

# Federated Hermes MDT Small Cap Core Fund

12/31/24

## Fund facts

### Performance inception date

9/15/05

### Benchmark

Russell 2000® Index

### Morningstar category

Small Blend

### Lipper classification

Small-Cap Core Funds

### Fund assets

\$1.4 billion

### Ticker symbols

R6 Shares - QLSCX

Institutional Shares - QISCX

A Shares - QASCX

C Shares - QCSCX

### Key investment team

Daniel Mahr, CFA

Damien Zhang, CFA

Frederick Konopka, CFA

John Paul Lewicke

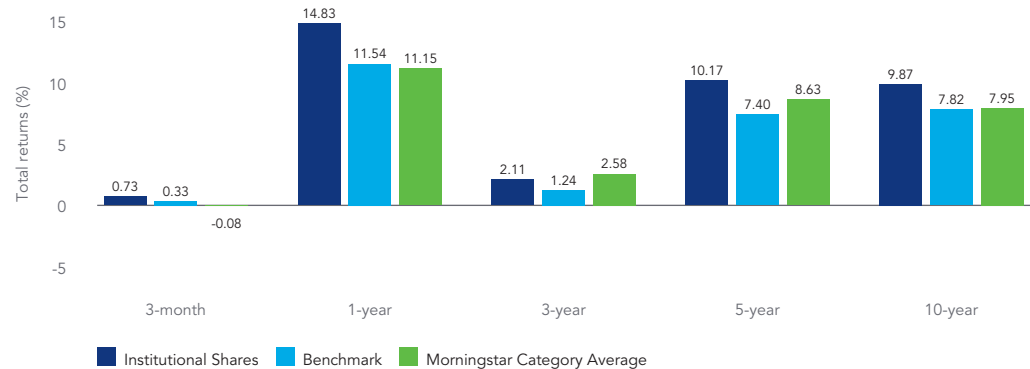
## Fund description

The fund pursues long-term capital appreciation by investing in a diversified portfolio of US small-cap companies from the Russell 2000® 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*	
								Before waivers	After waivers
<b>R6 Shares</b>	0.73	14.83	14.83	2.12	10.17	9.82	6.14	0.88	0.88
<b>Institutional Shares</b>	0.73	14.83	14.83	2.11	10.17	9.87	8.08	0.98	0.89
<b>A Shares (NAV)</b>	0.67	14.54	14.54	1.86	9.89	9.59	7.83	1.33	1.14
<b>A Shares (MOP)</b>	-4.86	8.25	8.25	-0.04	8.65	8.97	7.51	1.33	1.14
<b>Benchmark</b>	0.33	11.54	11.54	1.24	7.40	7.82	-	-	-



## Calendar year total returns (%)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Institutional Shares</b>	14.83	20.58	-23.11	30.27	16.99	18.06	-11.58	15.58	35.23	-3.20
<b>Benchmark</b>	11.54	16.93	-20.44	14.82	19.96	25.53	-11.01	14.65	21.31	-4.41
<b>Morningstar Category Average</b>	11.15	16.18	-16.24	24.19	10.99	23.75	-12.72	12.28	20.78	-5.38

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.

\* For A and IS Shares, 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 10/1/25 or the date of the fund's next effective prospectus. Regarding R6 Shares, the fund's expense ratio is from the most recent prospectus, which shows that the fund is not waiving any expenses.

## Investment process

### Alpha forecasting

Utilizes a combination of fundamental and technical factors to predict each stock's potential performance relative to the benchmark based on each company's characteristics.

### Portfolio construction

Incorporates multiple benchmark-relative risk controls in an attempt to maximize excess return, net of trading costs.

### Trading review

Proposed trades are reviewed daily to help ensure they reflect accurate, up-to-date information.

### Ongoing research

Continuous research is conducted to look for opportunities that can strengthen the investment process and ensure strategies remain robust.



