

# Federated Hermes Corporate Bond Fund

9/30/24

## Fund facts

### Performance inception date

6/28/95

### Benchmark 1

Bloomberg US Credit Index

### Benchmark 2

75% Bloomberg US Credit Index/25% Bloomberg US Corporate High Yield 2% Issuer Capped Index

### Morningstar category

Corporate Bond

### Lipper classification

Corporate Debt Funds BBB-Rated

### Fund assets

\$1.2 billion

### Ticker symbols

R6 Shares - FDBLX

Institutional Shares - FDBIX

A Shares - FDBAX

C Shares - FDBCX

F Shares - ISHIX

### Key investment team

Brian Ruffner

Bryan Dingle, CFA

Mark Durbiano, CFA

Anthony Venturino, CFA

Christopher McGinley

### Yields (%)

30-day yield (R6) 4.27

30-day yield (IS) 4.24

30-day yield (A) 3.81

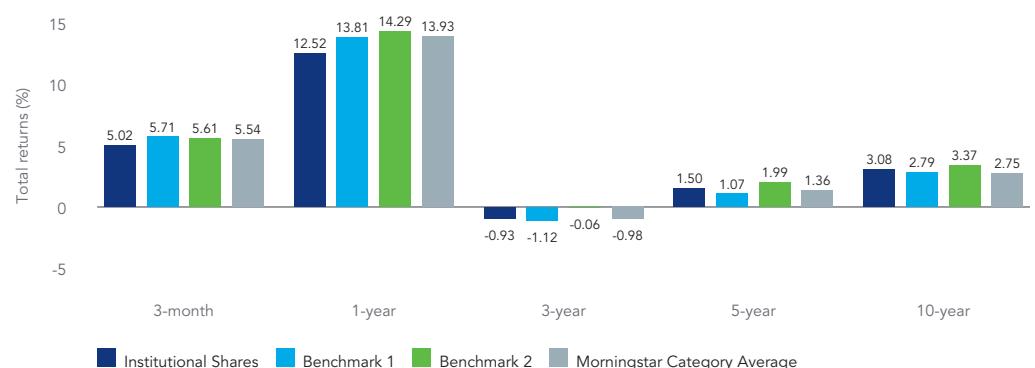
## Fund description

The fund seeks to provide a high level of current income and to preserve capital by investing in a diversified portfolio of fixed-income securities. It invests primarily in investment-grade corporate bonds, but also may invest up to 35% of its portfolio assets in lower-rated high-yield bonds.

## Average annual total returns (%)

Performance shown is before tax.

	3-month	YTD	1-year	3-year	5-year	10-year	Since inception	Expense ratio* Before waivers	After waivers
<b>R6 Shares</b>	5.14	5.26	12.66	-0.87	1.55	3.06	5.25	0.66	0.59
<b>Institutional Shares</b>	5.02	5.13	12.52	-0.93	1.50	3.08	5.30	0.76	0.61
<b>A Shares (NAV)</b>	5.08	4.93	12.39	-1.18	1.25	2.84	5.18	1.01	0.86
<b>A Shares (MOP)</b>	0.41	0.24	7.33	-2.68	0.32	2.36	5.01	1.01	0.86
<b>Benchmark 1</b>	5.71	5.23	13.81	-1.12	1.07	2.79	–	–	–
<b>Benchmark 2</b>	5.61	5.92	14.29	-0.06	1.99	3.37	–	–	–



## Calendar year total returns (%)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Institutional Shares</b>	7.93	-14.35	0.18	9.07	14.27	-2.84	7.05	8.44	-1.77	5.93
<b>Benchmark 1</b>	8.18	-15.26	-1.08	9.35	13.80	-2.11	6.18	5.63	-0.77	7.53
<b>Benchmark 2</b>	9.49	-14.21	0.48	8.83	13.96	-2.08	6.51	8.43	-1.66	6.25
<b>Morningstar Category Average</b>	8.33	-15.15	-0.76	9.24	13.03	-2.49	5.79	6.51	-1.39	6.93

