

Federated Hermes Kaufmann Small Cap Fund

12/31/24

Fund facts

Performance inception date

12/18/02

Benchmark

Russell 2000® Growth Index

Morningstar category

Small Growth

Lipper classification

Small-Cap Growth Funds

Fund assets

\$3.7 billion

Ticker symbols

R6 Shares - FKALX

Institutional Shares - FKAIX

A Shares - FKASX

C Shares - FKCSX

R Shares - FKKSX

Key investment team

John Ettinger, CFA

Hans Utsch

Stephen DeNichilo, CFA

Barbara Miller

Tom Brakel, M.D.

Steven Abrahamson

Aditi Singhania, Ph.D.

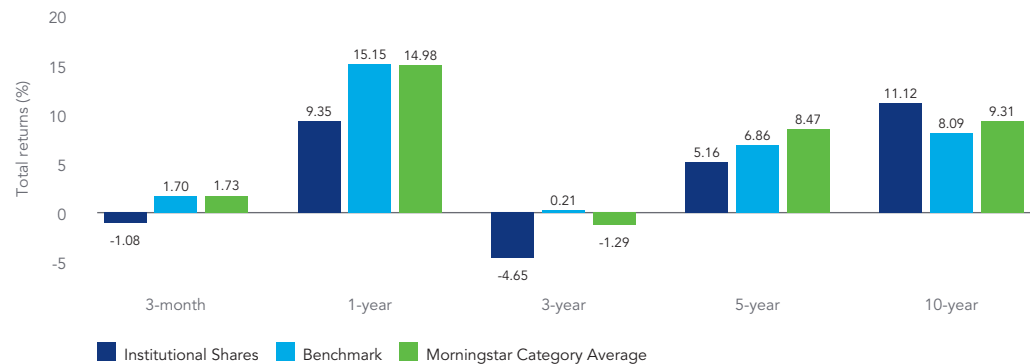
Fund description

The fund seeks to provide capital appreciation by investing primarily in securities of small 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
R6 Shares	-1.06	9.38	9.38	-4.64	5.17	11.05	12.57	0.92	0.89
Institutional Shares	-1.08	9.35	9.35	-4.65	5.16	11.12	12.59	1.02	0.90
A Shares (NAV)	-1.19	8.87	8.87	-5.09	4.68	10.66	12.40	1.50	1.36
A Shares (MOP)	-6.63	2.87	2.87	-6.86	3.50	10.04	12.11	1.50	1.36
Benchmark	1.70	15.15	15.15	0.21	6.86	8.09	-	-	-



Calendar year total returns (%)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Institutional Shares	9.35	15.03	-31.09	2.97	44.06	34.58	7.40	38.46	6.27	4.98
Benchmark	15.15	18.66	-26.36	2.83	34.63	28.48	-9.31	22.17	11.32	-1.38
Morningstar Category Average	14.98	16.68	-27.77	11.89	38.62	27.68	-5.76	21.50	11.20	-2.41

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. 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 1/1/26 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, small-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.

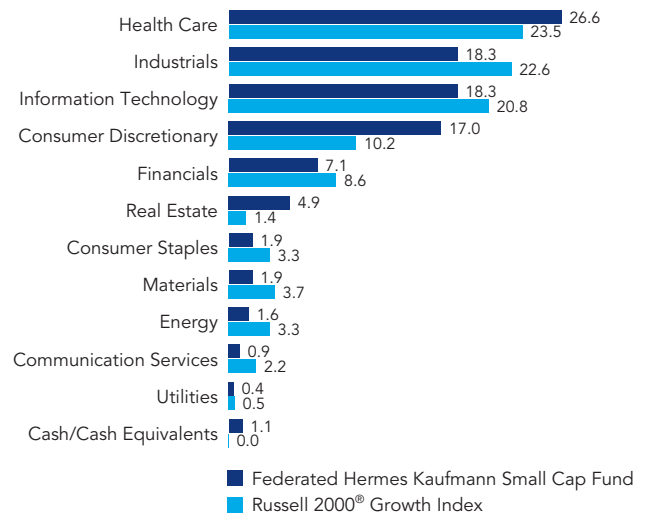
Portfolio statistics

Weighted median P/E (LTM)	55.2x
Weighted median P/E (NTM)	31.8x
Weighted median market cap	\$9.2 b
Number of securities	136
Annual portfolio turnover	31.76%

