

Federated Hermes Kaufmann Small Cap Fund

6/30/23

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

\$4.4 billion

Ticker symbols

R6 Shares - FKALX

Institutional Shares - FKAIX

A Shares - FKASX

C Shares - FKCSX

R Shares - FKKSX

Key investment team

Hans Utsch

John Ettinger, CFA

Stephen DeNichilo, CFA

Barbara Miller

Tom Brakel, M.D.

Mark Bauknight

Steven Abrahamson

Aditi Singhania

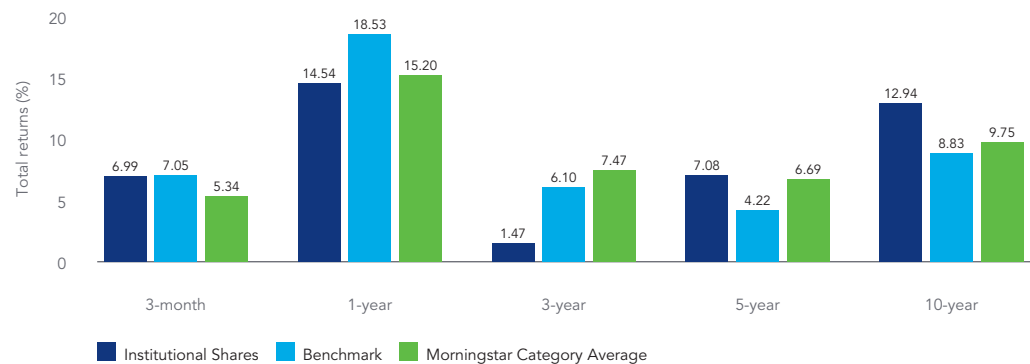
Fund description

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	7.00	11.31	14.59	1.49	7.10	12.86	12.88	0.93	0.89
Institutional Shares	6.99	11.28	14.54	1.47	7.08	12.94	12.90	1.02	0.90
A Shares (NAV)	6.84	11.01	14.02	1.00	6.58	12.55	12.73	1.51	1.36
A Shares (MOP)	0.97	4.91	7.75	-0.88	5.38	11.92	12.42	1.51	1.36
Benchmark	7.05	13.55	18.53	6.10	4.22	8.83	-	-	-



Calendar year total returns (%)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Institutional Shares	-31.09	2.97	44.06	34.58	7.40	38.46	6.27	4.98	5.66	40.35
Benchmark	-26.36	2.83	34.63	28.48	-9.31	22.17	11.32	-1.38	5.60	43.30
Morningstar Category Average	-27.77	11.89	38.62	27.68	-5.76	21.50	11.20	-2.41	2.44	40.91

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 1/1/24 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, 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.

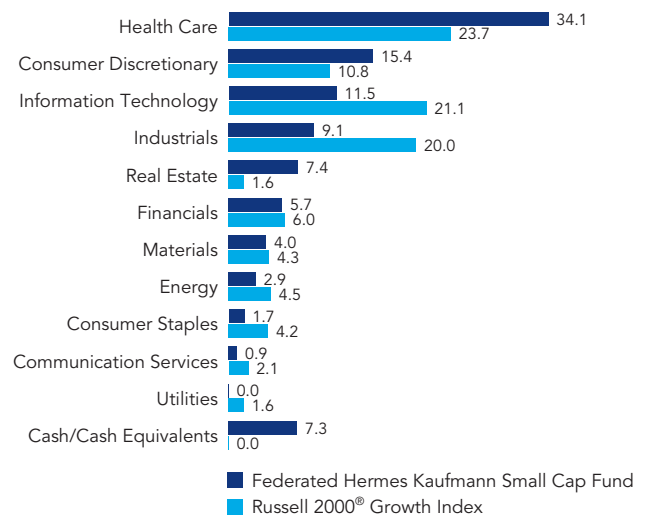
Portfolio statistics

Weighted median P/E (LTM)	35.8x
Weighted median P/E (NTM)	22.3x
Weighted median market cap	\$5.1 b
Number of securities	176
Annual portfolio turnover	23.8%

Top holdings (%)

Argenx SE	3.8
Amphastar Pharmaceuticals, Inc.	2.6
Wingstop, Inc.	1.9
Inspire Medical Systems, Inc.	1.8
Dynavax Technologies Corp.	1.7
Hamilton Lane, Inc.	1.6
Allegro MicroSystems, Inc.	1.5
Arcturus Therapeutics Holdings Inc	1.5
Legend Biotech Corp., ADR	1.5
Planet Fitness, Inc.	1.4
Total % of portfolio	19.3

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 6/30/23 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

- Global equity markets continued to rally on the prospects of central banks slowing or pausing rate hikes in the near future
- Growth stocks outperformed value stocks during the quarter
- Stock selection helped with relative outperformance
- The Health Care sector positively contributed to the fund's performance