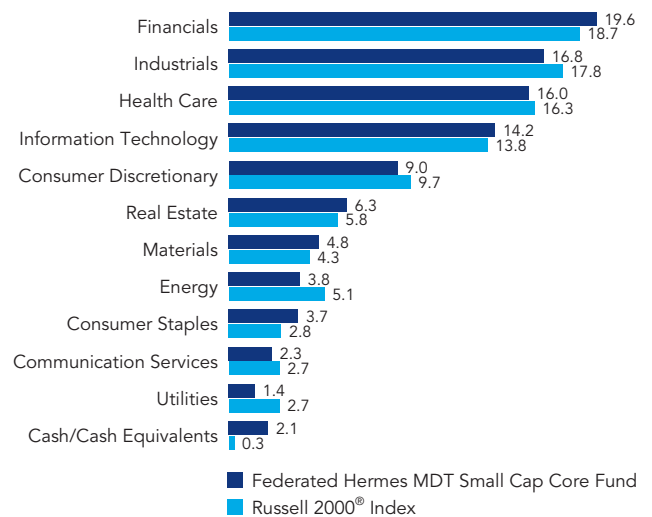
## Portfolio statistics

Weighted median P/E (LTM)	20.1x
Weighted median P/E (NTM)	16.1x
Weighted median market cap	\$2.5 b
Weighted median price/book	2.3x
Number of securities	301

## Top holdings (%)

Jackson Financial Inc.	2.3
Resideo Technologies Inc.	2.1
Knife River Corp.	1.7
Parsons Corp.	1.6
Omniceil, Inc.	1.5
SSR Mining, Inc.	1.5
BankUnited Inc.	1.1
ADMA Biologics Inc.	1.0
BellRing Brands Inc.	1.0
FB Financial Corp.	1.0
Total % of portfolio	14.8

## Sector weightings (%)



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

- Small-cap growth stocks outperformed small-cap value stocks
- Strong stock selection among companies with attractive valuations and positive analyst conviction contributed the most to outperformance
- The fund ended the quarter roughly sector-neutral to benchmark

## Looking back

US equities closed out 2024 in fine fashion as the S&P 500 delivered its fifth consecutive quarter of positive total returns, leaving the index with its best two-year return since the late 1990s. Equities moved higher in November after the US Presidential election; the broad-based rally was led by smaller-cap stocks. However, US stocks cooled in December after the US Federal Reserve signaled a smaller number of interest rate cuts in 2025 than previously expected by the market. Consumer discretionary, communication services, financials and information technology stocks led returns for the quarter, while materials, health care and real estate stocks were the notable laggards. Higher beta, larger cap, growth-oriented equity segments outperformed. The broad market Russell 3000 Index returned 2.63% for the fourth quarter. The mega-cap Russell Top 200 Index (+3.35%) outpaced the Russell Midcap Index (0.62%) and the small-cap Russell 2000 Index (+0.33%). The Russell 3000 Growth Index (+6.82%) handily beat the Russell 3000 Value Index (-1.94%).

## Performance

Federated Hermes MDT Small Cap Core Fund (Institutional Shares) returned 0.73% in the fourth quarter of 2024, outperforming the 0.33% return of its benchmark, the Russell 2000 Index.

### Performance contributors

- Strong stock selection among companies with attractive valuations and positive analyst conviction
- Favorable stock selection in the Materials and Consumer Discretionary sectors
- Strong performers overweighted by the fund: SSR Mining Inc, TruBridge, Inc. and BellRing Brands, Inc.

### Performance detractors

- Poor stock selection among younger companies with strong one-year returns and positive analyst conviction
- Unfavorable stock selection in the Industrials and Information Technology sectors
- Weak performers overweighted by the fund: Redfin Corporation and Madison Square Garden Entertainment Corp.
- Strong performer underweighted by the fund: IonQ, Inc.

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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 were overweight positions of the insurance industry and the software & services industry. There were underweight positions of the banks industry and the utilities industry. At the end of the period, the fund was overweight value stocks.

See disclosure section for important disclosures and definitions.

