

# Federated Hermes Kaufmann Fund

6/30/20

## Fund facts

### Performance inception date

Institutional Shares 1/1/06  
A Shares 2/21/86

### Benchmark

Russell Midcap<sup>®</sup> Growth Index

### Morningstar category

Mid-Cap Growth

### Lipper classification

Mid-Cap Growth Funds

### Fund assets

\$7.4 billion

### Ticker symbols

Institutional Shares - KAUIX  
A Shares - KAUAX  
C Shares - KAUCX  
R Shares - KAUFX

### Key investment team

Hans Utsch  
John Ettinger, CFA<sup>®</sup>  
Jonathan Art  
Mark Bauknight  
Tom Brakel, M.D.  
Barbara Miller  
Steven Abrahamson  
Stephen DeNichilo, CFA<sup>®</sup>  
Vivian Wohl

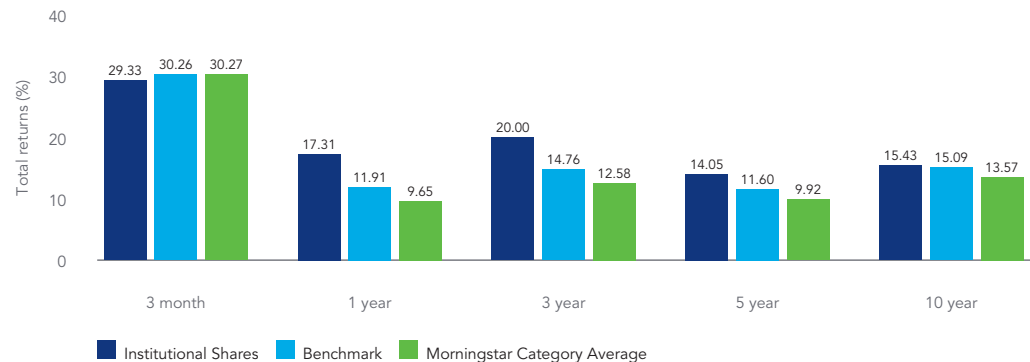
## Fund description

The fund seeks to provide capital appreciation by investing primarily in securities of small and mid-sized companies. Utilizing an intensive, bottom-up security selection process, it 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	15 year	Since inception	Expense ratio*	
									Before waivers	After waivers
<b>Institutional Shares</b>	29.33	10.95	17.31	20.00	14.05	15.43	–	–	1.56	1.53
<b>A Shares (NAV)</b>	29.04	10.70	16.63	19.40	13.64	15.23	10.63	12.52	2.01	1.98
<b>A Shares (MOP)</b>	21.95	4.61	10.21	17.17	12.36	14.58	10.21	12.33	2.01	1.98
<b>Benchmark</b>	30.26	4.16	11.91	14.76	11.60	15.09	10.32	–	–	–



## Calendar year returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Institutional Shares</b>	33.88	3.94	28.52	3.07	5.96	9.14	40.50	17.22	-13.85	18.65
<b>Benchmark</b>	35.47	-4.75	25.27	7.33	-0.20	11.90	35.74	15.81	-1.65	26.38
<b>Morningstar Category Average</b>	32.52	-6.65	23.91	6.03	-0.95	7.00	34.93	14.07	-3.96	24.61

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 [FederatedInvestors.com](http://FederatedInvestors.com). 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. Pursuant to a settlement agreement, the expense ratio reflects a voluntary reduction of the management fee, from its stated, gross management fee, continuing until June 30, 2022. Additionally, the expense ratio reflects voluntary fee waivers and/or expense reimbursements determined by the fund's Advisor and/or its affiliates. The voluntary waivers and/or expense reimbursements are in effect up to but not including the later of 1/1/21 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 30-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, large 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.