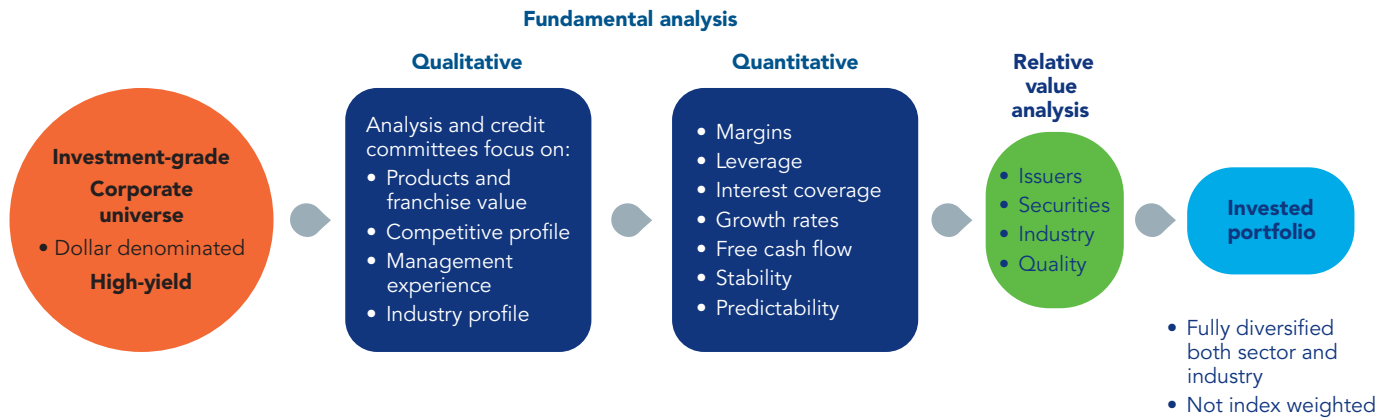
Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit [FederatedHermes.com/us](https://FederatedHermes.com/us). Maximum offering price figures reflect the maximum sales charges of 4.5% 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. The expense ratio may reflect voluntary fee waivers and/or expense reimbursements determined by the fund's Advisor and its affiliates. The voluntary waivers and/or reimbursements, if applicable, are in effect up to but not including the later of 2/1/25 or the date of the fund's next effective prospectus.



Not FDIC Insured • May Lose Value • No Bank Guarantee

# Investment process



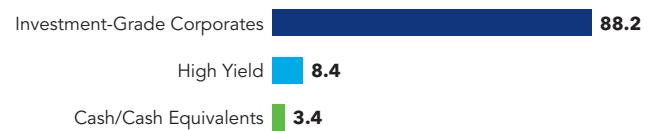
## Portfolio statistics

Weighted average effective maturity	8.9 yrs.
Weighted average effective duration	6.0 yrs.
Weighted average coupon	4.18%
Weighted average yield to maturity	4.89%
Weighted average bond price	\$95.99

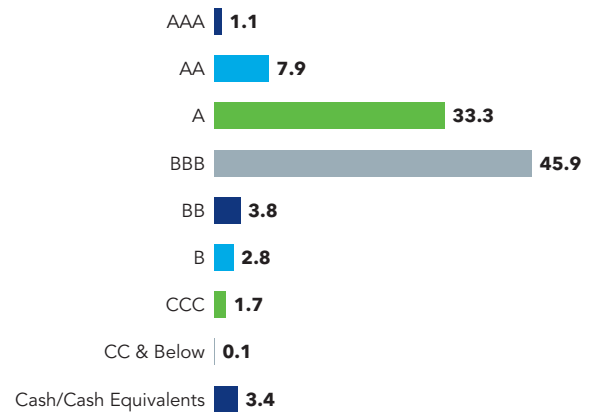
## Top holdings (%)

U.S. Treasury Note, 3.875% due 8/15/34	3.1
U.S. Treasury Bond, 4.250% due 8/15/54	0.9
Honeywell International, 5.000% due 2/15/33	0.7
Johnson & Johnson, 1.300% due 9/01/30	0.7
Bank of New York Mellon, 3.992% due 6/13/28	0.6
Goldman Sachs Group, Inc., 3.814% due 4/23/29	0.6
JPMorgan Chase & Co., 5.012% due 1/23/30	0.6
Morgan Stanley, 3.772% due 1/24/29	0.6
NextEra Energy Capital Holdings, 3.550% due 5/01/27	0.6
Wells Fargo & Co., 3.908% due 4/25/26	0.6
Total % of portfolio	9.0

## Sector weightings (%)



## Quality breakdown<sup>1</sup> (%)



Quality breakdown does not apply to Equity or Cash/Cash Equivalents.