## Risk statistics

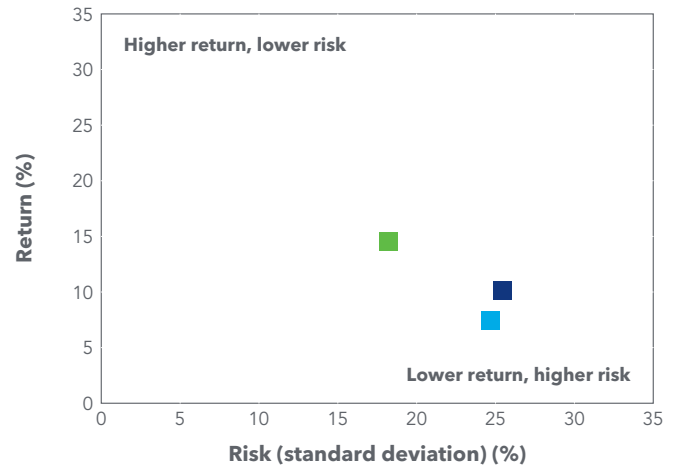
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	23.39	25.42	23.79	21.65
<b>Alpha</b>	0.79	2.67	0.94	1.92
<b>Beta</b>	0.97	1.01	1.01	1.02
<b>Correlation</b>	0.98	0.98	0.98	0.98
<b>R<sup>2</sup></b>	96.59	96.35	96.62	95.81
<b>Up capture ratio</b>	97.30	104.09	101.71	104.68
<b>Down capture ratio</b>	94.83	96.58	99.08	98.15
<b>Sharpe ratio</b>	-0.09	0.29	0.22	0.36
<b>Tracking error</b>	4.34	4.87	4.39	4.46

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Russell 2000<sup>®</sup> Index

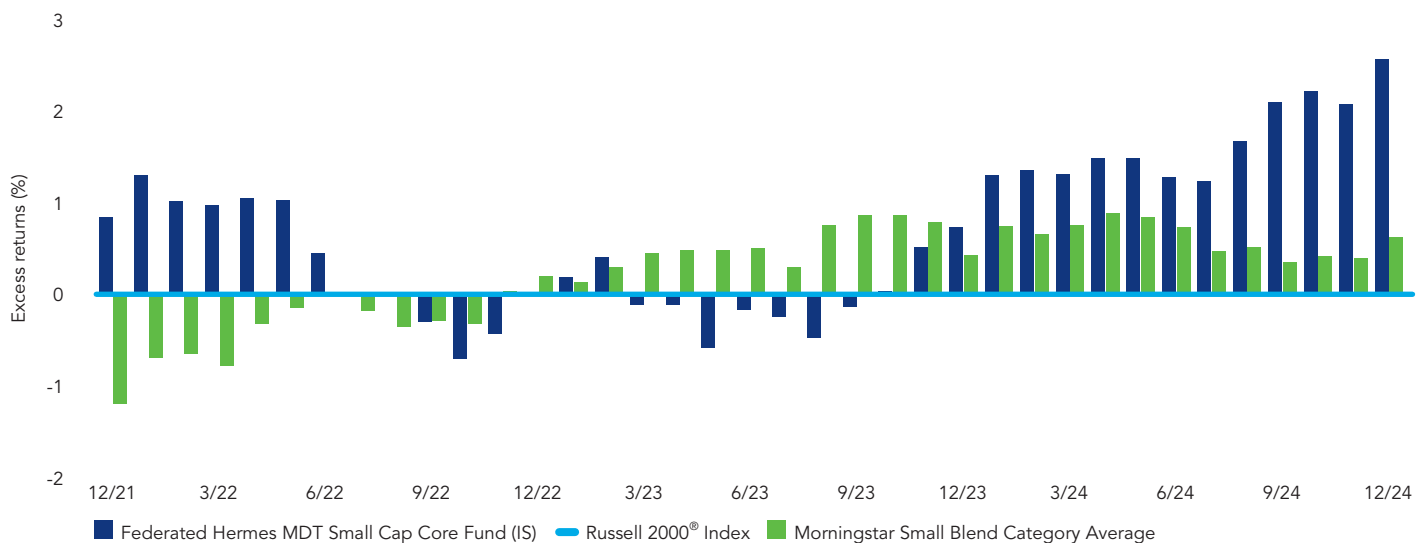
See disclosure section for important definitions.

