

# Federated Hermes MDT Large Cap Growth Fund

12/31/23

## Fund facts

### Performance inception date

9/15/05

### Benchmark

Russell 1000® Growth Index

### Morningstar category

Large Growth

### Lipper classification

Multi-Cap Growth Funds

### Fund assets

\$802.9 million

### Ticker symbols

Institutional Shares - QILGX

A Shares - QALGX

C Shares - QCLGX

### Key investment team

Daniel Mahr, CFA

Damien Zhang, CFA

Frederick Konopka, CFA

John Paul Lewicke

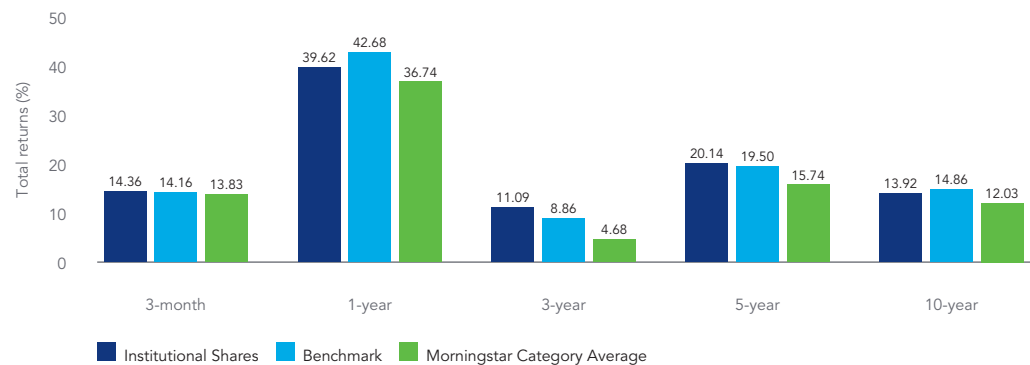
## Fund description

The fund pursues capital appreciation by investing in a diversified portfolio of U.S. large-cap companies from the Russell 1000® Growth Index. Through a bottom up, systematic approach, it seeks to remove subjective and emotional influences from the stock selection process.

## Average annual total returns (%)

Performance shown is before tax.

|                             | 3-month | YTD   | 1-year | 3-year | 5-year | 10-year | Since inception | Expense ratio*<br>Before waivers | After waivers |
|-----------------------------|---------|-------|--------|--------|--------|---------|-----------------|----------------------------------|---------------|
| <b>Institutional Shares</b> | 14.36   | 39.62 | 39.62  | 11.09  | 20.14  | 13.92   | 10.81           | 1.03                             | 0.75          |
| <b>A Shares (NAV)</b>       | 14.30   | 39.30 | 39.30  | 10.81  | 19.85  | 13.64   | 10.52           | 1.29                             | 1.00          |
| <b>A Shares (MOP)</b>       | 8.02    | 31.66 | 31.66  | 8.74   | 18.50  | 13.00   | 10.18           | 1.29                             | 1.00          |
| <b>Benchmark</b>            | 14.16   | 42.68 | 42.68  | 8.86   | 19.50  | 14.86   | -               | -                                | -             |



## Calendar year total returns (%)

|                                     | 2023  | 2022   | 2021  | 2020  | 2019  | 2018  | 2017  | 2016 | 2015  | 2014  |
|-------------------------------------|-------|--------|-------|-------|-------|-------|-------|------|-------|-------|
| <b>Institutional Shares</b>         | 39.62 | -24.69 | 30.38 | 38.32 | 32.01 | 1.74  | 25.32 | 6.59 | -3.80 | 12.50 |
| <b>Benchmark</b>                    | 42.68 | -29.14 | 27.60 | 38.49 | 36.39 | -1.51 | 30.21 | 7.08 | 5.67  | 13.05 |
| <b>Morningstar Category Average</b> | 36.74 | -29.91 | 20.45 | 35.86 | 31.90 | -2.09 | 27.67 | 3.23 | 3.60  | 10.00 |

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. 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 10/1/24 or the date of the fund's next effective prospectus.

## Investment process

### Fundamentally based research

Research identifies powerful combinations of fundamental and technical factors which can capture behavioral signals that work across market environments.

### Stock selection

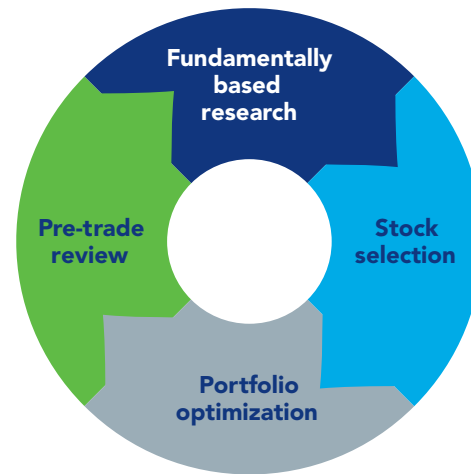
Stock alphas are forecasted based on each company's characteristics.

