

## Sector allocation update

Pursuing alpha through a consistent, risk-managed process

As of 6/30/23

### Core Plus SMA objective

Core Plus SMA is a traditional, conservative core fixed-income portfolio designed to capture opportunities across market cycles through diversified sources of alpha.

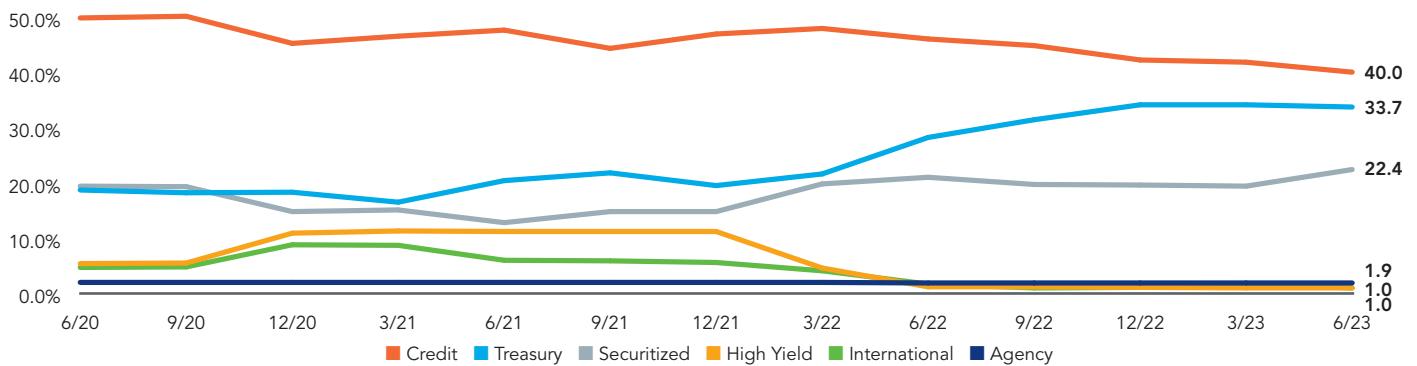
### Investment process

The strategy's investment process is built on proprietary analysis of duration, sector, yield curve and security characteristics and incorporates an assessment of major long-term indicators of interest rate direction. Upon thorough evaluation of each of these decision tools, sector allocation is consistently applied across investment portfolios.

### 2Q23 highlights

Our portfolios remain conservatively positioned to spread product. At current spread levels we do not think corporate bonds provide a good risk/reward valuation based upon the heightened risk for a recession. If the markets start to price in an economic slowdown, we expect that spreads to Treasuries will widen, potentially offering an opportunity to add to spread product. We are positioned slightly long in terms of interest-rate sensitivity (duration) compared to our benchmark after having spent all of 2022 and the beginning of this year shorter than benchmark duration.

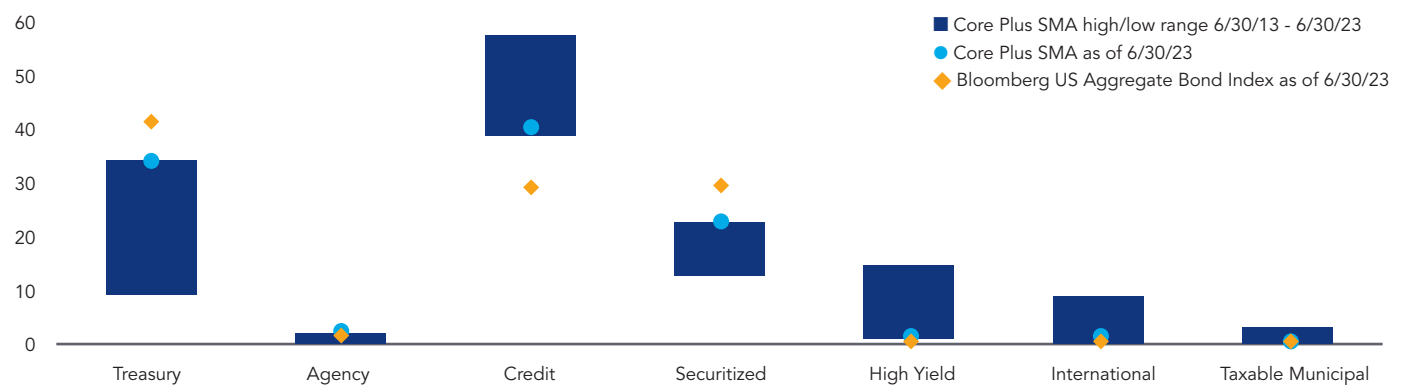
### Historical sector allocation (%)



