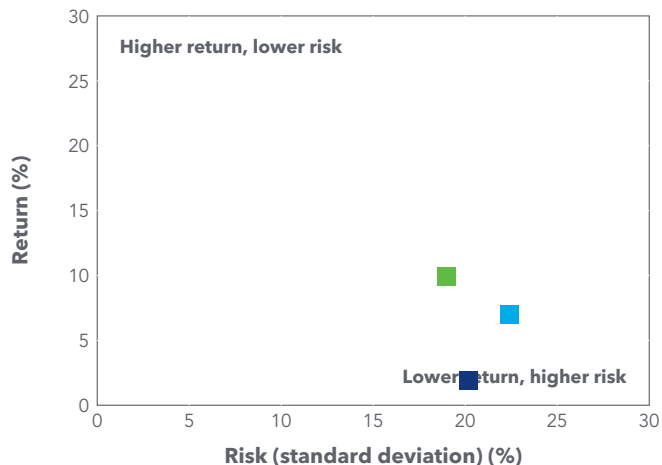
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	18.56	20.17	17.99	17.10
<b>Alpha</b>	-9.35	-4.33	-1.54	-0.50
<b>Beta</b>	0.84	0.86	0.88	0.91
<b>Correlation</b>	0.95	0.96	0.95	0.93
<b>R<sup>2</sup></b>	90.83	91.95	90.17	87.24

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Russell Midcap<sup>®</sup> Growth Index

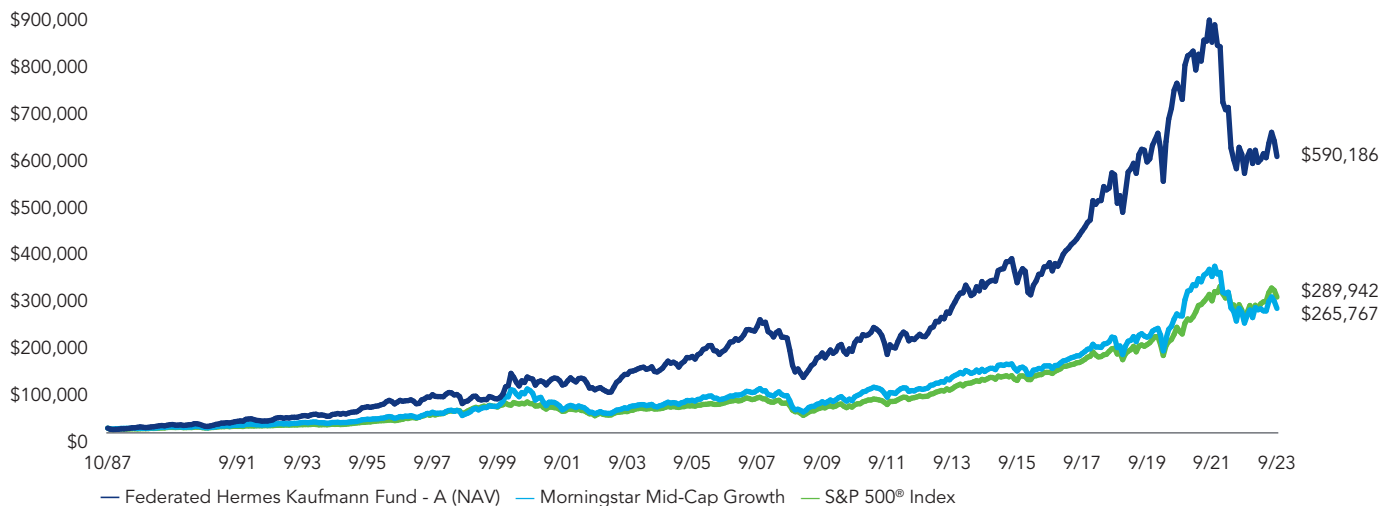
See disclosure section for important definitions.

