

Federated Hermes Kaufmann Small Cap Fund

6/30/24

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

\$4.0 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.

Mark Bauknight

Steven Abrahamson

Aditi Singhania, Ph.D.

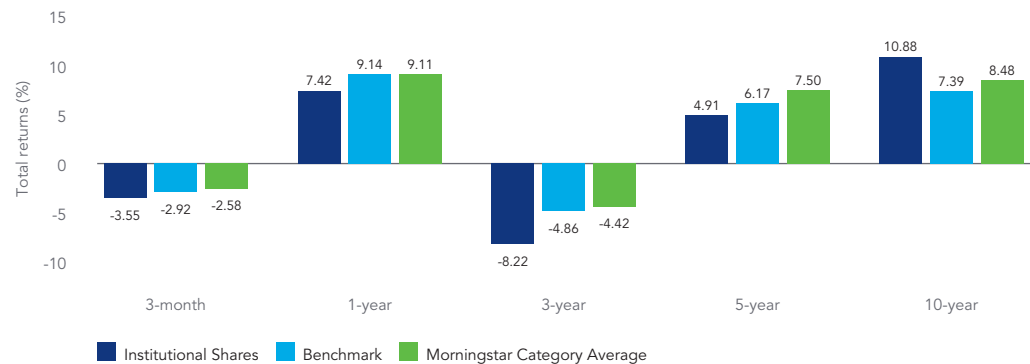
Fund description

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	-3.54	3.94	7.43	-8.21	4.92	10.80	12.62	0.93	0.89
Institutional Shares	-3.55	3.93	7.42	-8.22	4.91	10.88	12.64	1.02	0.90
A Shares (NAV)	-3.66	3.70	6.93	-8.64	4.43	10.45	12.45	1.51	1.36
A Shares (MOP)	-8.96	-2.01	1.05	-10.35	3.25	9.83	12.16	1.51	1.36
Benchmark	-2.92	4.44	9.14	-4.86	6.17	7.39	-	-	-



Calendar year total returns (%)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Institutional Shares	15.03	-31.09	2.97	44.06	34.58	7.40	38.46	6.27	4.98	5.66
Benchmark	18.66	-26.36	2.83	34.63	28.48	-9.31	22.17	11.32	-1.38	5.60
Morningstar Category Average	16.68	-27.77	11.89	38.62	27.68	-5.76	21.50	11.20	-2.41	2.44

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 1/1/25 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.

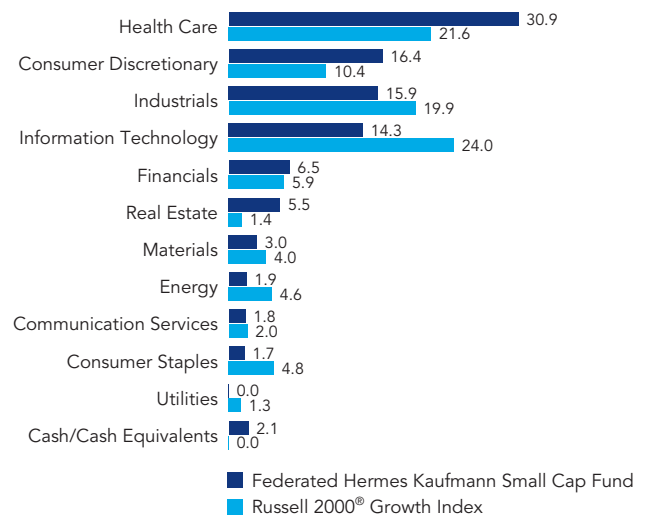
Portfolio statistics

Weighted median P/E (LTM)	47.8x
Weighted median P/E (NTM)	31.1x
Weighted median market cap	\$6.8 b
Number of securities	156
Annual portfolio turnover	31.13%

Top holdings (%)

Argenx SE	3.9
Wingstop, Inc.	3.6
Hamilton Lane, Inc.	2.7
Camtek Ltd/Israel	2.5
Comfort Systems USA, Inc.	2.3
Merus NV	2.2
Ares Management Corporation	2.1
IDEAYA Biosciences, Inc.	2.1
ATI, Inc.	1.6
Montrose Environmental Group Inc	1.4
Total % of portfolio	24.4

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 6/30/24 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 rallied during the quarter as markets began to price in expectations for easier monetary policies along with lower inflation
- Growth stocks outperformed value stocks during the quarter
- Stock selection contributed to performance
- Health Care and Consumer Staples both detracted from the fund's relative performance