Portfolio composition is based on net assets at the close of business on 9/30/24 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

- FOMC 50 basis point reduction
- Significantly lower US Treasury yields
- Negative contribution from security selection

## Looking back

The third quarter marked the transition from the Federal Reserve's (Fed) fight against inflation to the other half of its dual mandate, maintaining a strong labor market. With many inflation measures on a sustainable path to the Fed's 2% target, Fed Chair Powell said at the August Jackson Hole symposium that the time has come for policy to adjust. The upside risks to inflation have diminished, and the downside risks to employment have increased. That is all markets needed to confirm that cuts to the federal funds rate would indeed be coming. At June 30, markets had seen fewer than two cuts by year-end 2024, but during the quarter, raised that to four, with at least four more cuts expected in 2025. The Fed's September Summary of Economic Projections sees the federal funds rate falling to 3.4% at year-end 2025, and 2.9% thereafter, with 2.0% growth through 2027; unemployment rate peaking at 4.4% in 2024 and 2025, before falling to 4.2%; and inflation peaking in 2024 at 2.3% before falling to 2.1% in 2025 and then 2.0% thereafter. This forecast implies an economic soft landing and would be a real success for the Fed and the economy if it can be achieved.

Treasury yields marched steadily lower during the quarter, led by the 2-year Treasury, which most closely follows fed funds expectations. Early August saw a hiccup in volatility following weaker economic data and Bank of Japan rate actions, but that subsided by quarter-end. According to Bloomberg, the aggregate index returned 5.20%, all fixed-income sectors posted strong total returns in the quarter, led by long duration credit and Treasuries, and all sectors outperformed comparable-duration Treasuries.

## Performance

Federated Hermes Corporate Bond Fund R6 Shares returned 5.14% at net asset value (NAV) for the three months ended September 30, 2024. That compares with the Bloomberg US Credit Index return of 5.71% and the Bloomberg US High Yield 2% Issuer Capped Index return of 5.28%. The blended benchmark, consisting of 25% of the Bloomberg US Credit Index and 75% of the Bloomberg US High Yield 2% Issuer Capped Index, returned 5.61%. The fund's total return for the period also reflected actual cash flows, transaction costs and other expenses that were not reflected in the return of the blended benchmark.

*Performance data 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. Other share classes may have experienced different returns than the share class presented. To view performance current to the most recent month-end and for after tax returns, click on the Performance tab.*

*Click the Performance tab for standard fund performance.*

### Performance contributors

- Positive allocation in the following industries: overweight to communication, underweight to the non-corporate component of the blended benchmark (sovereign, supranational)
- Slight average long duration positioning versus blended benchmark
- Specific issuers held by the portfolio that outperformed the blended benchmark included: AT&T, Alphabet, Nationwide Mutual, Kraft Heinz and Apple

### Performance detractors

- Security selection, driven by weak selection in the following industries: communication, banking, consumer cyclical and utilities
- Yield curve positioning, specifically an underweight to the short-end of the credit curve combined with a slight overweight to the long-end of the credit curve
- Specific issuers held by the portfolio that underperformed the blended benchmark included: JPMorgan, Bank of America, Comcast, Wells Fargo and Morgan Stanley

