

Federated Hermes Floating Rate Strategic Income Fund

6/30/23

Fund facts

Performance inception date

R6 Shares	12/3/10
Institutional Shares	12/3/10
A Shares	2/23/11

Benchmark

55% Credit Suisse Leveraged Loan Index/30% ICE BofA 1-Year U.S. Treasury Note Index/15% ICE BofA U.S. Dollar 1-Month Deposit Offered Rate Constant Maturity Index

Morningstar category

Bank Loan

Lipper classification

Loan Participation Funds

Fund assets

\$531.2 million

Ticker symbols

R6 Shares - FFRLX
Institutional Shares - FFRSX
A Shares - FRSAX
A1 Shares - FFRFX

Key investment team

Mark Durbiano, CFA
Steven Wagner
B. Anthony Delserone Jr., CFA
Todd Abraham, CFA
Christopher McGinley

Yields (%)

30-day yield (R6)	8.38
30-day yield (IS)	8.38
30-day yield (A)	8.04

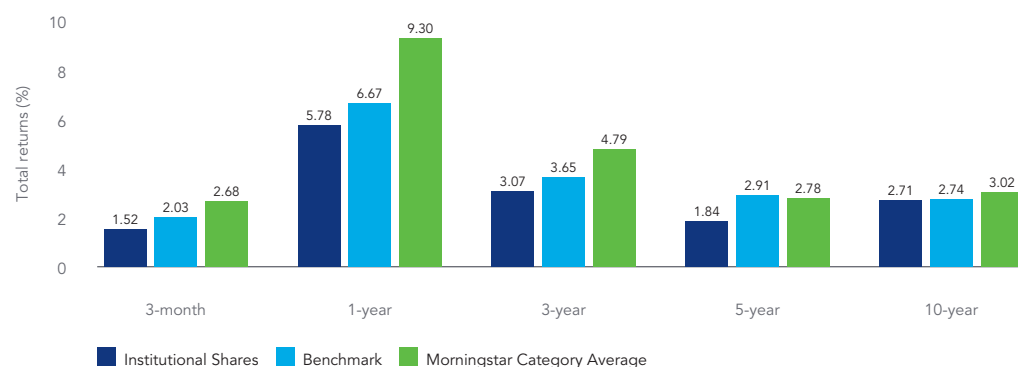
Fund description

The fund seeks to provide total return consistent with current income and low interest-rate volatility. It invests primarily in a strategic mix of floating-rate fixed-income investments which pay interest at rates that increase or decrease with changes in market rates.

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
R6 Shares	1.40	4.08	5.79	3.04	1.82	2.66	2.72	0.81	0.73
Institutional Shares	1.52	4.08	5.78	3.07	1.84	2.71	3.01	0.89	0.74
A Shares (NAV)	1.34	3.95	5.52	2.81	1.53	2.39	2.62	1.12	0.99
A Shares (MOP)	0.30	2.87	4.45	2.48	1.33	2.29	2.53	1.12	0.99
Benchmark	2.03	4.33	6.67	3.65	2.91	2.74	-	-	-



Calendar year total returns (%)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Institutional Shares	-4.64	4.21	0.41	6.69	0.35	3.53	7.80	1.05	1.38	4.30
Benchmark	-0.63	2.93	2.48	5.71	1.51	2.66	5.66	-0.13	1.21	3.45
Morningstar Category Average	-2.49	4.36	1.16	7.45	-0.26	3.48	9.25	-1.25	0.57	5.68

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. Maximum offering price figures reflect the maximum sales charge of 1% 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 6/1/24 or the date of the fund's next effective prospectus.

Investment approach

High yield	International	Investment grade
Leveraged loans, high-yield corporates and high-yield floaters	Trade finance, international loans and corporates	Adjustable rate mortgages, corporate floaters and floating-rate asset backed
<ul style="list-style-type: none"> Low correlation with other fixed-income asset classes Loans typically positioned senior and secured in leveraged company's debt structure High current yield potential with modest interest duration risk 	<ul style="list-style-type: none"> Trade finance instruments primarily dollar based and pure floating rate Offers limited credit duration risk Less liquidity than loans 	<ul style="list-style-type: none"> Diversified asset mix in higher quality floating-rate securities Source of liquidity for the portfolio Low and negative correlation with other sectors of the strategy

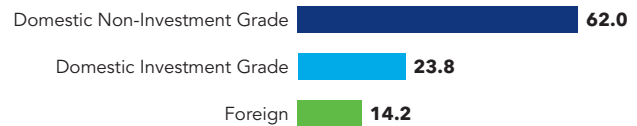
Portfolio statistics

Weighted average effective duration	0.2 yrs.
Weighted average bond price	\$95.78
Number of securities	487