### Portfolio optimization

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

### Pre-trade review

All trades are reviewed 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.



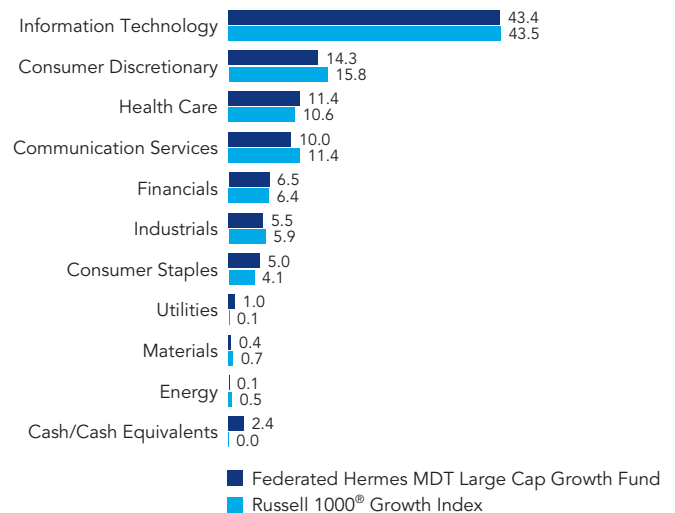
## Portfolio statistics

|                            |           |
|----------------------------|-----------|
| Weighted median P/E (LTM)  | 36.4x     |
| Weighted median P/E (NTM)  | 27.7x     |
| Weighted median market cap | \$273.6 b |
| Weighted median price/book | 12.7x     |
| Number of securities       | 100       |

## Top holdings (%)

|                      |      |
|----------------------|------|
| Microsoft Corp.      | 11.4 |
| Apple Inc.           | 9.2  |
| Alphabet Inc.        | 4.6  |
| Amazon.com, Inc.     | 4.5  |
| NVIDIA Corporation   | 4.5  |
| AbbVie Inc.          | 3.2  |
| Meta Platforms, Inc. | 2.9  |
| Broadcom, Inc.       | 2.2  |
| ServiceNow, Inc.     | 2.2  |
| PepsiCo, Inc.        | 1.9  |
| Total % of portfolio | 46.6 |

## Sector weightings (%)



Portfolio composition is based on net assets at the close of business on 12/31/23 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

- Value stocks underperformed growth stocks in the Russell 1000 this quarter
- Overweighting stocks with strong relative price trend and positive analyst conviction contributed the most to outperformance
- Fund ended the quarter roughly sector-neutral to benchmark

## Looking back

To start the last stanza of 2023, U.S. equities slid for the third consecutive month as expectations of persistently high interest rates continued to weigh on market sentiment. Markets rallied over the balance of the quarter, however, as the U.S. Federal Reserve signaled an end to rate hikes alongside an increased probability of rate cuts in 2024. Nearly all segments of the U.S. equity market delivered strong returns for the fourth quarter, with higher-risk and growth-oriented segments outperforming. The broad-market Russell 3000 Index jumped 12.07% for the quarter, led by smaller-cap stocks. The small-cap Russell 2000 surged 14.03% for the period, outperforming the Russell MidCap (+12.82%) and mega-cap Russell Top 200 (+11.70%) indices. The Russell 3000 Growth Index (+14.09%) outpaced the Russell 3000 Value Index (+9.83%) during the quarter.

## Performance

Federated Hermes MDT Large Cap Growth Fund (Institutional Shares) returned 14.36% in the fourth quarter of 2023, outperforming the 14.16% return of its benchmark, the Russell 1000 Growth Index.

### Performance contributors

- Overweighting stocks with strong relative price trend and positive analyst conviction
- Stock selection in the Information Technology and Consumer Discretionary sectors
- Strong performers overweighted by the fund: Enphase Energy, Inc. and CrowdStrike Holdings, Inc. (Class A)
- Weak performer underweighted by the fund: Tesla, Inc.

### Performance detractors

- Unfavorable stock selection among companies with neutral to high analyst conviction and worsening earnings to price
- Stock selection in Consumer Staples and Industrials sectors
- Weak performers overweighted by the Fund: Airbnb, Inc. (Class A)
- Strong performer underweighted by the Fund: Microsoft Corporation

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## How we are positioned

The fund ended the fourth quarter roughly sector-neutral to the benchmark, as intended by our multi-layered risk management. Within the sectors there was an overweight position in the Software & Services industry and an underweight position in the Semiconductors & Semiconductor Equipment industry.