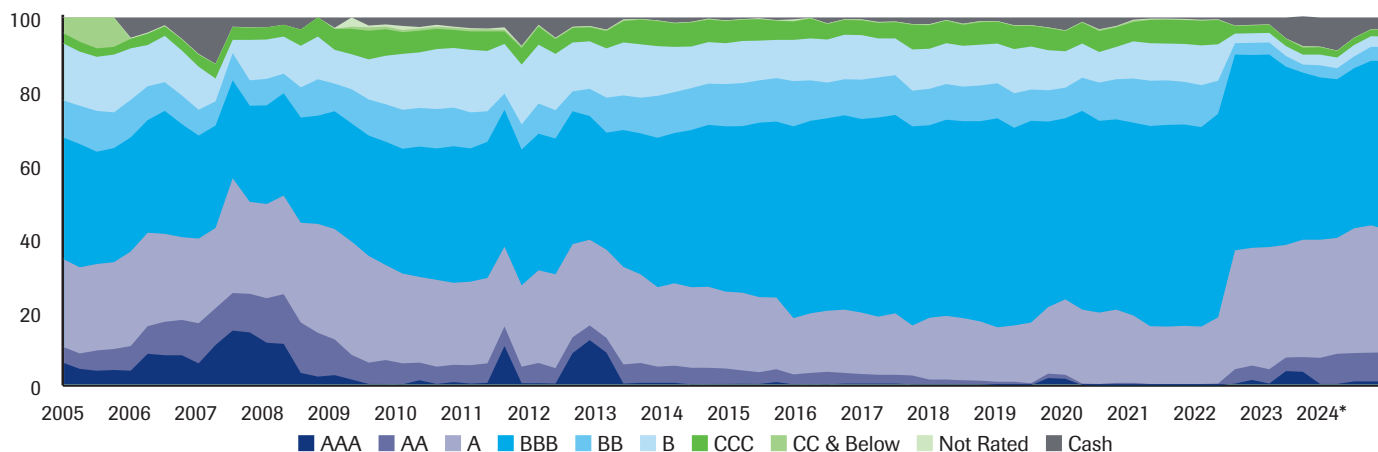
*Click the Characteristics tab for the top 10 portfolio holdings.*

## How we are positioned

We exited the quarter maintaining both an underweight position to the high-yield asset class, and the reduced exposure to cyclical end markets. The fund ended the period targeting a neutral duration position relative to the benchmark. The portfolio remains committed to adjust the overall positioning in response to changes in valuation and credit quality.

*See disclosure section for important disclosures and definitions.*

## Historical credit quality (%)<sup>1</sup>



\* As of 9/30/24

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## Risk statistics

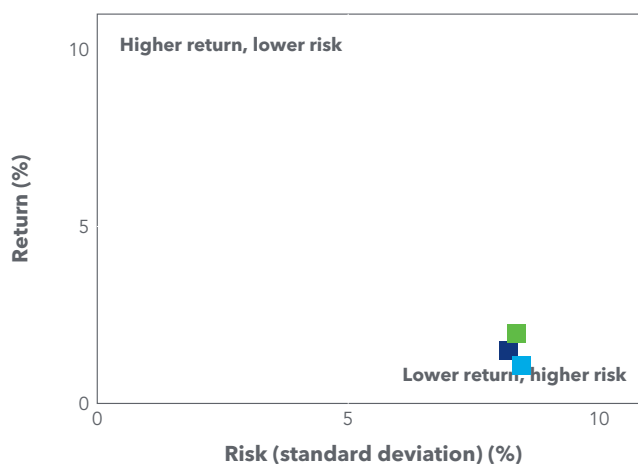
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	8.40	8.20	7.20	6.37
<b>Alpha</b>	-0.26	0.37	0.16	0.35
<b>Beta</b>	0.91	0.96	0.95	0.94
<b>Up capture ratio</b>	89.68	94.59	92.56	93.88
<b>Down capture ratio</b>	89.33	90.15	88.74	87.47
<b>Sharpe ratio</b>	-0.55	-0.12	0.02	0.21

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg US Credit Index

See disclosure section for important definitions.