Refer to the attached GIPS® report for additional information. **Past performance is no guarantee of future results.**

### Active management - historical sector allocation (%)

Core Plus SMA sector allocations outside the benchmark's illustrate our active approach. We manage sector allocation in an effort to deliver the diversification and capital preservation that investors are looking for in their portfolio.



# Federated Hermes' fixed-income approach

## Experience

Federated Hermes currently manages \$87.4 billion in fixed-income assets, employing a fixed-income philosophy that has been in practice for more than 50 years.

## Philosophy

Federated Hermes believes that optimum results in fixed-income products are best achieved through a traditional value-based approach, using fundamental analysis with teams focused by sector to extract value from each step. Our management process combines top-down decision making with bottom-up security selection to build diversified, risk-managed portfolios.

## Our process: Alpha Pods

Federated Hermes' fixed-income teams make key investment decisions based on input from proprietary structures we call "Alpha Pods." The Alpha Pod process consists of duration management, sector allocation, yield curve strategy and currency management.\*

## Applying multiple decision tools in pursuit of alpha

### Duration management

Our interest rate outlook based on:

- Business cycle analysis
- Valuation indicators
- Global attractiveness

### Sector allocation

Our weighting position relative to the benchmark after an intensive review of:

- Historical spread analysis
- Volatility analysis

### Yield curve strategy

Our position along the yield curve based on an assessment of:

- Federal Reserve policy
- Inflation expectations
- Proprietary multi-factor model

### Currency management\*

The portfolio may gain exposure to non-dollar fixed income based upon:

- U.S. current account/ fiscal conditions
- Interest rate differential
- Expectation for growth

### Security selection

A model list of securities identified through analysis of:

- Industry outlook
- Relative value
- Credit quality
- Structural characteristics

\*Not applicable to all SMA portfolios.

Portfolio construction draws on Federated Hermes' deep fundamental credit research capabilities and experience



## MAPs

Managed Accounts Pools (MAPs) are unique asset class pools specifically designed for Separately Managed Account (SMA) strategies. They are registered investment companies available only in conjunction with Federated Hermes SMAs. All fees are charged at the managed account level, so the MAPs have "zero" advisory fees and reimburse all ordinary operating expenses (excluding those of any other funds in which the MAPs invest). The implementation of MAPs can be at the discretion of the financial professional.

	High-yield	Investment-grade corporate (BBB corporate)	Mortgage	International
<b>Portfolio</b>	Federated Hermes High Yield Strategy Portfolio	Federated Hermes Corporate Bond Strategy Portfolio	Federated Hermes Mortgage Strategy Portfolio	Federated Hermes International Bond Strategy Portfolio
<b>Holdings**</b>	368	448	528	502

## Benefits of MAPs

- Diversification
- Liquidity
- Efficiency
- Increased potential for alpha generation
- Access to higher yielding asset classes

\*\*As of 6/30/23.