Top holdings (%)

argenx SE	6.0
Comfort Systems USA, Inc.	3.5
Ares Management Corporation	2.7
Wingstop Inc	2.6
Hamilton Lane, Inc.	2.2
Applied Industrial Technologies, Inc.	1.6
IDEAYA Biosciences, Inc.	1.6
Rubrik Inc	1.6
Cava Group Inc	1.5
Duolingo Inc	1.5
Total % of portfolio	24.8

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 12/31/24 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

- Global equity markets were mixed as many central banks forecast stickier, more persistent inflation data and slowing the pace of rate cuts forecast for 2025
- Growth stocks outperformed value stocks during the quarter
- Stock selection and sector weighting hurt relative outperformance
- Consumer Discretionary and Industrials both negatively contributed to the fund's performance on a relative basis

Looking back

During the fourth quarter of 2024, the US economy and most significant westernized economies saw economic growth moderate slightly. Inflation has continued to moderate at a tepid pace as fiscal stimuli slowed, and geopolitical issues seem contained. The global inflationary pressures easing are enabling central banks to reverse their monetary tightening policies and begin an easing path going forward. Global bond markets priced in a slower deflation path in 2025, causing rates to increase and some mixed equity returns at the end of 2024. The US indexes that were up the most during the last quarter were the technology heavy index NASDAQ composite returning 6.36%, followed by large cap stocks represented by the Russell 1000 Index returning 2.74%, followed by the S&P 500 returning 2.39%, followed by mid cap stocks represented by The Russell MidCap Index returning 0.62%, followed by small cap stocks represented by the Russell 2000 Index returning 0.33%, followed by the biotech index represented by S&P Biotechnology Industry Select Index returning -8.84%. Small-cap growth stocks outperformed small-cap value stocks during the quarter.

During the quarter, the portfolio team added new positions of the following equity positions to the portfolio: Standardaero Inc (IPO), Powell Industries (new), Astera Labs Inc, BE Semiconductors Industries, NV, Entegris Inc (new), Impinj Inc (new), Olo Inc (new), Sitime Corp (new), Wix.com (new), FrontView REIT Inc (IPO), Archrock Inc (new), Cactus, Inc (new) and Ceribell Inc (IPO). Also during the quarter, the portfolio exited or reduced the following equity positions in pursuit of better opportunities: Hamilton Lane Inc, Smartsheet Inc (exited), ATI, Inc, Dynavax Technologies (exited) and Amphastar Pharmaceuticals.

Capital Markets activities during the quarter:

The small cap fund participated in three IPOs in the quarter as the IPO market remained in recovery mode from the 2021 record year but showing some signs of recovery: Standard Aero Inc, FrontView REIT Inc and Ceribell Inc.

The team was active in the secondary equity markets during the quarter, participating in seven secondary offers. The following are a select list of secondary offerings during the quarter: New Fortress Energy Inc, Nano Nuclear Energy Inc, Procept BioRobotics, Vera Therapeutics Inc, Eyepoint Pharmaceuticals Inc, Onestream Inc and Loar Holdings Inc.

Performance

Federated Hermes Kaufmann Small Cap Fund Institutional Shares returned -1.08% at NAV for the three months ended December 31, 2024. That compares with its benchmark the Russell 2000 Growth Index returning 1.70% during the same period.

Performance contributors

- Stocks that made a positive contribution to performance: Argenx SE, Rubrik, Inc., Verona Pharma plc, Ares Management Corporation and aTyr Pharma Inc.

Performance detractors

- Stocks that detracted: Wingstop, Structure Therapeutics Inc, Ultragenyx Pharmaceutical Inc., IDEAYA Biosciences and Arcturus Therapeutics

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How we are positioned

As the US economy enters 2025, many headwinds have turned to tailwinds, such as central banks rotating from tightening monetary policy to easing. While there is some encouraging macro momentum, there are persistent worries such as global elections, geopolitical uncertainty and rising oil prices. These questions are likely to endure throughout 2025, 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, US IPO issuance in 2022 remained quiet with 71 IPOs priced. In 2023, the market showed some signs of recovering with 108 IPOs raising \$20 billion according to Renaissance Capital. That IPO momentum continued into the fourth quarter of 2024 with 150 IPOs pricing in the US, raising about \$30 billion. 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.