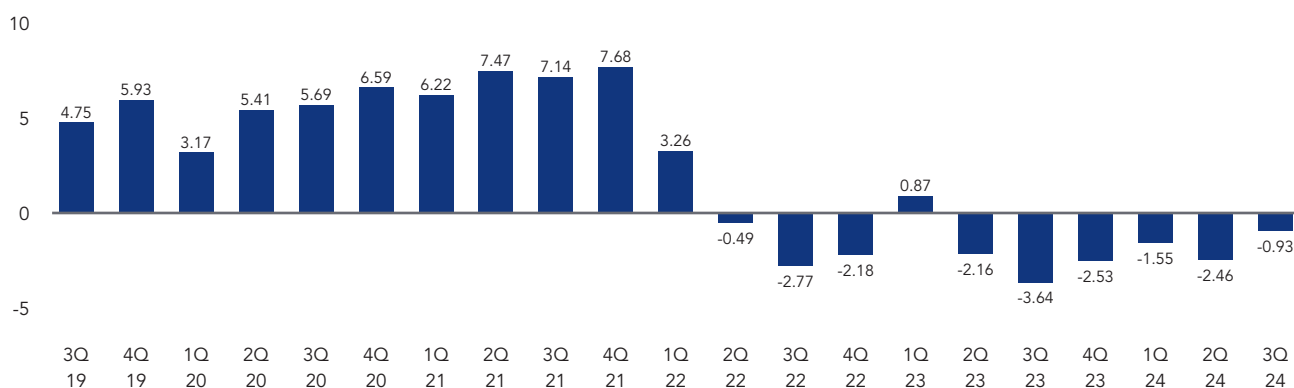
## 5-year risk/return



	Risk (%)	Return (%)
Federated Hermes Corporate Bond Fund (IS)	8.20	1.50
Bloomberg US Credit Index	8.46	1.07
75% Bloomberg US Credit Index/25% Bloomberg US High Yield 2% Issuer Capped Index	8.36	1.99

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## 3-year rolling returns - IS (%)



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## Category rankings

Morningstar Corporate Bond Category		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Morningstar Category % Rank	85	36	29	-
	Morningstar Category Rank	168 of 191 funds	50 of 180 funds	42 of 160 funds	-
<b>IS Shares</b>	Morningstar Category % Rank	85	39	33	19
	Morningstar Category Rank	169 of 191 funds	54 of 180 funds	48 of 160 funds	23 of 99 funds
<b>A Shares</b>	Morningstar Category % Rank	86	61	51	52
	Morningstar Category Rank	173 of 191 funds	84 of 180 funds	80 of 160 funds	51 of 99 funds

Lipper Corporate Debt Funds BBB-Rated		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	75	29	29	-
	Lipper Classification Rank	190 of 255 funds	65 of 231 funds	60 of 211 funds	-
<b>IS Shares</b>	Lipper Classification % Rank	75	30	32	26
	Lipper Classification Rank	192 of 255 funds	69 of 231 funds	67 of 211 funds	36 of 138 funds
<b>A Shares</b>	Lipper Classification % Rank	78	44	45	47
	Lipper Classification Rank	198 of 255 funds	101 of 231 funds	95 of 211 funds	65 of 138 funds

Past performance is no guarantee of future results. Rankings are based on total return and do not take sales charges into account.

<sup>1</sup>The ratings referred to in the quality breakdown are provided by S&P Global Ratings, Moody's, and Fitch. The allocation of ratings presented aligns with the methodology of the Bloomberg index. Bloomberg employs the middle rating from S&P Global Ratings, Moody's, and Fitch to determine a security's credit classification, essentially following a "two-out-of-three" rule. In cases where only two agencies rate a security, the more conservative (lower) rating is utilized. If only one agency rates a security, that single rating is used. Additionally, certain securities may not have a credit rating from any of the agencies, and they are categorized as "not rated." For clarity, credit ratings of A or better are indicative of high credit quality, while BBB represents good credit quality and the lowest tier of investment grade. Ratings of BB and below are assigned to lower-rated securities, often referred to as "junk bonds," and credit ratings of CCC or below indicate a high level of default risk. This breakdown doesn't consider the impact of credit derivatives in the fund.

30-day yield (also known as "SEC yield") is a compounded and annualized figure calculated according to a formula set by the SEC. The formula requires use of a specific methodology for calculating dividends and interest earned, and expenses accrued, during the period, and reflects the maximum offering price per fund share. The standardized computation is designed to facilitate yield comparisons among different funds. In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 4.21% for R6 Shares, 4.12% for Institutional Shares and 3.69% for A Shares.