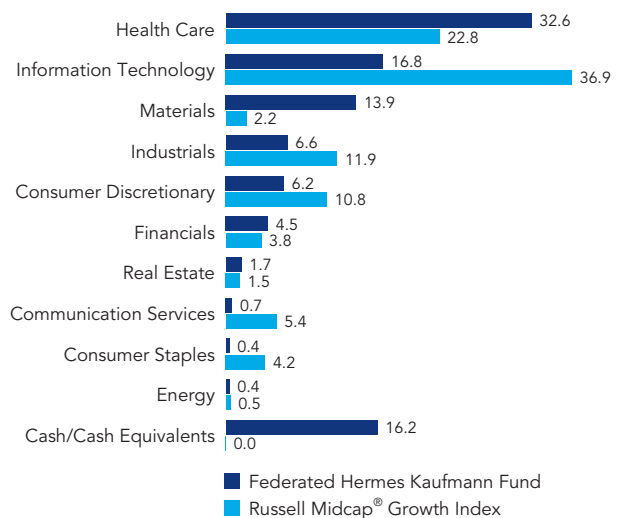
## Portfolio statistics

Weighted median P/E (LTM)	53.3x
Weighted median P/E (NTM)	36.6x
Weighted median market cap	\$12.8 b
Number of securities	163
Annual portfolio turnover	48.33%

## Top holdings (%)

Argenx SE	3.1
Shopify, Inc.	2.8
Veeva Systems, Inc.	2.3
Ultragenyx Pharmaceutical, Inc.	2.0
Galapagos NV - ADR	1.8
Agnico Eagle Mines, Ltd.	1.7
Dexcom, Inc.	1.7
Newmont Corporation	1.7
Barrick Gold Corp.	1.5
GDS Holdings Ltd.- ADR	1.5
Total % of Portfolio	20.1

## 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 6/30/20 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 rebounded sharply during the quarter
- Investors continued their preference for growth stocks over value stocks
- Elevated cash levels hurt relative performance while stock selection helped performance

## Looking back

During the second quarter of 2020, the U.S. economy and most significant westernized economies suffered from Covid-19-related government shutdowns of all activity for months causing economic devastation. The stimulus response by central banks as well as fiscal responses helped to soften the blow and allowed financial markets to rebound from a record sell-off in the first quarter. Global equities rallied back to near beginning-of-the-year-levels with the help of stimulus and the relative improvement of economic data in June with most states and countries either reopening or beginning the process of reopening. The U.S. equity markets rose sharply during the quarter led by mid-cap stocks represented by the Russell Midcap Index, up 31.15%, followed by small-cap stocks represented by the Russell 2000 Index, up 25.42%, followed by large-cap stocks represented by the Russell 1000 Index, up 21.82%. Finally, the S&P 500 Index was up 20.54% during the quarter. Mid-cap growth stocks outperformed mid-cap value stocks, a continuation of a multiyear trend.

During the quarter, the portfolio team added or added to existing equity positions of the following: Johnson & Johnson (new), Zoominfo Technologies (IPO), Moderna, Inc., FTI Consulting Inc. and Argenx SE.

Also during the quarter, the portfolio subtracted or reduced the following equity positions in pursuit of better opportunities: Moderna, Inc., Regeneron Pharmaceuticals, Gilead Sciences, Coupa Software and Vulcan Materials.

Also of note the fund participated in 4 IPOs and 12 secondary offers, the following are a select few IPOs and secondary offerings during the quarter: IPOs: Zoominfo Technologies, SelectQuote, Inc, Legend Biotech Corp and Akouos Inc Secondary Offerings: Calithera Biosciences, Grocery outlet Holdings, Q2 Holdings Gamida Cell LTD, Costar Group Inc, Dynavax Technologies, Transmedics Group, Argenx SE, Kaleido Biosciences, Fate Therapeutics, Editas Medicine Inc and Translate Bio Inc.

## Performance

Federated Hermes Kaufmann Fund Institutional Shares returned 29.33% at NAV for the three months ended June 30, 2020. That compares with its benchmark, the Russell Midcap Growth Index, which returned 30.26% during the same period.

### Performance contributors

- Stocks that made a positive contribution to performance included Shopify Inc., Moderna, Inc., Argenx SE, Ultragenyx Pharmaceutical Inc. and Agnico Eagle Mines Ltd.

### Performance detractors

- Stocks that detracted from performance included Luckin Coffee Inc., Minerva Neurosciences, JBG Smith Properties, Ryman Hospitality Properties and Johnson & Johnson

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## How we are positioned

As the U.S. economy continues into the second half of 2020, the economic data may be bottoming and beginning to recover. Uncertainty continues to plague economies, governments and citizens as the virus persists and threatens reopening. For many societies this level of economic chaos has not been seen since the end of the First World War and the Spanish flu epidemic. Despite those uncertainties, the Federated Hermes 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 68% of the portfolio invested in four sectors: Information Technology, Health Care, Materials and Industrials. The sector weightings of the portfolio is 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. These sectors also have historically provided good opportunities for bottom-up growth investors.

