

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

12/31/24

## 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 US 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

\$3.3 billion

## Top holdings

Mizuho Financial Group, Inc.  
Canadian Imperial Bank of Commerce  
Avangrid, Inc.  
Toyota Motor Corp.  
Barclays Bank plc  
Toronto Dominion Bank  
McKesson Corp.  
Honda Motor Co., Ltd.  
BNP Paribas SA  
BOK Financial Corp.  
Total % of Portfolio: 41.3%

## Share class statistics

### Inception date

2/25/05

### Federated Hermes fund number

806

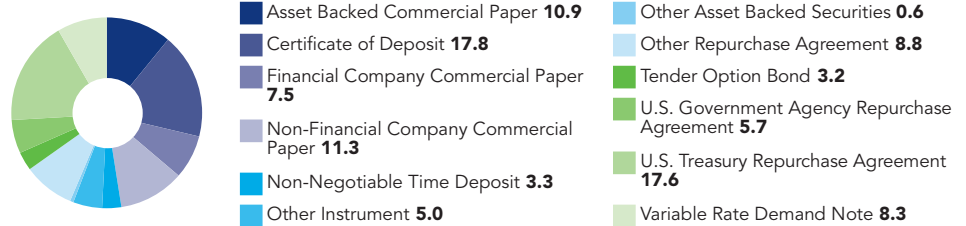
### Cut-off times

4:00 pm ET — purchases  
4:00 pm ET — redemptions

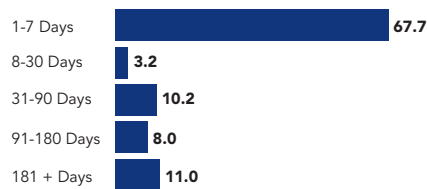
### Dividends

Declared daily/paid monthly

## Portfolio composition (%)



## Effective maturity schedule (%)



## 2a-7 liquidity

Daily 40.21%  
Weekly 54.65%

## Weighted average maturity

44 Days

## Weighted average life

57 Days

## Fund performance

Net yield (%)	Total return (%)
7-day 3.65	1-year 4.48

Annualized yields (%)	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
7-day	4.66	4.64	4.58	4.56	4.54	4.56	4.49	4.51	4.15	3.96	3.80	3.65

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 3.50% 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.

Prior to April 2, 2024, Rule 2a-7 required that money market funds maintain at least 10% daily liquidity assets and at least 30% weekly liquidity assets. Effective April 2, 2024, the daily and weekly liquid assets thresholds increased to 25% and 50%, respectively. 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 daily and weekly liquidity asset 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

The fourth quarter opened in the wake of the Federal Reserve easing rates for the first time in its current cycle that began with aggressive hikes in 2022. That cut, at its September Federal Open Market Committee (FOMC) meeting, was also aggressive, reducing the target fed funds range by 50 basis points to 4.75-5%. But policymakers paired that with a decrease in their forecast for the level of rates in 2024, with the Summary of Economic Projections (SEP) calling for only a quarter-point cut in each of the last two FOMC meetings. In October, their conviction appeared to fade further in the face of a persistently strong economy that might require tighter policy for a longer period than previously anticipated.

Key to the hawkish shift was concern about the ramifications of some of the plans President-elect Donald Trump promised to enact. The thinking is that the potential combination of increased federal tax cuts, expanded government expenditures, new tariffs and significant deportations could increase price and cost pressures. While the quarter-percentage-point cut in the FOMC meeting ending November 7 was likely predetermined—

rather than a response to Trump's win—the similar-sized reduction at the December meeting was yet again paired with expectations for fewer future rate cuts than once assumed.

The updated SEP was a considerable downshift from September's forecast of a full point of easing in 2025 to just a half point reduction of the target range that now stood at 4.25-4.5%. Even Chair Jerome Powell muted his enthusiasm that inflation had been beaten, and one FOMC member voted in favor of no cut—the second dissent in three meetings. The shallower downward rate path might mean Fed officials now envision a higher fed funds terminal rate—the longer-run level at which monetary policy is neither accommodative nor restrictive, though its goal for inflation remains 2%. But when it reaches that level is more uncertain than ever. So is the likelihood that Powell can guide the economy to a soft landing.

At the end of the quarter, yields on 1-, 3-, 6- and 12-month US Treasuries were 4.28%, 4.32%, 4.28% and 4.15%, respectively.

*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. An investment in the fund is not a bank account and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor is not required to reimburse the fund for losses, and you should not expect that the sponsor will provide financial support to the fund at any time, including during periods of market stress.*

## 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. Holdings percentages are based on net assets at the close of business on the date above, 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. For government variable rate securities, if the interest rate is readjusted no less frequently than every 397 calendar days, the security shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate. For non-government variable rate securities, if the security has a scheduled maturity of 397 days or less the security is treated as maturing on the earlier of the date the security is scheduled to be repaid through demand or the period remaining until the next readjustment of the interest rate. If the variable rate security has a scheduled maturity that is more than 397 days it is the later of those two dates. The mean is weighted based on the percentage of the market value 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.

**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.