Looking back

During the second quarter of 2024, the U.S. economy and most significant Western economies saw economic growth moderate slightly. Global inflationary pressures eased, enabling central banks to halt and begin to reverse their monetary tightening policies. Bond markets began to price in lower relative rates and a potentially more dovish Federal Reserve, boosting equities. U.S. index performance was led by the technology-heavy NASDAQ composite, which was up 8.47%, followed by the S&P 500 and its 4.28% return, followed by large-cap stocks in the Russell 1000 Index, up 3.57%, followed by small-cap stocks in the Russell 2000 Index (-3.28%), followed by the Russell Midcap Index (-3.35%). 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: Webtoon Entertainment (IPO), Viking Holdings Ltd (IPO), Natera (new), QXO Inc. (PIPE), Tempus, AI Inc. (IPO), Vera Therapeutics (new), Zealand Pharma AS, Zenas Series C PFD, AZZ Inc., (IPO), NEXTracker Inc. (new), Loar Holdings Inc. (IPO), UL Solutions (IPO), Elastic NV (new), Motorola Solutions (new), and Vertex Inc. (new).

Also during the quarter, the portfolio exited or reduced the following equity positions in pursuit of better opportunities: HashiCorp Inc., Rapid7 Inc., Teradata Corp, Docebo Inc., and Five Below Inc.

Capital Markets activities during the quarter:

The small-cap fund participated in seven IPOs: Webtoon Entertainment Inc., Viking Holdings Ltd, QXO Inc. (PIPE), Tempus, AI Inc., AZZ Inc., Loar Holdings Inc., and UL Solutions Inc.

The team was also active in the secondary equity markets, participating in nine secondary offers in the small-cap fund: Montrose Environmental Group Inc., Dyne Therapeutics Inc., Merus NV, Structure Therapeutics Inc., Dutch Bros Inc., Ultragenyx Pharmaceuticals Inc., Rezolute Inc., Zealand Pharma AS, and Birkenstock Holdings Inc.

Performance

Federated Hermes Kaufmann Small Cap Fund Institutional Shares returned -3.55% at NAV in the second quarter. Its benchmark, the Russell 2000 Growth Index, returned -2.92% during the same period.

Performance contributors

- Camtek Ltd, Merus NV, Wingstop Inc., QXO Inc., and arGEN- X SE

Performance detractors

- IDEAYA Biosciences Inc., Arcturus Therapeutics Holdings, Inspire Medical Systems, Double Verify Holdings and New Fortress Energy

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How we are positioned

As the U.S. economy enters the second half of 2024, many headwinds have turned to tailwinds, such as Central Banks' rotating from tightening monetary policy to potentially loosening it. While there is some encouraging macro momentum, there are also persistent worries, such as global elections, geopolitical uncertainty and rising oil prices. These questions, amongst others, are likely to endure into 2024, which could cause market uncertainty.

The IPO market is another indicator of investor sentiment. After a record-breaking year in 2021, U.S. IPO issuance went quiet with just 71 IPOs priced in 2022. In 2023, the market showed some signs of recovering as 108 IPOs raised \$20 billion, according to Renaissance Capital. That IPO momentum has continued into the second quarter of 2024, with 69 IPOs pricing in the U.S., raising \$16.7 billion.

Despite the 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.

At the end of the quarter, the fund had approximately 78% of the portfolio invested in 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. 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 enabled the portfolio to produce the following statistics: average sales growth (last 12 months): 24%, median operating margins: 20%, and median earnings growth (last 12 months): 17%. This compares favorably to the Russell 2000 Growth Index, with average sales growth: 22%, median operating margins: 14%, and median earnings growth: 12%.

See disclosure section for important disclosures and definitions.

Risk statistics

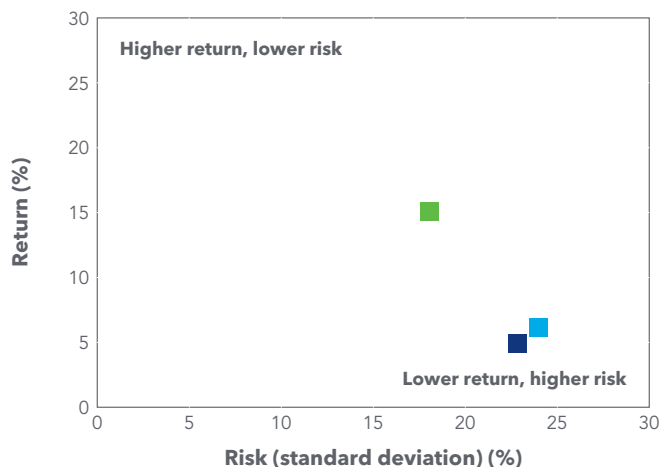
	3-year	5-year	7-year	10-year
Standard deviation	21.59	22.85	21.59	20.22
Alpha	-4.32	-0.95	3.77	3.68
Beta	0.91	0.92	0.91	0.92
R²	92.90	93.48	92.02	90.83

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Russell 2000[®] Growth Index

