

Small cap growth, big opportunity?

Federated Hermes Kaufmann Small Cap Fund

Tickers — IS: FKAIX | A: FKASX | R6: FKALX

We think so — investment team outlook

- For the first time in three years, Federated Hermes’ asset allocation committees are bullish on small cap growth due to better-than-expected Q1 earnings and waning hard landing signs. They moved to overweight from neutral small cap growth in July, just two months after moving to neutral from underweight in May
- The Kaufmann team believes rates will eventually reflect the slowing economy, and the best way to be positioned is to avoid or be selective in cyclical industries that are sensitive to the economy
- Acyclical, growth-oriented companies, such as biotech, typically perform well in such periods
- Even with its recent rally, small cap growth valuations are still 20% below the cycle peak. And with the asset class also currently undervalued vs. large and mid caps (of all styles — value, growth and blend) based on P/E ratios,¹ we believe now is the time to consider increasing allocations

How we’re positioned

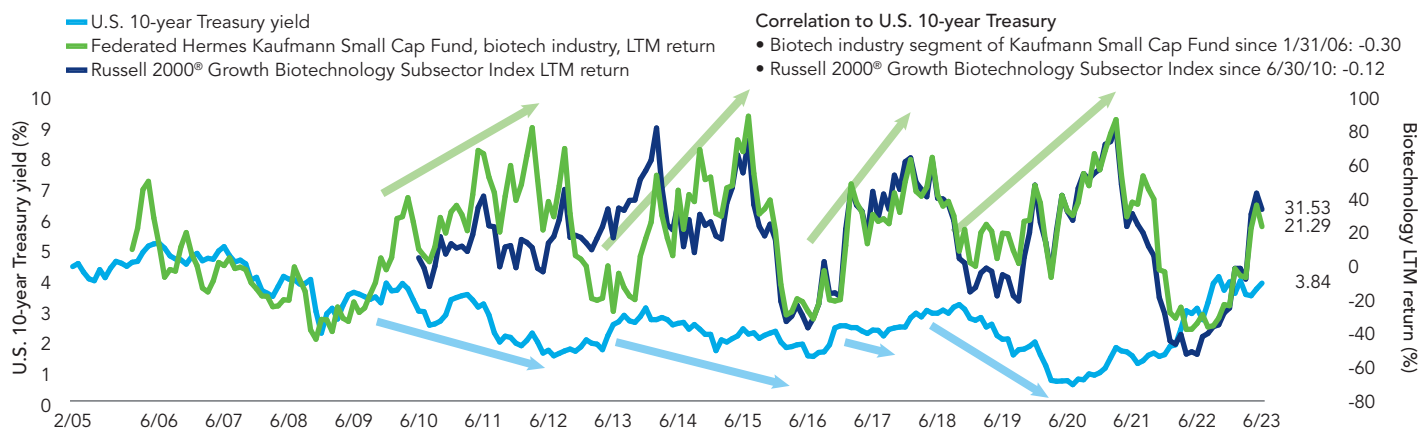
- In line with their outlook, the team is overweight biotech and underweight info tech
- Biotech overweight: Historically, biotech has been one of the best spaces to be in an economic slowdown and rate reversal
- Biotech is naturally acyclical because the FDA process, scientific breakthroughs and progress are little affected by the economic backdrop
- Because biotech companies need to raise capital throughout their drug development process, they are sensitive to rates and market risk appetite
- Info tech underweight: We seek innovators with business momentum and high growth potential now and accelerating over the next 3-5 years, which, in our view, is not happening in tech. Very few if any companies are accelerating their growth by revenue and profits
- Info tech budgets during Covid-19 pulled forward demand that we believe may not recover to those growth levels for some time
- We think extended valuations of many companies will reset lower
- The team has also been active in the IPO market, participating in Cava Group, Savers Value Village Inc and GEN Restaurant Group IPOs in 2Q. Quiet years, such as 2023, often present some of the best opportunities

	Russell 2000® Growth Index	Morningstar Small Growth Category average	Federated Hermes Kaufmann Small Cap Fund
Portfolio weight, biotechnology industry	8.74	5.71	23.26
Portfolio weight, Information Technology sector	18.40	21.40	12.90
Portfolio weight, companies first purchased at IPO	Not applicable	Not available	45.12
Portfolio weight, equity style: growth	45.83	51.12	59.30
Active share	Not applicable	79.66	90.47

As of 6/30/23. Sources: Morningstar, Inc., FactSet, Russell, Federated Hermes.

We believe small cap biotech stocks have room to run

In the past, a peak in Treasuries has preceded a biotech rally.