Looking back

During the second quarter of 2023, the U.S. economy and most significant westernized economies saw economic growth continuing to slow as rising rates and inflation took their toll on economic activity. Inflationary pressures persisted due to the impact of 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 that have continued into 2023. This pressure seemed to ease a bit as some economic statistics showed potential signs of inflation peaking and heading lower. This led to global equities continuing their surge in the second quarter of 2023, especially equities most sensitive to rates, such as technology stocks. The U.S. indexes that were up the most during the quarter were led by the technology and growth-related stocks represented by the NASDAQ Composite Index, which returned 13.05%, followed by the S&P 500 Index (8.74%), followed by large cap stocks represented by the Russell Large-Cap Index (8.58%), followed by small cap stocks represented by the Russell 2000 Index (5.19%), finally followed by the mid-cap stocks represented by the Russell Midcap Index (4.76%). Mid-cap growth stocks outperformed mid-cap value stocks during the quarter.

During the quarter, the portfolio team added new positions of the following equity positions to the portfolio: Heico Corporation (new), HashiCorp Inc. (new), MP Materials (new), Cava Group Inc. (new IPO), Vaxcyte Inc. (new), Savers Value Village Inc. (new IPO), GEN Restaurant Group (new IPO), Five Below Inc. (new), Establishment Labs Holdings (new), Fusion Pharmaceuticals (new), Lantheus Holdings Inc. (new), Minerva Neurosciences (new), Orchard Therapeutics (new), Paragon 28 Inc. (new), Prothena Corporation (new), Regulus Therapeutics (new), Tela Bio Inc. (new) and Xylem Inc. (new).

Also during the quarter, the portfolio exited or reduced the following equity positions in pursuit of better opportunities: Prometheus Biosciences (exited), Academy Sports, Herc Holdings, Apellis Pharmaceuticals (exited) and Iveric Bio (exited).

Capital markets activities during the quarter:

The fund participated in three IPOs in the quarter as the IPO market remained very quiet during the quarter as the market still recovers from the 2021 record-breaking year: Cava Group, Savers Value Village Inc. and GEN Restaurant Group.

The team was active in the secondary equity markets during the quarter. The fund participated in eight secondary offers, including: Tela Bio, Vaxcyte Inc., Ideaya Biosciences Inc., Establishment Labs Holdings Inc., Morphic Holdings, First Watch Restaurant Group, Guardant Health Inc., Zentalis Pharmaceuticals, and Moonlake Immunotherapeutics.

Performance

The Federated Hermes Kaufmann Small Cap Fund returned 6.99% (Institutional Shares at NAV) for the three months ended June 30, 2023. That compares with its benchmark, the Russell 2000 Growth Index, which returned 7.05% during the same period.

Performance contributors

- Stocks that made a positive contribution to performance: Amphastar Pharmaceuticals Inc., Legend Biotech Corporation, Prometheus Biosciences, Inspire Medical Systems and Dynavax Technologies Corporation

Performance detractors

- Stocks that detracted: SoundThinking Inc., Xponential Fitness Inc., Alteryx Inc., Academy Sports and Outdoors Inc. and Planet Fitness 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 among 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 U.S. IPO issuance remained quiet with 71 IPOs priced in 2022; however, in 2023, the market has shown some signs of recovering, with 52 IPOs raising \$9 billion according to Renaissance Capital. Despite the macro uncertainties, the Kaufmann team continues to be focused on 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 71% 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 also 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 12 months of 32%, operating margins of 22% and median earnings growth for the last year of 30%. This compares to the Russell 2000 growth Index as follows: average sales growth of 29%, median operating margins of 15% and median earnings growth of 20%.

See disclosure section for important disclosures and definitions.

Risk statistics

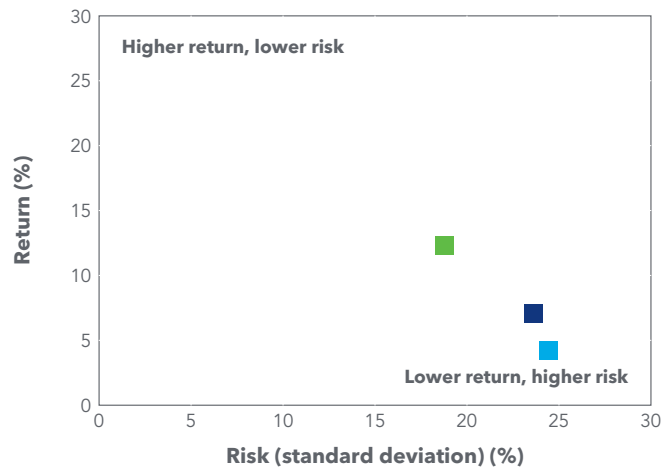
	3-year	5-year	7-year	10-year
Standard deviation	22.32	23.62	20.71	19.88
Alpha	-4.21	2.88	4.96	4.24
Beta	0.96	0.93	0.92	0.94
R²	93.67	92.67	91.14	90.35

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Russell 2000[®] Growth Index