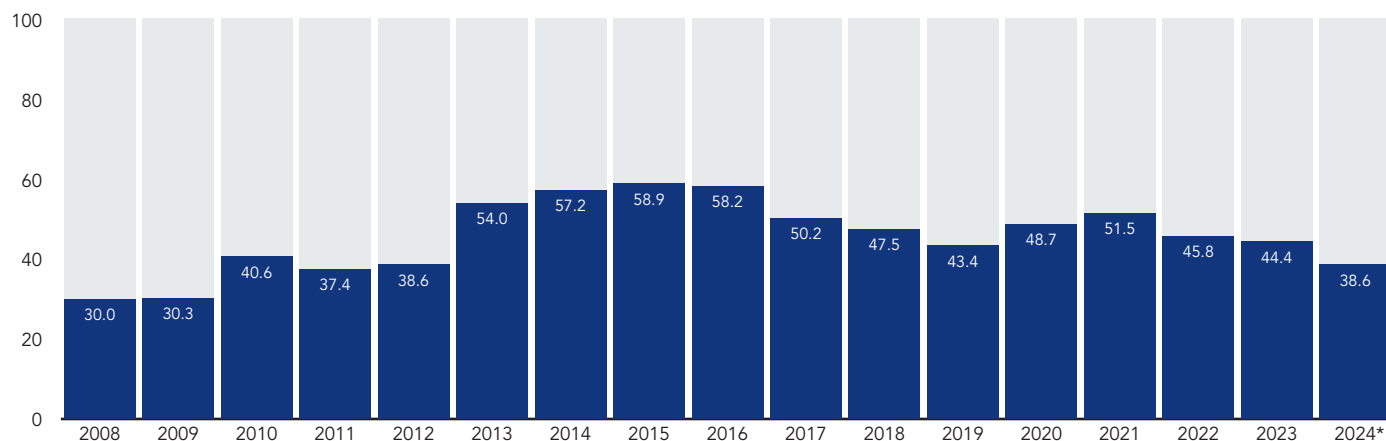
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5-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes Kaufmann Small Cap Fund (IS)	22.85	4.91
■ Russell 2000 [®] Growth Index	23.97	6.17
■ S&P 500 [®] Index	18.08	15.05

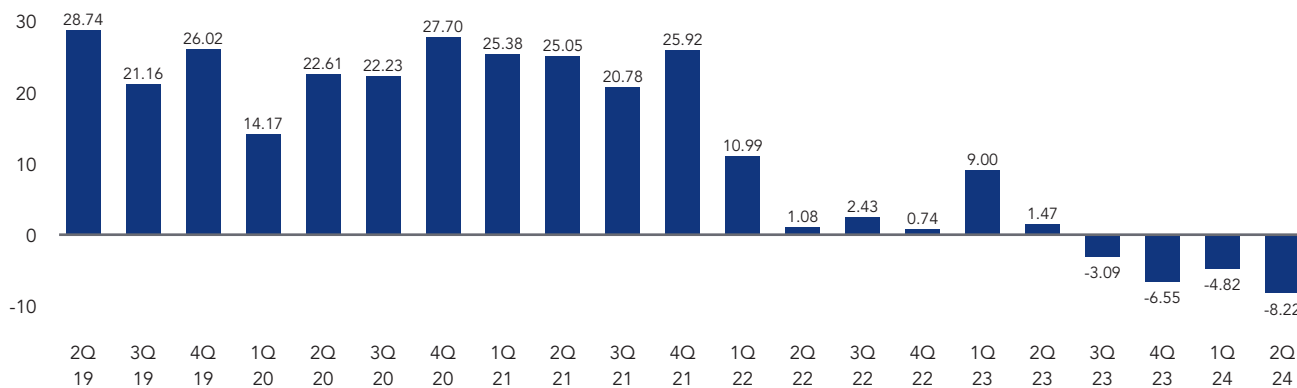
Percent of portfolio invested in IPOs (%)



* As of 6/30/24

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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	64	77	85	-
	Morningstar Category Rank	376 of 578 funds	414 of 550 funds	431 of 519 funds	-
IS Shares	Morningstar Category % Rank	64	77	85	-
	Morningstar Category Rank	377 of 578 funds	416 of 550 funds	433 of 519 funds	-
A Shares	Morningstar Category % Rank	68	81	89	16
	Morningstar Category Rank	404 of 578 funds	440 of 550 funds	463 of 519 funds	61 of 399 funds

Lipper Small-Cap Growth Funds		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	66	78	85	-
	Lipper Classification Rank	395 of 598 funds	439 of 566 funds	447 of 530 funds	-
IS Shares	Lipper Classification % Rank	67	78	85	-
	Lipper Classification Rank	396 of 598 funds	441 of 566 funds	449 of 530 funds	-
A Shares	Lipper Classification % Rank	71	82	90	15
	Lipper Classification Rank	425 of 598 funds	462 of 566 funds	476 of 530 funds	58 of 396 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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