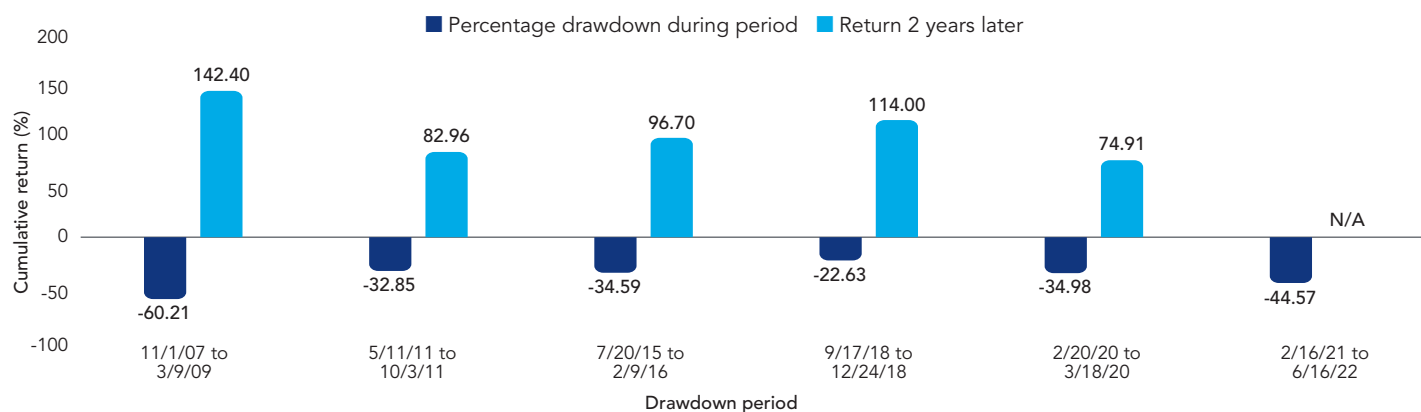


As of 6/30/23. Sources: FactSet, Russell, Federated Hermes analysis. **Past performance is not indicative of future results.**

Not FDIC Insured • May Lose Value • No Bank Guarantee

Kaufmann Small Cap Fund has a history of strong recoveries

FKAIX has experienced six drawdowns deeper than -20% since its 2002 inception. Compare the drawdowns versus the recoveries.



As of 6/30/23. Sources: Morningstar, Inc., Federated Hermes analysis. Two-year recovery periods are as follows, in order: 3/10/09 to 10/3/13, 2/10/16 to 2/9/18, 12/25/18 to 12/24/20, 3/19/20 to 3/18/22. **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. Performance is for IS Shares. Please see the following page for standard performance and for A Shares performance. The value of equity securities will fluctuate and, as a result, the fund's share price may decline suddenly or over a sustained period of time.**

Total returns (%) as of 6/30/23

Performance shown is before tax.

	Ticker symbol	3-month	YTD	Annualized				Since inception 12/18/02	Expense ratio*	
				1-yr	3-yr	5-yr	10-yr		Before waivers	After waivers
IS	FKAIX	6.99	11.28	14.54	1.47	7.08	12.94	12.90	1.02	0.90
R6	FKALX	7.00	11.31	14.59	1.49	7.10	12.86	12.88	0.93	0.89
A (NAV)	FKASX	6.84	11.01	14.02	1.00	6.58	12.55	12.73	1.51	1.36
A (MOP)	FKASX	0.97	4.91	7.75	-0.88	5.38	11.92	12.42	1.51	1.36
Russell 2000® Growth Index	–	7.05	13.55	18.53	6.10	4.22	8.83	9.80	–	–

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.

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.

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

Small cap growth, big opportunity?

¹ Price-to-equity ratios as of 6/30/23 as a percentage of P/E ratios 1/1/01 to 6/30/23 were as follows: Small cap growth: 118%, mid cap growth: 145%, large cap growth: 158%; mid cap blend: 125%, large cap blend: 166%; large cap value: 139%, mid cap value: 126%.

Views are as of July 13, 2023 and subject to change.

Total return would have been lower in the absence of temporary expense waivers or reimbursements. Returns for periods of less than one year are cumulative.

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 "small-cap") 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 share 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.

Active share measures the deviation of an investment strategy's holdings compared to its benchmark.

Federated Hermes Kaufmann Small Cap Fund, biotech industry returns are calculated by FactSet using holdings classified as biotech by GICS Industries.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings over the past three years. If the fund is less than three years old, the category is based on the life of the fund. ©2023 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

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.

Russell 2000 Growth Index Biotechnology Subsector Index consists of companies in the Russell 2000® Growth Index that are engaged in research into and development of biological substances for the purposes of drug discovery and diagnostic development, and which derive the majority of their revenue from either the sale or licensing of these drugs and diagnostic tools.

Indexes are unmanaged and cannot be invested in directly.