

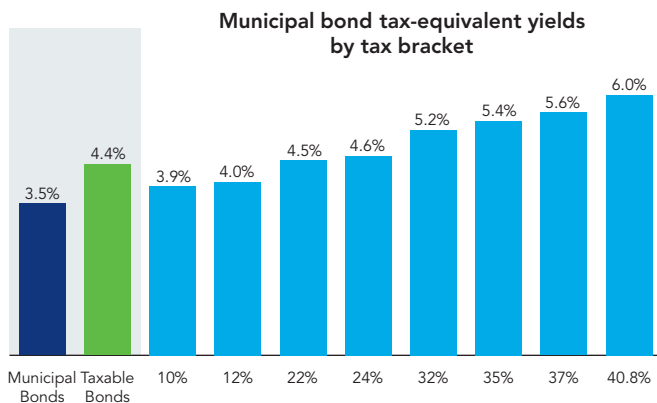
# Municipal bond funds: Diversification with high-quality, tax-exempt income potential

## Municipal bonds can provide high-quality, tax-exempt<sup>1</sup> income and attractive portfolio diversification.

With an overall high-credit-quality profile and the tax-exempt status of their income, municipal bonds have the potential to offer investors attractive income and risk-adjusted return opportunities. By investing through an actively managed Federated Hermes fund, investors<sup>2</sup> access a diversified and dynamically managed portfolio constructed by experienced portfolio managers and vetted by a deep team of analysts.

### Tax-equivalent yields may benefit a range of investors

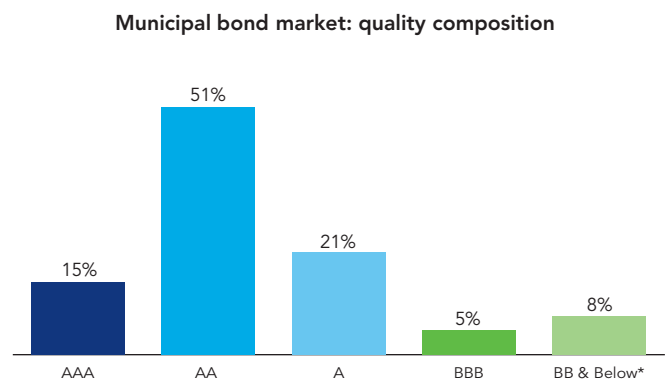
Municipal bonds can offer attractive tax-exempt income to investors in many tax brackets – not just those with the highest marginal tax rates. The municipal bond market has similar interest-rate risk<sup>2</sup> to the core taxable bond market, and both have generally high credit quality. While municipal bond yields are lower on an absolute basis owing to their tax-exempt nature, tax-equivalent yields are competitive with or exceed taxable bond yields across several brackets (see table) when adjusting for federal tax rates. Investors in locations with high state income taxes may derive an even larger benefit from investing in municipal bonds.



As of 8/31/24. Sources: Bloomberg, IRS, S&P Indices: Municipal bonds are represented by the S&P Municipal Bond Index; Taxable bonds are represented by the Bloomberg US Aggregate Bond Index. Tax brackets based on the IRS marginal rates. Does not incorporate state income taxes. Top marginal rate of 40.8% includes a 3.8% tax on net investment income.

### Experience and research are critical to investing in today's muni market

With more than a century of history behind it, the municipal market has grown to over \$4 trillion in outstanding securities across tens of thousands of borrowers. As shown in the chart, about 15% of the market is rated AAA – the highest rating a bond can receive – suggesting the risk of default is low. However, there is a trade-off between quality and return potential. By investing in a professionally managed portfolio that ranges across the quality spectrum, investors can pursue higher income and return.



As of 8/31/24. Source: S&P Municipal Bond Index. \*BB & Below allocation includes bonds that are not rated by a nationally recognized statistical rating organization (NRSO).

**Past performance is no guarantee of future results. For illustrative purposes only and not representative of any specific investment.**

<sup>1</sup> Income from municipal securities may be subject to the federal alternative minimum tax and state and local taxes.

<sup>2</sup> As of 8/31/24. S&P Municipal Bond Index duration: 6.2 years; Bloomberg US Aggregate Bond Index duration: 6.2 years.

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## Federated Hermes Municipal Bond Funds

Active managers of municipal bond portfolios conduct extensive research to construct and manage diversified portfolios designed to provide both tax-exempt income and competitive total return. Investment professionals assess and consider factors that impact the risks of portfolio holdings, such as population trends, regional economic dynamics, and sector-specific risks, among others. Additionally, active management of duration – a portfolio's sensitivity to changes in market interest rates – is used to manage volatility in pursuit of attractive risk-adjusted returns.

