

Nasdaq symbol: FRFXX | Cusip number: 608919304 | Newspaper listing: CapResFd

6/30/23

Product highlights

- Pursues current income consistent with stability of principal and liquidity.
- Invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. government.
- Offers the potential for higher yield than a money market fund portfolio limited to Treasury or government fixed-income securities.

Key investment team

Mark Weiss, CFA
Paige Wilhelm

Portfolio assets

\$3.7 billion

Top ten holdings

- BOK Financial Corp.
 - Landesbank Baden-Wuerttemberg
 - Atlantic Asset Securitization LLC
 - Starbird Funding Corp.
 - Toronto Dominion Bank
 - Canadian Imperial Bank of Commerce
 - Barclays Bank plc
 - Credit Agricole Group
 - Barton Capital S.A.
 - Bank of Nova Scotia
- Total % of Portfolio: 44.6%

Share class statistics

Inception date

2/25/05

Federated Hermes fund number

806

Cut-off times

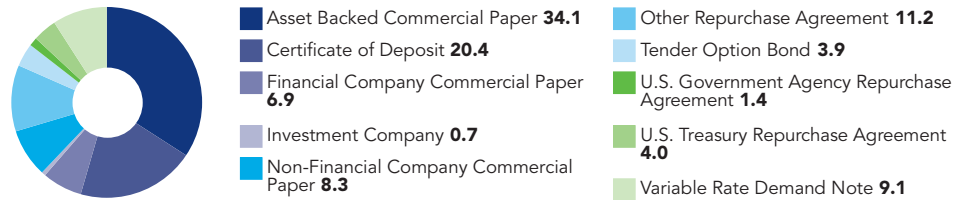
4:00 p.m. ET — purchases

4:00 p.m. ET — redemptions

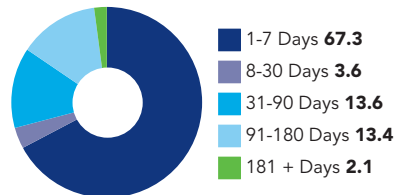
Dividends

Declared daily/paid monthly

Portfolio composition (%)



Effective maturity schedule (%)



2a-7 liquidity

Daily 18.69%
Weekly 40.41%

Weighted average maturity

38 Days

Weighted average life

71 Days

Fund performance

Net yield (%)	Annualized yields (%)												Total return (%)		
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June			
7-day	1.15	1.56	2.24	2.46	3.14	3.61	3.69	3.84	4.13	4.16	4.34	4.44	4.44	1-year	3.15

Performance quoted represents past performance, which is no guarantee of future results. Investment return will vary. An investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, contact us or visit [FederatedHermes.com/us](https://www.federatedhermes.com/us).

Although not contractually obligated to do so, the advisor and/or certain fund service providers waived all or a portion of their fees or reimbursed the fund for certain operating expenses. These voluntary waivers and reimbursements may be modified or terminated at any time; accordingly, the fund's expenses may vary (i.e., increase or decrease) during the fund's fiscal year. These waivers increase income to the fund and result in a higher return to investors.

Otherwise, the 7-day yield would have been 4.25% and total return would have been lower.

Total return represents the change in value of an investment after reinvesting all income and capital gains. Yield quotations more closely reflect the current earnings of the fund than the total return quotation.

Rule 2a-7 requires that money market funds maintain at least 10% daily liquidity assets and at least 30% weekly liquidity assets. Both requirements are 'point of purchase' requirements. Thus, it is possible that money market funds may, at any given time, have liquidity percentages reflecting less than the 10% and 30% thresholds. In such circumstances, the portfolio manager will be required to purchase securities to meet the requisite liquidity thresholds prior to purchasing longer-dated securities. Additionally, the SEC requirements for what may be defined as 'daily' and 'weekly' differs from the standard maturities used in calculating the 'Effective Maturity Schedule.' Therefore, the percentages in the 2a-7 Liquidity table will generally not equal the amounts shown in the 'Effective Maturity Schedule.'