This quarter, the fund had approximately 79% of the portfolio invested in four sectors: Information Technology, Health Care, Consumer and Industrials. The sector weightings of the portfolio are a byproduct of our bottom-up stock selection strategy with a team of sector-specialist portfolio managers. These sectors have historically provided good opportunities for bottom-up growth investors. We seek to find companies that have company-specific catalysts for growth rather than develop macro themes to construct sector weightings. The strategy's consistent growth bias has allowed the portfolio to produce the following statistics: average sales growth last twelve months of 25%, operating margins of 19% and median earnings growth for the last year of 14%. This compares to the Russell 2000 Growth Index statistics: average sales growth of 23%, median operating margins of 14% and median earnings growth of 9%.

See disclosure section for important disclosures and definitions.

Risk statistics

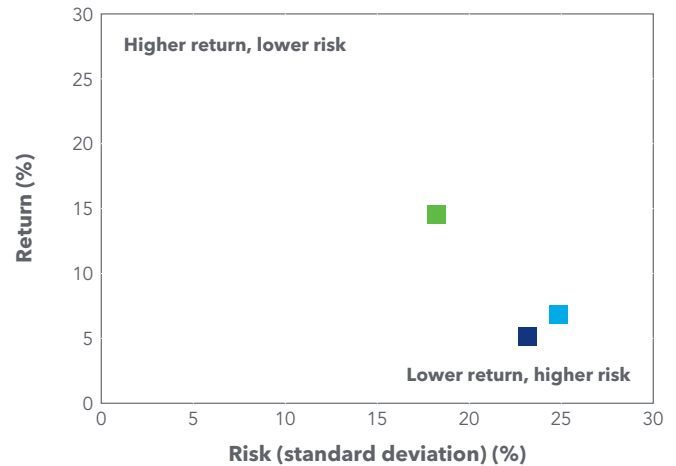
	3-year	5-year	7-year	10-year
Standard deviation	21.71	23.17	22.00	20.34
Alpha	-5.66	-1.32	2.33	3.31
Beta	0.87	0.90	0.90	0.92
R²	94.68	93.68	92.12	90.75

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Russell 2000® Growth Index

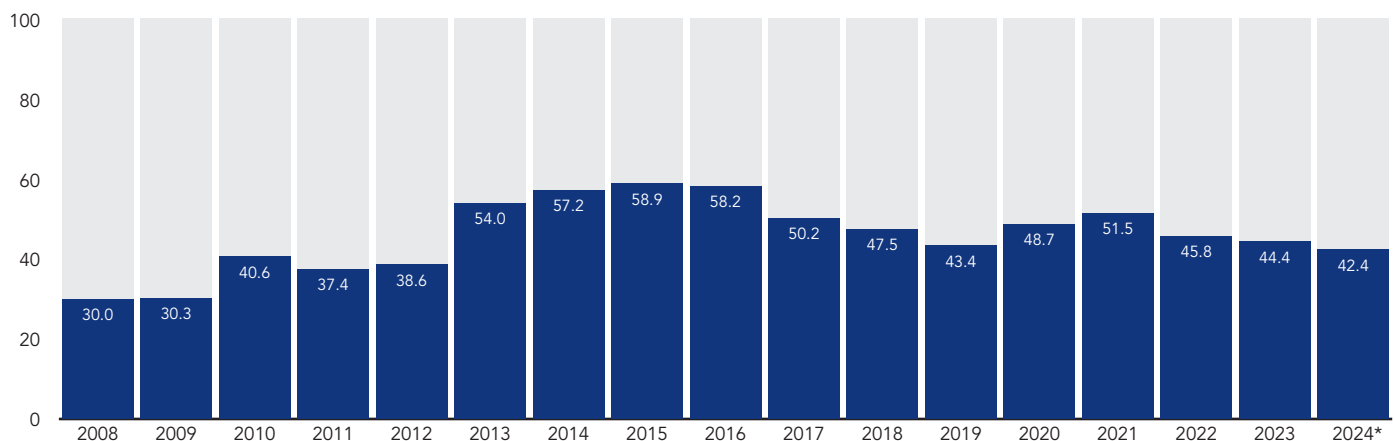
See disclosure section for important definitions.