### Our funds seek to provide:

- Attractive tax-exempt income and competitive total returns
- Active management of interest-rate risk, credit risk and liquidity risk over changing economic and market environments
- Risk management, the bedrock of Federated Hermes' philosophy
- Cash flow through monthly dividends
- Liquidity, with daily purchases or redemptions

### Our approach:

1. Active, disciplined process: Our firm has nearly 50 years of experience managing municipal bond portfolios, and a team of 16 professionals dedicated to the management of municipal bonds. We utilize a disciplined process that seeks investment opportunities while managing credit and interest-rate risks through the cycle.
2. Rigorous credit research: Our analysts specialize in municipal credit sectors (e.g., General Obligation, Hospitals, Water & Sewer, etc.) and perform independent credit research, working with portfolio managers to identify securities to generate the best relative returns in different market environments.
3. Intensive interest-rate risk management: Federated Hermes proprietary fixed-income interest-rate risk management processes consider key macroeconomic, monetary policy and fiscal policy variables in the active management of market risk.

### A word about risk:

<sup>1</sup> The Fund is not a "Money Market" mutual fund. Some money market mutual funds attempt to maintain a stable net asset value through compliance with relevant Securities and Exchange Commission (SEC) rules. Ultra-short funds are not governed by those rules, and their shares will fluctuate in value.

<sup>2</sup> As indicated in its name, Federated Hermes Muni and Stock Advantage Fund invests in both municipal (muni) securities and equity securities (stock) as described in the fund's prospectus. Thus, the fund is not entirely a "tax-exempt" or "municipal" fund. A portion of the income derived from the fund's portfolio (or dividend distributions) will be subject to federal income tax, and most distributions will be subject to applicable state and local personal income tax.

Mutual funds are subject to risks and fluctuate in value.

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

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

Duration is a measure of a security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

The amount of public information available about municipal securities is generally less than that for corporate bonds. Special factors, such as legislative changes and local and business developments, may adversely affect the yield or value of municipal securities.

Credit ratings do not remove market risk.

Diversification does not guarantee a profit nor protect against loss.

Bond credit ratings measure the risk that a security will default. Credit ratings of A or better are considered to be high credit quality; credit ratings of BBB are good credit quality and the lowest category of investment grade; credit ratings of BB and below are lower-rated securities; and credit ratings of CCC or below have high default risk.

| Fund   | Ticker                |
|--|-----------------------|
| Federated Hermes Conservative Municipal Microshort Fund <sup>1</sup> | IS: FHMIX<br>A: FHMAX |
| Federated Hermes Municipal Ultrashort Fund <sup>1</sup>              | IS: FMUSX<br>A: FMUUX |
| Federated Hermes Short-Intermediate Municipal Fund                   | IS: FSHIX<br>A: FMTAX |
| Federated Hermes Intermediate Municipal Fund                         | IS: FIMYX<br>A: FIMTX |
| Federated Hermes Municipal Bond Fund                                 | IS: LMBIX<br>A: LMSFX |
| Federated Hermes Ohio Municipal Income Fund                          | IS: OMIIX<br>A: OMIAX |
| Federated Hermes Pennsylvania Municipal Income Fund                  | IS: PAMIX<br>A: PAMFX |
| Federated Hermes Municipal High Yield Advantage Fund                 | IS: FMYIX<br>A: FMOAX |
| Federated Hermes Muni and Stock Advantage Fund <sup>2</sup>          | IS: FMUIX<br>A: FMUAX |

This should not be construed as a recommendation regarding tax information.

Consult your tax professional for more information.

There is no guarantee that any specific investment approach will be successful.

Income from municipal securities may be subject to the federal alternative minimum tax and state and local taxes.

### Past performance is no guarantee of future results

**Bloomberg US Aggregate Bond Index** is an unmanaged index composed of securities from the Bloomberg Government/Corporate Bond Index, Mortgage-Backed Securities Index and the Asset-Backed Securities Index. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indices are rebalanced monthly by market capitalization.

**S&P Municipal Bond Index** is a broad, comprehensive, market value-weighted index that are exempt from U.S. federal income taxes or subject to the alternative minimum tax (AMT). Eligibility criteria for inclusion include, but are not limited to: the bond issuer must be a state or local government or a state or local government entity where interest on the bond is exempt from U.S. federal income taxes or subject to the AMT; the bond must be held by a mutual fund for which Standard & Poor's Securities Evaluations, Inc. provides prices; it must be denominated in U.S. dollars and have a minimum par amount of \$2 million; and the bond must have a minimum term to maturity and/or call date greater than or equal to one calendar month. It is rebalanced monthly.

Indexes are unmanaged, cannot be invested in directly, and do not reflect charges or expenses that are applicable to fund investments.

**Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a summary prospectus or prospectus containing this and other information, contact us or visit [FederatedHermes.com/us](https://FederatedHermes.com/us). Please carefully read the summary prospectus or prospectus before investing.**