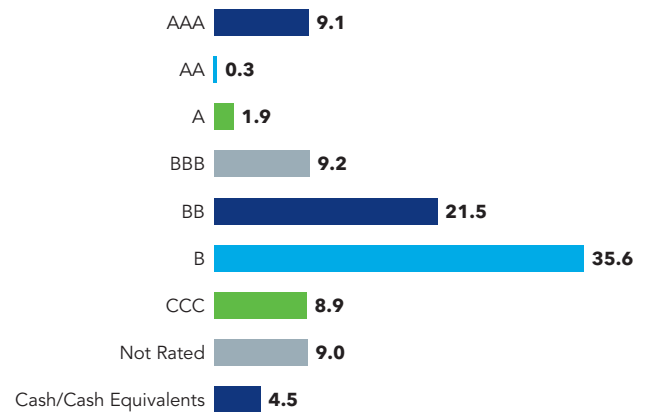
Top holdings (%)

Sedgwick Claims Management Services, Inc., Term Loan B - 1st Lien, 02/24/2028	1.0
Osteon Merger Subsidiary, Inc., Term Loan - 1st Lien, Series B, 4.750% (1-month USLIBOR +3.750%), 2/14/2025	0.9
Digi International, TL1L, Term Loan - 1st Lien, Series B, 12/22/2028	0.7
Directv Financing LLC, Term Loan - 1st Lien, 08/02/2027	0.7
FHLMC 4313 FM, 3/15/2044	0.7
MH Sub I LLC, Term Loan B - 1st Lien, 05/03/2028	0.7
FHLMC 4255 KF, 10/15/2043	0.6
FNMA 2016-50 FM, 8/25/2046	0.6
Invesco Senior Loan ETF	0.6
Sunshine Luxembourg VII SARL, Term Loan - 1st Lien, Series B3, 10/02/2026	0.6
Total % of portfolio	7.1

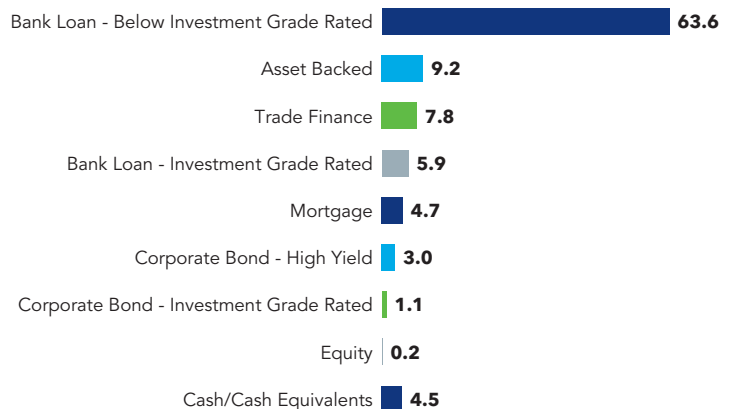
Sector weightings¹ (%)



Quality breakdown^{*1,2,3} (%)



Asset distribution^{1,3} (%)



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

Portfolio composition is 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. Because this is a managed portfolio, the investment mix will change.

Investment review

Market overview

The broadly syndicated U.S. leveraged loan market generated an attractive positive return in the second quarter of 2023 on the heels of a strong rally in the month of June. For example, the total return on the Credit Suisse Leveraged Loan Index (CSLLI) was 3.12% for the quarter. Loan risk spreads as measured by the discount margin (3-year) moved tighter finishing the quarter at 5.81%, compared to 6.09% at the beginning of the quarter.

Economic readings were somewhat mixed during the second quarter as the long-awaited slowdown showed signs of materializing in spots. Inflation data, while still running at high levels, generally fell within expectations. Once again, employment data remained healthy during the quarter, lending some optimism that labor markets could withstand monetary tightening activities. The Federal Reserve (Fed) opted to pause on its lengthy rate hike cycle at the June meeting but continued to strike a hawkish tone in follow-on commentary.

Fundamental credit factors in the leveraged finance space remained relatively healthy despite the quarter's increasing uncertainty. Default rates ticked higher but continued to run below historical averages and were consistent with expectations. Choppy corporate earnings and narrowing cash flow coverage metrics were reminders that higher levels of credit stress would continue for many leveraged borrowers.

Short rates shifted even higher during the second quarter in conjunction with Fed activities. The CME 3-Month Term Secured Overnight Financing Rate (SOFR), a forward-looking measurement of SOFR rates, ended the quarter at 5.27%, a 36 basis-point increase from the prior quarter-end level. With the upward movement in short-term rates, floating-rate loan coupons increased further once again. The weighted average coupon on the CSLLI ended the quarter at 8.93%, easily exceeding the weighted average coupon on the Credit Suisse High Yield Index.

Performance

Federated Hermes Floating Rate Strategic Income Fund Institutional Shares had a net total return of 1.52% during the second quarter ended June 30, 2023. The fund underperformed its blended benchmark which is comprised of the following mix: 55% CSLLI; 30% 1-year U.S. Treasury Note Index and 15% One-Month Deposit Rate.

Security selection within the non-investment-grade sector negatively contributed to performance due primarily to falling market prices of certain distressed bonds and less liquid term loans in the portfolio. This was modestly offset by the fund's overweight positioning in the domestic non-investment-grade sector relative to its benchmark, as the leveraged loan asset class outperformed the higher quality components of the short-term benchmark. Outperformance in both the foreign fixed income and domestic investment-grade sectors partially mitigated the non-investment-grade drag versus the benchmark. Strong security selection of trade finance instruments and leveraged loans in the foreign bucket and collateralized loan obligations (CLO) and asset backed securities in the investment-grade bucket were key drivers of outperformance versus the relative components of the benchmark.