## 5-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes Kaufmann Fund (IS)	20.17	1.89
■ Russell Midcap <sup>®</sup> Growth Index	22.38	6.97
■ S&P 500 <sup>®</sup> Index	18.97	9.91

## \$10,000 Investment since stock market crash of 1987

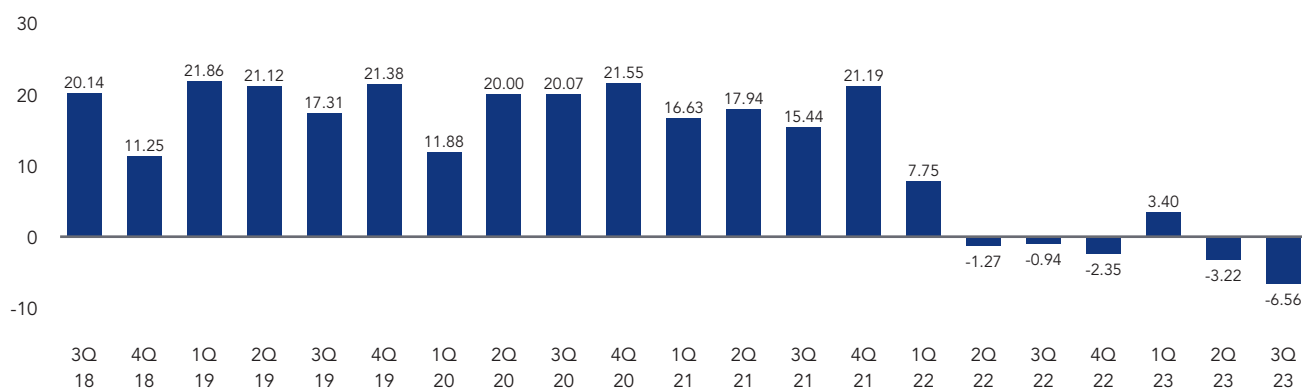


Source: Morningstar, Inc.

10/31/87 - 9/30/23

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## 3-year rolling returns - IS (%)



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## Category rankings

Morningstar Mid-Cap Growth Category		1-year	3-year	5-year	10-year
<b>IS Shares</b>	Morningstar Category % Rank	88	91	92	-
	Morningstar Category Rank	480 of 558 funds	469 of 520 funds	446 of 491 funds	-
<b>A Shares</b>	Morningstar Category % Rank	90	92	93	70
	Morningstar Category Rank	492 of 558 funds	478 of 520 funds	452 of 491 funds	270 of 390 funds

Lipper Multi-Cap Growth Funds		1-year	3-year	5-year	10-year
<b>IS Shares</b>	Lipper Classification % Rank	91	85	90	-
	Lipper Classification Rank	443 of 493 funds	386 of 459 funds	382 of 429 funds	-
<b>A Shares</b>	Lipper Classification % Rank	91	86	92	82
	Lipper Classification Rank	445 of 493 funds	390 of 459 funds	392 of 429 funds	274 of 337 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 Kaufmann 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 [FederatedHermes.com/us](https://www.federatedhermes.com/us). Please carefully read the summary prospectus or the prospectus before investing.**

The fund is the successor to the Kaufmann Fund, Inc. (Kaufmann Fund) pursuant to a reorganization that took place on April 23, 2001. Prior to that date, the fund had no investment operations. Accordingly, for periods prior to that date, the performance information is that of the Kaufmann Fund, adjusted to reflect the maximum sales charge applicable to the fund's A Shares.

The fund's Institutional Shares commenced operations on December 29, 2016. For the period prior to the commencement of operations of the Institutional Shares, the performance information shown is for R Shares adjusted to remove any voluntary waiver of fund expenses related to the fund's R Shares that occurred during the period prior to the commencement of the fund's Institutional 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.

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.

### 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.

**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 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.

**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® 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® Growth Index** measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values. It is constructed to provide a comprehensive and unbiased barometer of the mid-cap growth market. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap growth market.

**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.

### Ratings and rating agencies

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