The fund's Institutional Shares commenced operations on January 28, 2008. For the period prior to the commencement of operations of the Institutional Shares, the performance information shown is for the fund's A Shares. The performance of the A Shares has not been adjusted to reflect the expenses applicable to the Institutional Shares since the Institutional Shares have a lower expense ratio than the expense ratio of the A Shares. The performance of the A Shares has been adjusted to reflect the absence of sales charges and adjusted to remove any voluntary waiver of fund expenses related to the A Shares that may have occurred prior to commencement of operations of the Institutional Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund.

The fund's R6 Shares commenced operations on September 30, 2016. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for A Shares. The performance of the A Shares has not been adjusted to reflect the expenses applicable to the R6 since the R6 Shares have a lower expense ratio than the expense ratio of the A Shares. The performance of the A Shares has been adjusted to reflect the absence of sales charges and adjusted to remove any voluntary waiver of the fund's expenses related to the A Shares that may have occurred during the period prior to the commencement of operations of the R6 Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund.

## Federated Hermes Corporate Bond Fund

### A word about risk

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.

Diversification does not assure a profit nor protect against loss.

### Definitions

**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.

**Sharpe ratio** is calculated by dividing a fund's annualized excess return by the fund's annualized standard deviation. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

**Standard deviation** is a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

**Up capture ratio/down capture ratio** is a measure of how well a manager was able to replicate or improve on periods of positive benchmark returns and how badly the manager was affected by periods of negative benchmark returns. The up-market capture ratio is a measure of a manager's performance in up markets relative to the index during the same period. For example, a ratio value of 115 indicates that the manager has outperformed the market index by 15% in periods when the index has risen. The down-market capture ratio is the direct opposite of the up-market capture ratio, gauging performance of the manager relative to the index in down markets. A ratio value of 80 would indicate the manager had declined on 80% as much as the declining overall market, indicating relative outperformance.

**Weighted average bond price** is the weighted average of all individual bond prices within a portfolio.

**Weighted average coupon** is the weighted average interest payment of all individual debt securities within a portfolio.

**Weighted average effective duration** (sometimes called "Option-Adjusted Duration") is a measure of a security's price sensitivity to changes in interest rates calculated using a model that recognizes that the probability of a bond being called or remaining outstanding until maturity may vary if market interest rates change, and that makes adjustments based on a bond's embedded options (e.g., call rights, or in

the case of a mortgage-backed security, the probability that homeowners will prepay their mortgages), if any, based on the probability that the options will be exercised. A fund's weighted average effective duration will equal the market value weighted average of each bond's effective duration in the fund's portfolio. As with any model, several assumptions are made so the weighted average effective duration of a fund in the Federated Hermes family of funds may not be comparable to other funds outside of the Federated Hermes family of funds. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

**Weighted average effective maturity** is the average time to maturity of debt securities held in the fund.

**Weighted average yield to maturity** is used to determine the rate of return an investor would receive if a long-term, interest-bearing investment, such as a bond, is held to its maturity date. It takes into account purchase price, redemption value, time to maturity, coupon yield and the time between interest payments.

**Bloomberg US Corporate High Yield 2% Issuer Capped Index** is an issuer-constrained version of the flagship US Corporate High Yield Index, which measures the USD-denominated, high yield, fixed-rate corporate bond market. The index follows the same rules as the uncapped version, but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index wide on a pro rata basis. The index was created in 2002, with history backfilled to January 1, 1993.

**Bloomberg US Credit Index** is composed of all publicly issued, fixed-rate, nonconvertible, investment-grade corporate debt. Issues are rated at least Baa by Moody's Investors Service or BBB by S&P Global Ratings's, if unrated by Moody's. Collateralized Mortgage Obligations (CMOs) are not included. Total return comprises price appreciation/depreciation and income as a percentage of the original investment.

Indexes are unmanaged and cannot be invested in directly.

### Ratings and rating agencies

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