## Schedule of rates of return and statistics

Composite	Federated Hermes Core Plus SMA
Index	Bloomberg US Aggregate Bond Index
Periods ending	6/30/2023

	Returns (%)		
	Composite pure gross return <sup>^</sup>	Index	Composite net return (assuming maximum fee)
<b>Q2 23</b>	-0.79	-0.84	-1.16
<b>YTD</b>	2.11	2.09	1.35
<b>1 Year</b>	0.10	-0.94	-1.40
<b>3 Years (Annlzd)</b>	-2.52	-3.96	-3.98
<b>5 Years (Annlzd)</b>	2.18	0.77	0.66
<b>7 Years (Annlzd)</b>	1.95	0.44	0.43
<b>10 Years (Annlzd)</b>	2.71	1.52	1.18
<b>15 Years (Annlzd)</b>	3.88	2.73	2.34
<b>20 Years (Annlzd)</b>	4.06	3.01	2.51
<b>Oct 96 - Jun 23 (Annlzd)<sup>^^</sup></b>	5.11	4.26	3.55

	Composite pure gross return (%) <sup>^</sup>	Composite net return (%)	Benchmark return (%)	Composite* 3-yr std dev	Benchmark* 3-yr std dev	Number of portfolios	Dispersion**	Composite assets (\$mil)	Firm assets (\$bil)
<b>2013</b>	0.22	-1.28	-2.02	2.99	2.71	184	0.11	185.3	366.8
<b>2014</b>	4.92	3.36	5.97	2.86	2.63	293	0.08	244.4	349.3
<b>2015</b>	0.20	-1.30	0.55	2.87	2.88	372	0.03	298.8	343.4
<b>2016</b>	5.22	3.66	2.65	2.80	2.98	443	0.10	337.9	342.3
<b>2017</b>	4.99	3.43	3.54	2.58	2.78	507	0.06	347.1	354.7
<b>2018</b>	-0.30	-1.79	0.01	2.55	2.84	550	0.04	316.6	377.2
<b>2019</b>	10.73	9.10	8.72	2.56	2.87	685	0.10	427.9	503.1
<b>2020</b>	11.14	9.50	7.51	3.42	3.36	824	0.21	600.0	585.7
<b>2021</b>	-0.79	-2.27	-1.54	3.51	3.35	1,054	0.04	737.1	634.2
<b>2022</b>	-11.65	-12.98	-13.01	5.84	5.77	1,111	0.06	694.0	627.4

<sup>^</sup>Pure gross returns are shown as supplemental and do not reflect the deduction of transaction costs.

<sup>^^</sup>Represents composite inception period. See additional notes to the schedule of rates of return and statistics.

\*Represents the 3-year annualized standard deviation for both the gross composite and the index returns. Statistic is used to measure the volatility of composite returns.

\*\*Standard deviation is calculated using gross returns. Standard deviation is not applicable ("N/A") for any period if fewer than five accounts are in the composite for that period. (See footnote 5)

This composite is comprised of all separately managed account portfolios managed to the Bloomberg US Aggregate Bond Index with full authorization to utilize Federated Hermes Managed Account Pools (MAPs) in a strategic fashion. MAPs are advisory zero fee mutual funds that have been specifically designed for use with these accounts. All portfolios must have the ability to use high yield and international as part of their core strategy. High yield bonds carry increased levels of credit and default risk and are generally less liquid than government and investment-grade bonds. Investments in less developed or emerging markets generally entail greater political, economic, market, tax, credit and other risks, and generally have greater price volatility than securities issued or traded in developed markets. Additionally, investments in currency entail risks related to daily fluctuations in the value of currency, which may be more volatile in times of increased market risk. The Bloomberg US Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. Indexes are unmanaged and cannot be invested in directly. All portfolios utilize Federated Hermes' primary institutional fixed income approach, a benchmark-driven process designed to add value through fundamental analysis with teams focused by sector to extract value from each step of the process - analysis of sector, yield curve, and security characteristics, and assessment of major long-term indicators of interest rate direction and volatility - within client-driven parameters that meet the above criteria. Prior to January 2009, this composite consisted of the Federated Hermes Core Plus (Full Discretion) Institutional Composite. Beginning January 2009, wrap fee accounts make up 100% of this composite. Accounts eligible for this composite must have wrapped or bundled fees, follow this style, and be fully discretionary. Accounts eligible for this composite generally are stand-alone portfolios and not part of a balanced portfolio. Separate accounts eligible for this composite generally have a minimum of \$250,000 at the time of opening. Effective July 2018, accounts deemed as non-U.S. investors were removed from this composite. Effective 2Q2009, the significant cash flow policy in effect for this composite requires portfolios with a 10% or larger cash flow to be removed from the composite until it is invested in line with the model. Additional detail on this policy is available upon request. This composite was created in January 2009. Federated Hermes has managed portfolios in this investment style since October 1996. Performance shown for 1996 is for a partial period starting on October 1, 1996. Federated Hermes claims compliance with the Global Investment Performance Standards ("GIPS<sup>®</sup>") and has prepared and presented this report in compliance with the GIPS<sup>®</sup> standards. Federated Hermes has been independently verified for the period of January 1, 1992, through March 31, 2023. The verification report is available upon request. A firm that claims compliance with the GIPS<sup>®</sup> standards must establish policies and procedures for complying with all the applicable requirements of the GIPS<sup>®</sup> standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS<sup>®</sup> standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. Performance results are presented both net and gross of total wrap fees and reflect the reinvestment of income. "Pure" gross returns are shown as supplemental and do not reflect the deduction of transaction costs. Net returns reflect the deduction of a maximum fee. A fee equal to the highest anticipated wrap fee that a client could pay (1.50% annually as charged by the program sponsor, inclusive of up to a maximum investment advisory fee of 0.35%) is used. This total wrap fee includes all charges for trading costs, portfolio management, custody and other administrative fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size.