Federated Hermes Capital Reserves Fund

Portfolio manager commentary

In January, U.S. Treasury Secretary Janet Yellen announced that the federal government's statutory debt limit had been reached and that the Treasury Department was forced to implement "extraordinary measures" to meet its obligations. Yellen warned that the "X date"—the day it exhausts its cash balance held at the Federal Reserve—could come in June. As in past cases, lawmakers pushed the negotiations to the brink before finally voting to suspend the limit until January 2025. The immediate result was that the Treasury embarked on plans to issue a massive amount of securities to replenish its coffers. Some estimates put that amount as high as \$1 trillion, based on the need to make whole the federal accounts in which it redeemed or suspended investments, service the national debt and fund government spending. The preponderance of the issuance will come in bills, a process that started as the second quarter drew to a close.

In the first of two Federal Open Market Committee (FOMC) meetings during the quarter, policymakers disregarded the debt ceiling debate and raised the fed funds target range by 25 basis points. That lifted it to a 16-year high of 5-5.25%. The rationale was that restricting the economy to fight inflation was

critical despite the uncertainty. Most measures of inflation continued to decrease, but remained stubbornly above the Fed's 2% target, and the labor market and consumer spending remained strong.

Intriguingly, at its June FOMC meeting the Fed made a different decision after the resolution of the debt limit debate, declining to change the policy range after 10 straight hikes. This announcement was paired with policymaker projections that rates likely will continue to rise. As the quarter closed, public comments by Fed Chair Jerome Powell suggested the tightening cycle that began in March 2022 was not over.

At the end of the month, yields on 1-, 3-, 6- and 12-month U.S. Treasuries were 5.14%, 5.32%, 5.45% and 5.42%, respectively; the 1-, 3-, 6- and 12-month Bloomberg Short-Term Bank Yield Index rates (BSBY) were 5.21%, 5.47%, 5.67% and 5.93%, respectively; the 1-, 3-, 6- and 12-month London interbank offered rates were 5.26%, 5.53%, 5.81% and 6.04%, respectively. Since US\$ LIBOR rates are no longer being reported, this is the last time they will appear on this update.

You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

A word about risk

The value of some asset-backed securities may be particularly sensitive to changes in prevailing interest rates, and although the securities are generally supported by some form of government or private guarantee and/or insurance, there is no assurance that private guarantors or insurers will meet their obligations.

Current and future portfolio holdings are subject to risk.

Definitions

Net yields are based on the average daily income dividend and average net asset value for the 7 days ended on the date of calculation. The 7-day net annualized yield is based on the average net income per share for the 7 days ended on the date of calculation and the offering price on that date.

The fund is a managed portfolio and its holdings are subject to change.

The holdings percentages are based on net assets at the close of business on 6/30/23 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes.

Weighted average maturity is the mean average of the periods of time remaining until the securities held in the fund's portfolio (a) are scheduled to be repaid, (b) would be repaid upon a demand by the fund or (c) are scheduled to have their interest rate readjusted to reflect current market rates. Securities with adjustable rates payable upon demand are treated as maturing on the earlier of the two dates if their scheduled maturity is 397 days or less, and the later of the two dates if their scheduled maturity is more than 397 days. The mean is weighted based on the percentage of the amortized cost of the portfolio invested in each period.

Weighted average life is calculated in the same manner as the Weighted average maturity (WAM), but is based solely on the periods of time remaining until the securities held in the fund's portfolio (a) are scheduled to be repaid or (b) would be repaid upon a demand by the fund without reference to when interest rates of securities within the fund are scheduled to be readjusted.

Repurchase agreements consist of a financial institution selling securities to a fund and agreeing to repurchase them at a mutually agreed upon price and time.

Variable rate demand notes are tax-exempt securities that require the issuer or a third party, such as a dealer or bank, to repurchase the security for its face value upon demand. The securities also pay interest at a variable rate intended to cause the securities to trade at their face value.