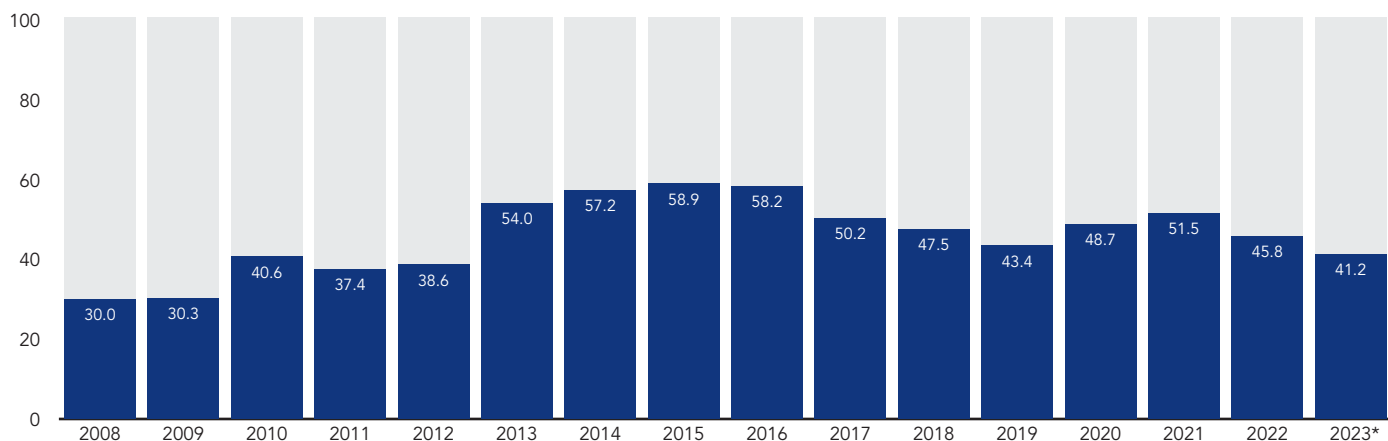
See disclosure section for important definitions.

5-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes Kaufmann Small Cap Fund (IS)	23.62	7.08
■ Russell 2000 [®] Growth Index	24.43	4.22
■ S&P 500 [®] Index	18.79	12.30

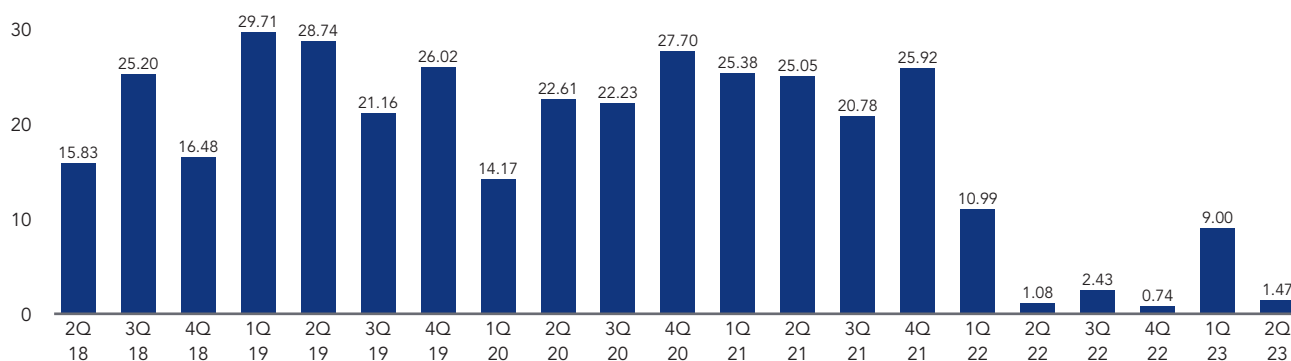
Percent of portfolio invested in IPOs (%)



* As of 6/30/23

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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	54	88	43	–
	Morningstar Category Rank	298 of 589 funds	482 of 560 funds	186 of 525 funds	–
IS Shares	Morningstar Category % Rank	54	88	44	–
	Morningstar Category Rank	300 of 589 funds	483 of 560 funds	188 of 525 funds	–
A Shares	Morningstar Category % Rank	58	89	51	7
	Morningstar Category Rank	329 of 589 funds	496 of 560 funds	230 of 525 funds	16 of 390 funds

Lipper Small-Cap Growth Funds		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	54	88	35	–
	Lipper Classification Rank	372 of 694 funds	580 of 660 funds	211 of 614 funds	–
IS Shares	Lipper Classification % Rank	54	88	35	–
	Lipper Classification Rank	374 of 694 funds	581 of 660 funds	212 of 614 funds	–
A Shares	Lipper Classification % Rank	58	91	44	5
	Lipper Classification Rank	403 of 694 funds	595 of 660 funds	269 of 614 funds	18 of 441 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](https://www.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.

The fund may invest in small capitalization (or "smallcap") 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.

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 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® Growth Index measures the performance of the small-cap growth segment of the U.S. 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 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® 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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