See disclosure section for important disclosures and definitions.

## Risk statistics

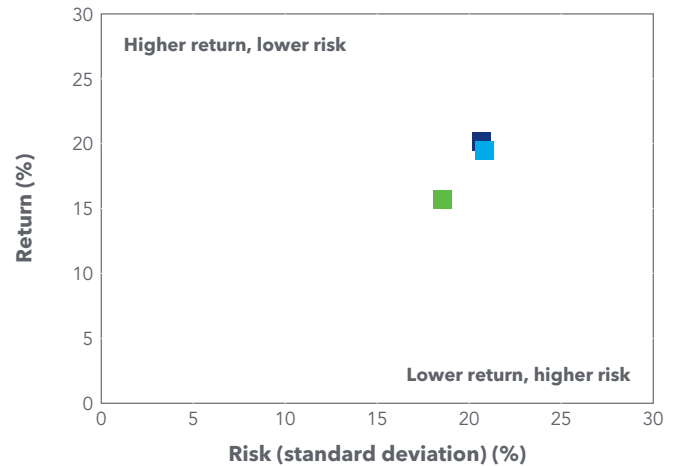
|                           | 3-year | 5-year | 7-year | 10-year |
|---------------------------|--------|--------|--------|---------|
| <b>Standard deviation</b> | 20.48  | 20.66  | 18.87  | 17.09   |
| <b>Alpha</b>              | 2.18   | 0.83   | 0.51   | -0.67   |
| <b>Beta</b>               | 0.97   | 0.98   | 0.99   | 0.99    |
| <b>Correlation</b>        | 0.99   | 0.99   | 0.99   | 0.98    |
| <b>R<sup>2</sup></b>      | 97.86  | 97.89  | 97.49  | 96.65   |
| <b>Up capture ratio</b>   | 101.26 | 98.93  | 98.28  | 96.92   |
| <b>Down capture ratio</b> | 93.87  | 95.76  | 95.41  | 99.41   |
| <b>Sharpe ratio</b>       | 0.41   | 0.86   | 0.84   | 0.68    |
| <b>Tracking error</b>     | 3.03   | 3.02   | 3.00   | 3.13    |

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Russell 1000<sup>®</sup> Growth Index

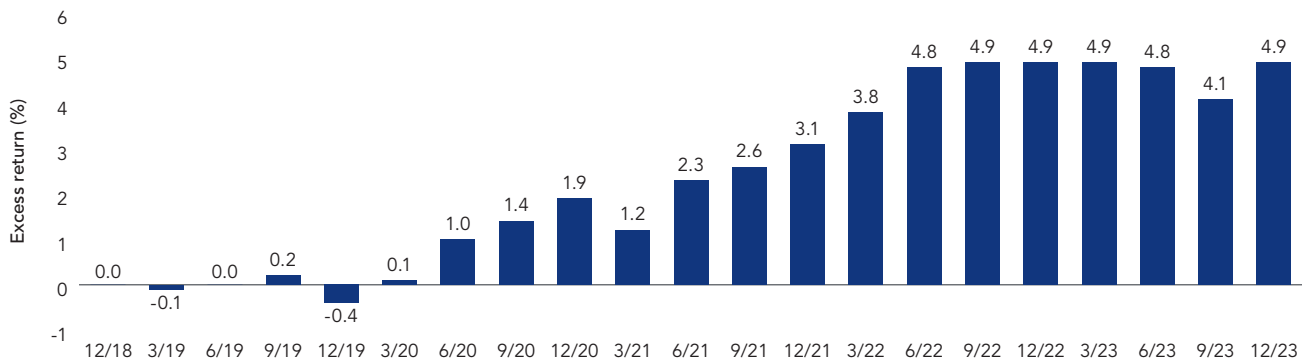
See disclosure section for important definitions.