## Notes to the schedule of rates of return and statistics

1. Federated Hermes is a global, independent, multi-strategy investment management firm. For GIPS® purposes, Federated Hermes is defined to include the assets of registered investment companies that are advised or sub-advised by the various Federated Hermes advisory companies. Effective September 30, 2020, for GIPS® purposes the name of the firm was officially changed to Federated Hermes. Firm assets on this report exclude assets affiliated with Hermes GPE and the advisory-only, model-based assets that may be included in other reports providing total firm assets.
2. Interest income and dividends are recognized on an accrual basis. Returns include the reinvestment of all income.
3. All market values and performance information are valued in USD unless currency is denoted in composite description.
4. Annual composite dispersion is measured and presented using the asset weighted standard deviation of the gross returns of all of the portfolios included in the composite over the entire year. Prior to January 2023, annual dispersion for the CW Henderson composites was measured using the equal weighted standard deviation of the returns of all the portfolios included in the composite over the entire year. Effective January 2023 this was changed to asset weighted. Prior to March 2020 with regard to Federated Clover Investment Advisors composites, annual dispersion was measured using the equal weighted standard deviation of the returns of all the portfolios included in the composite over the entire year.
5. Composite dispersion does not measure the risk of the product presented, it simply measures the return variance among portfolios managed in a similar fashion. This variance can be affected by variations in cash flow or specific client parameters among the portfolios comprising the composites, as well as by execution of strategy across accounts.
6. See the composite description language for a discussion on appropriate fees currently applied to calculate composite performance. With regard to the institutional composites not managed by the MDT Advisers and Federated Hermes London office teams, for the period July 1, 1992 through September 30, 2009, net of fee performance was calculated monthly by reducing the gross composite return by the highest actual fee of any account in the composite for that month, regardless of investment vehicle. Prior to July 1992, the maximum management fee for third quarter 1992 was used to calculate net of fee performance historically to inception of the composite. For those composites managed by the Federated Hermes London office investment team, net composite results are based off model fees using the stated fee schedule. In addition, further fee information can be obtained from the firm's respective Forms ADV Part 2 Brochure Item 5.
7. Additional information regarding the policies for valuing investments, calculating performance, and preparing GIPS® reports, as well as a complete list and description of the firm's composites and pooled funds is available upon request.
8. Past performance is not indicative of future results.
9. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
10. See disclosures on the Schedule of Rates of Return and Statistics Reports for additional information.

Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices.

Prices of emerging markets securities can be significantly more volatile than the prices of securities in developed countries and currency risk and political risks are accentuated in emerging markets.

High-yield, lower-rated securities generally entail greater market, credit/default and liquidity risks, and may be more volatile than investment grade securities.

International investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards.

The value of some mortgage-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 insurance, there is no assurance that private guarantors or insurers will meet their obligations.