## 5-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes MDT Small Cap Core Fund (IS)	25.42	10.17
■ Russell 2000 <sup>®</sup> Index	24.69	7.40
■ S&P 500 <sup>®</sup>	18.21	14.53

## 5-year rolling excess performance vs. Russell 2000<sup>®</sup> Index

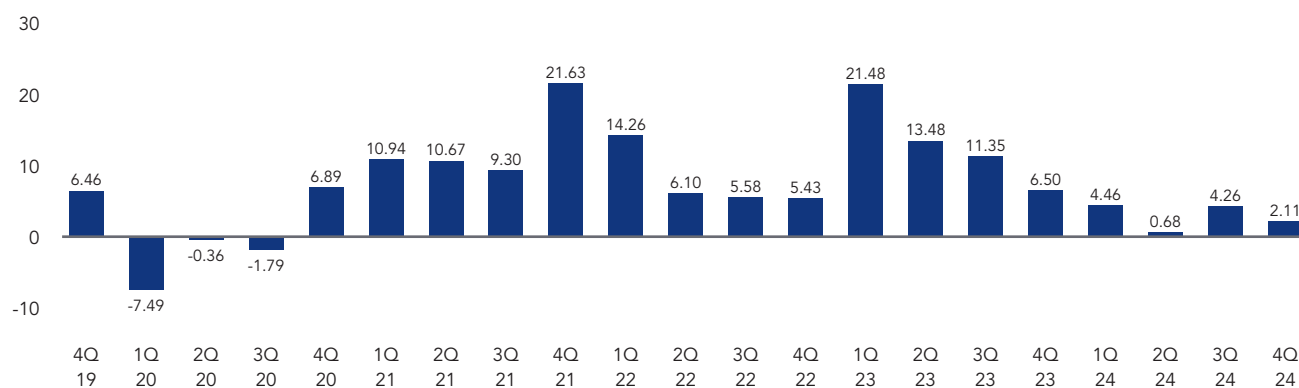


Source: Morningstar, Inc. Performance represents 5-year periods (1-month shift).

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 Small Blend Category		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Morningstar Category % Rank	16	56	24	-
	Morningstar Category Rank	99 of 624 funds	310 of 596 funds	123 of 571 funds	-
<b>IS Shares</b>	Morningstar Category % Rank	16	57	24	9
	Morningstar Category Rank	100 of 624 funds	311 of 596 funds	125 of 571 funds	32 of 413 funds
<b>A Shares</b>	Morningstar Category % Rank	17	60	28	12
	Morningstar Category Rank	107 of 624 funds	330 of 596 funds	150 of 571 funds	40 of 413 funds

Lipper Small-Cap Core Funds		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	16	60	20	-
	Lipper Classification Rank	153 of 995 funds	570 of 958 funds	177 of 909 funds	-
<b>IS Shares</b>	Lipper Classification % Rank	16	60	20	6
	Lipper Classification Rank	154 of 995 funds	571 of 958 funds	179 of 909 funds	36 of 675 funds
<b>A Shares</b>	Lipper Classification % Rank	17	63	24	8
	Lipper Classification Rank	162 of 995 funds	598 of 958 funds	216 of 909 funds	50 of 675 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 Small Cap Core 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](http://FederatedHermes.com/us). Please carefully read the summary prospectus or the prospectus before investing.**

The fund is the successor to MDT Small Cap Core 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 Small Cap Core Fund.

The fund's R6 Shares commenced operations on June 30, 2016. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for the fund's Institutional Shares. The performance of the Institutional Shares has not been adjusted to reflect the expenses applicable to the R6 Shares since the R6 Shares have a lower expense ratio than the expense ratio of the Institutional Shares. The performance of the Institutional Shares have been adjusted to remove any voluntary waiver of the fund expenses related to the Institutional Shares that may have occurred during the period prior to the commencement of operations of the R6 Shares.

### A word about risk

Mutual funds are subject to risks and fluctuate in value.

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.

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

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.

Because the fund may allocate relatively more assets to certain industry sectors than others, the fund's performance may be more susceptible to any developments which affect those sectors emphasized by the fund.

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.

Value stocks tend to have higher dividends and thus have a higher income-related component in their total return than growth stocks. Value stocks also may lag growth stocks in performance, particularly in late stages of a market advance.

The quantitative models and analysis used by the fund's adviser 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 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.

**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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