See disclosure section for important disclosures and definitions.

## Risk statistics

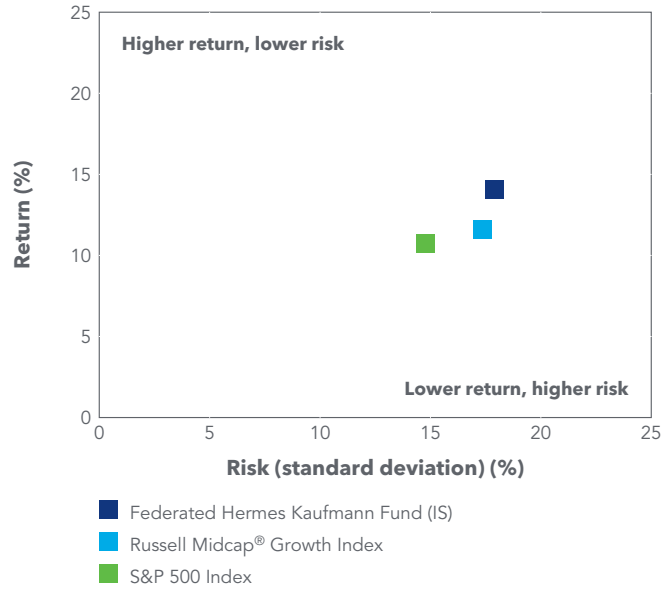
	3 year	5 year	7 year	10 year
<b>Standard deviation</b>	18.97	17.90	16.28	16.64
<b>Alpha</b>	5.62	2.66	3.29	0.74
<b>Beta</b>	0.90	0.97	0.97	0.98
<b>Correlation</b>	0.96	0.94	0.93	0.94
<b>R<sup>2</sup></b>	92.20	87.98	87.32	88.01

Sources: Federated Hermes

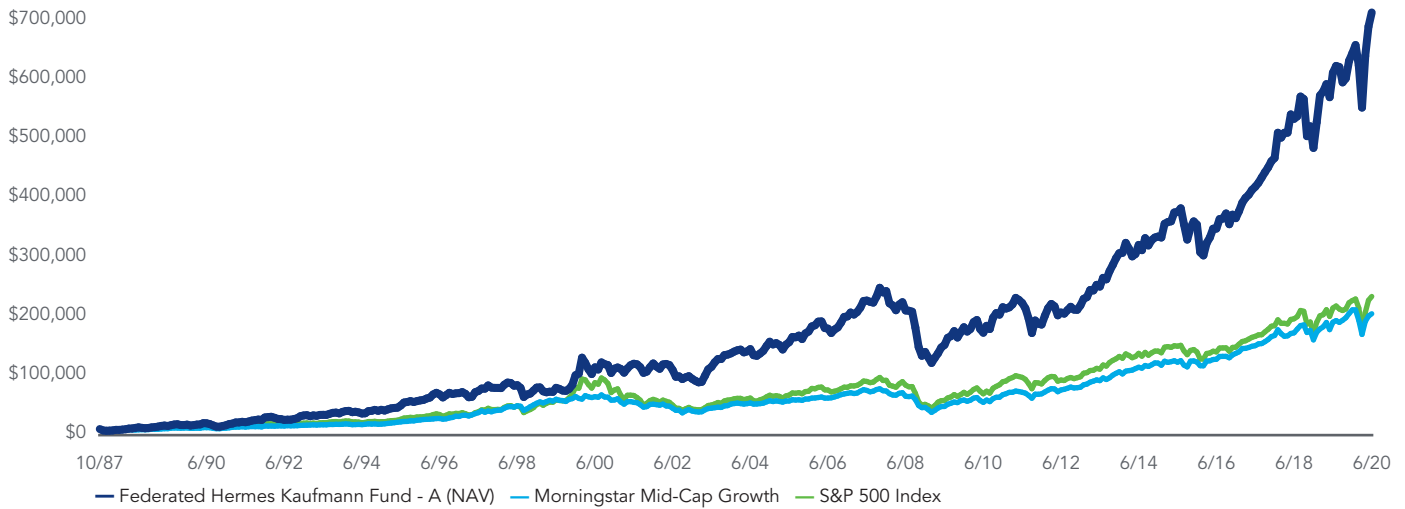
Morningstar, Inc. Fund vs. Russell Midcap<sup>®</sup> Growth Index

See disclosure section for important definitions.