5-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes Kaufmann Small Cap Fund (IS)	23.17	5.16
■ Russell 2000® Growth Index	24.87	6.86
■ S&P 500®	18.21	14.53

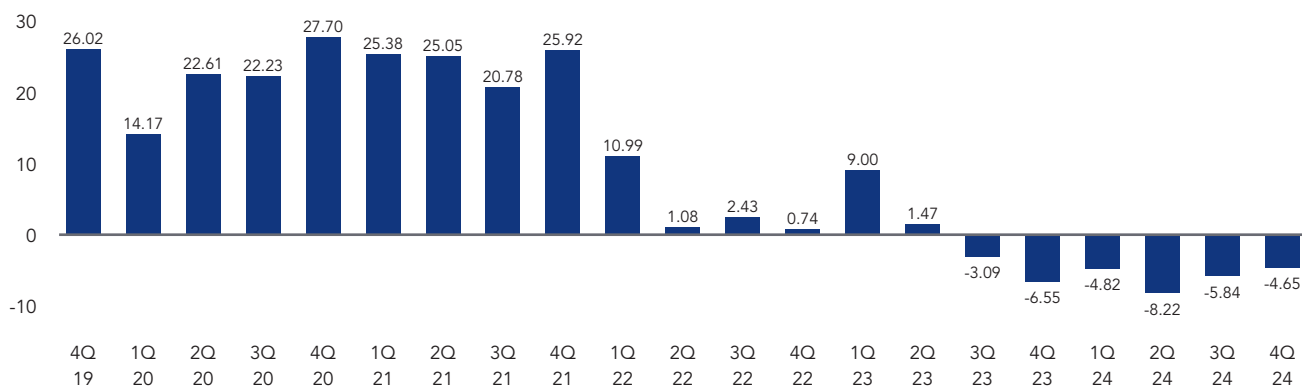
Percent of portfolio invested in IPOs (%)



* As of 12/31/24

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3-year rolling returns - IS (%)



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Category rankings

Morningstar Small Growth Category		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	83	80	89	-
	Morningstar Category Rank	452 of 552 funds	405 of 534 funds	451 of 517 funds	-
IS Shares	Morningstar Category % Rank	83	80	89	-
	Morningstar Category Rank	454 of 552 funds	407 of 534 funds	452 of 517 funds	-
A Shares	Morningstar Category % Rank	86	82	91	20
	Morningstar Category Rank	474 of 552 funds	421 of 534 funds	468 of 517 funds	69 of 395 funds

Lipper Small-Cap Growth Funds		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	80	78	88	-
	Lipper Classification Rank	459 of 574 funds	428 of 554 funds	467 of 533 funds	-
IS Shares	Lipper Classification % Rank	81	78	88	-
	Lipper Classification Rank	461 of 574 funds	430 of 554 funds	468 of 533 funds	-
A Shares	Lipper Classification % Rank	84	80	91	18
	Lipper Classification Rank	480 of 574 funds	444 of 554 funds	483 of 533 funds	72 of 399 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 Small Cap 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. Please carefully read the summary prospectus or the prospectus before investing.

The fund's R6 Shares commenced operations on September 1, 2017. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for the fund's A Shares adjusted to reflect the expenses of the fund's R6 Shares for each year for which the Fund's R6 Shares expenses would have exceeded the actual expenses paid by the fund's A Shares. The performance information has also been adjusted to reflect any applicable differences between the sales loads and charges imposed on the purchase and redemption of R6 Shares and A Shares, as well as the removal of any voluntary waivers/reimbursements of fund expenses that may have occurred during the periods prior to the commencement of operations of the R6 Shares.

The fund's Institutional Shares commenced operations on December 30, 2015. For the period prior to the commencement of operations for the Institutional Shares, the performance information shown is for the A Shares adjusted to reflect the expenses of the Institutional Shares for each year for which the expenses of the Institutional Shares would have exceeded the actual expenses paid by the fund's A Shares. The performance information has also been adjusted to reflect any applicable differences between the sales loads and charges imposed on the purchase and redemption of Institutional and A Shares, as well as the removal of any voluntary waivers/reimbursements of fund expenses that may have occurred during the periods prior to the commencement of operations of the Institutional Shares.

A word about risk

Mutual funds are subject to risks and fluctuate in value.

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.

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.

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.

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

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.

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.

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.

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 US 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 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® Growth Index measures the performance of the small-cap growth segment of the US equity universe. It includes those Russell 2000® Index companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics.

Russell 2000® Index measures the performance of the small-cap segment of the US 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® Index measures the performance of the mid-cap segment of the US 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® 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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