## 5-year risk/return



|   | Risk (%) | Return (%) |
|---|----------|------------|
| ■ Federated Hermes MDT Large Cap Growth Fund (IS) | 20.66    | 20.14      |
| ■ Russell 1000 <sup>®</sup> Growth Index          | 20.82    | 19.50      |
| ■ S&P 500 <sup>®</sup> Index                      | 18.52    | 15.69      |

## 5-year rolling excess performance vs. Morningstar Large Cap Growth Category Average

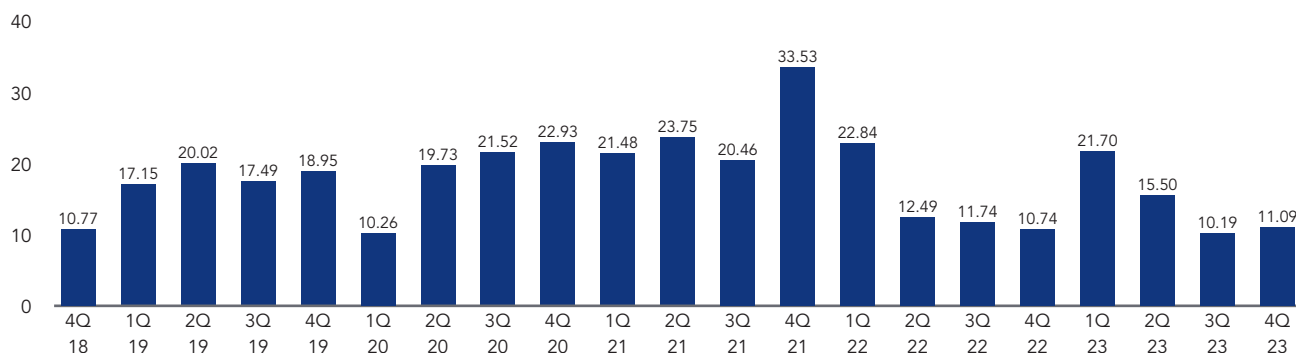


Source: Morningstar, Inc. Performance represents 5-year periods (3-month step).

Returns are for Institutional Shares. Other classes of shares are available whose performance will vary due to different charges and expenses.

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



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## Category rankings

| Morningstar Large Growth Category |                             | 1-year             | 3-year            | 5-year            | 10-year          |
|-----------------------------------|-----------------------------|--------------------|-------------------|-------------------|------------------|
| <b>IS Shares</b>                  | Morningstar Category % Rank | 43                 | 2                 | 6                 | 16               |
|                                   | Morningstar Category Rank   | 549 of 1,200 funds | 8 of 1,118 funds  | 43 of 1,031 funds | 112 of 810 funds |
| <b>A Shares</b>                   | Morningstar Category % Rank | 45                 | 2                 | 7                 | 19               |
|                                   | Morningstar Category Rank   | 574 of 1,200 funds | 12 of 1,118 funds | 53 of 1,031 funds | 141 of 810 funds |

| Lipper Multi-Cap Growth Funds |                              | 1-year           | 3-year          | 5-year          | 10-year         |
|-------------------------------|------------------------------|------------------|-----------------|-----------------|-----------------|
| <b>IS Shares</b>              | Lipper Classification % Rank | 26               | 2               | 5               | 14              |
|                               | Lipper Classification Rank   | 126 of 490 funds | 9 of 461 funds  | 18 of 428 funds | 45 of 342 funds |
| <b>A Shares</b>               | Lipper Classification % Rank | 27               | 3               | 6               | 16              |
|                               | Lipper Classification Rank   | 131 of 490 funds | 11 of 461 funds | 22 of 428 funds | 52 of 342 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 MDT Large Cap Growth 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://FederatedHermes.com/us). Please carefully read the summary prospectus or the prospectus before investing.**

The fund is the successor to MDT Large Cap Growth Fund pursuant to a reorganization that took place on December 8, 2006. Prior to that date, the fund had no investment operations. Accordingly, the performance information shown for periods prior to that date is that of MDT Large Cap Growth Fund.

### 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.

### 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.

**Sharpe ratio** is calculated by dividing a fund's annualized excess return by the fund's annualized standard deviation. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

**Standard deviation** is a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

**Tracking error** is the difference between a portfolio's returns and the benchmark or index it was meant to mimic or beat.

**Up capture ratio/down capture ratio** is a measure of how well a manager was able to replicate or improve on periods of positive benchmark returns and how badly the manager was affected by periods of negative benchmark returns. The up-market capture ratio is a measure of a manager's performance in up markets relative to the index during the same period. For example, a ratio value of 115 indicates that the manager has outperformed the market index by 15% in periods when the index has risen. The down-market capture ratio is the direct opposite of the up-market capture ratio, gauging performance of the manager

relative to the index in down markets. A ratio value of 80 would indicate the manager had declined on 80% as much as the declining overall market, indicating relative outperformance.

**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.

**Weighted median price/book** is a ratio comparing share price to book value or assets minus liabilities.

**Russell 1000<sup>®</sup> Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000<sup>®</sup> Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000<sup>®</sup> Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics.

**S&P 500<sup>®</sup> 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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