## 5 year risk/return



## \$10,000 Investment since stock market crash of 1987

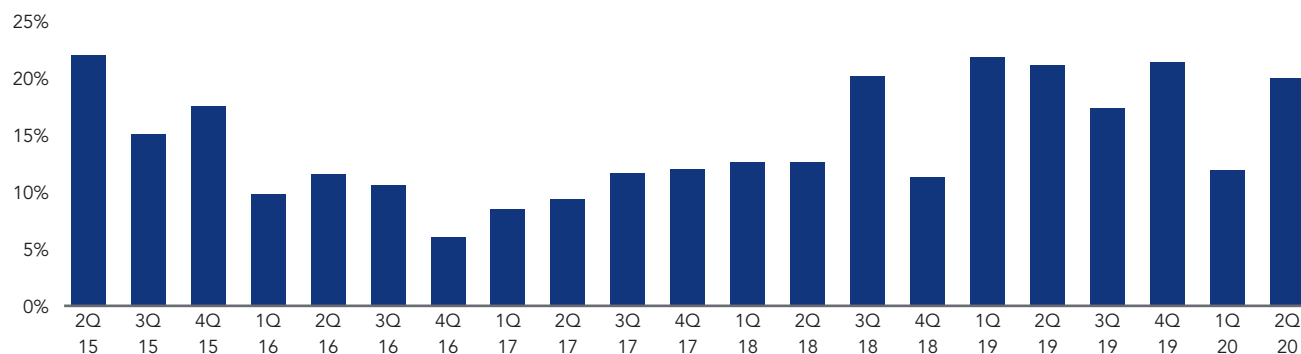


Source: Morningstar, Inc.

10/31/87-6/30/20

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## 3 year rolling returns (IS)



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## Category rankings

### Morningstar Mid-Cap Growth Category

	1 year	3 year	5 year	10 year
<b>IS Shares</b>				
Morningstar Category % Rank	20	8	11	17
Morningstar Category Rank	121 of 602 Funds	46 of 558 Funds	–	–
<b>A Shares</b>				
Morningstar Category % Rank	22	12	13	20
Morningstar Category Rank	141 of 602 Funds	66 of 558 Funds	66 of 500 Funds	81 of 381 Funds

### Lipper Mid-Cap Growth Funds

	1 year	3 year	5 year	10 year
<b>IS Shares</b>				
Lipper Classification % Rank	23	12	–	–
Lipper Classification Rank	90 of 407 Funds	44 of 378 Funds	–	–
<b>A Shares</b>				
Lipper Classification % Rank	26	16	15	26
Lipper Classification Rank	103 of 407 Funds	60 of 378 Funds	51 of 341 Funds	67 of 265 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 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 [FederatedInvestors.com](http://FederatedInvestors.com). Please carefully read the summary prospectus or the prospectus before investing.**

As of June 29, 2020, the fund was renamed Federated Hermes Kaufmann Fund.

The fund is the successor to the Kaufmann Fund, Inc. (Kaufmann Fund) pursuant to a reorganization that took place on April 23, 2001. Prior to that date, the fund had no investment operations. Accordingly, for periods prior to that date, the performance information is that of the Kaufmann Fund, adjusted to reflect the maximum sales charge applicable to the fund's A Shares.

The fund's Institutional Shares commenced operations on December 29, 2016. For the period prior to the commencement of operations of the Institutional Shares, the performance information shown is for R Shares adjusted to remove any voluntary waiver of fund expenses related to the fund's R Shares that occurred during the period prior to the commencement of the fund's Institutional Shares.

### A word about risk

Mutual funds are subject to risks and fluctuate in value.

Small company stocks may be less liquid and subject to greater price volatility than large capitalization stocks.

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.

### Definitions

**Russell 1000<sup>®</sup> Index** measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000<sup>®</sup> Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000<sup>®</sup> represents approximately 92% of the U.S. market. The Russell 1000<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> Index** measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap<sup>®</sup> Index is a subset of the Russell 1000<sup>®</sup> Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap<sup>®</sup> Index represents approximately 27% of the total market capitalization of the Russell 1000 companies.

**Russell Midcap<sup>®</sup> Growth Index** measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap<sup>®</sup> Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap<sup>®</sup> Growth Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap growth market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap growth market.

**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.

**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.

**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 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 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.

### Ratings and rating agencies

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