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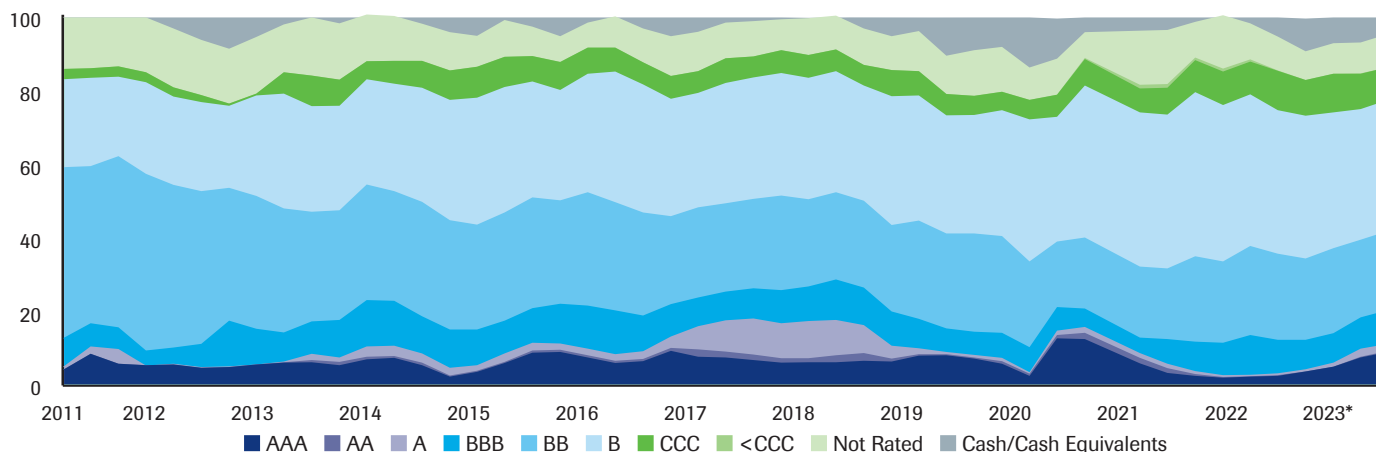
How we are positioned

Fund assets are allocated across three broad sectors: domestic non-investment-grade (leveraged loans and high yield corporates); foreign fixed income (trade finance and loans/corporates); and domestic investment-grade (agency mortgage, asset-backed (primarily CLO), and loans/corporates). Sector allocation and security selection are key drivers of performance relative to the fund's blended benchmark. The multi-sector approach enables fund management to position assets across a risk and return spectrum based upon valuation metrics, fundamental credit conditions, and macroeconomic assessment.

As of the end of the second quarter of 2023, the fund continued to take a more balanced approach to exposure across the sectors while maintaining an overweight to the domestic non-investment-grade sector relative to the blended benchmark. Loan market spreads ended the quarter at 5.81%. Market risk spreads tightened during the quarter, but levels remained wide of historical averages. While we believe that leveraged finance markets will experience bouts of volatility moving forward, the relatively high absolute spread and yield levels offered by the leveraged loan market provide some mitigating cushion. Close evaluation of the macroeconomic environment and the impact on fundamental credit factors will continue to be key determinants of sector allocation in the portfolio.

See disclosure section for important disclosures and definitions.

Historical credit quality (%)²



* As of 6/30/23

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Risk statistics

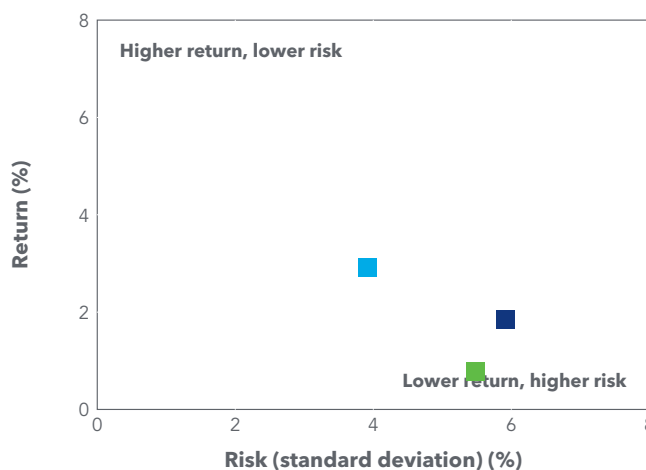
	3-year	5-year	7-year	10-year
Standard deviation	3.45	5.91	5.03	4.34
Correlation	0.97	0.99	0.99	0.99
R²	94.92	98.31	98.11	97.36
Sharpe ratio	0.42	0.03	0.23	0.37

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. 55% Credit Suisse Leveraged Loan Index/30% ICE BofA 1-Year U.S. Treasury Note Index/15% ICE BofA U.S. Dollar 1-Month Deposit Offered Rate Constant Maturity Index

See disclosure section for important definitions.

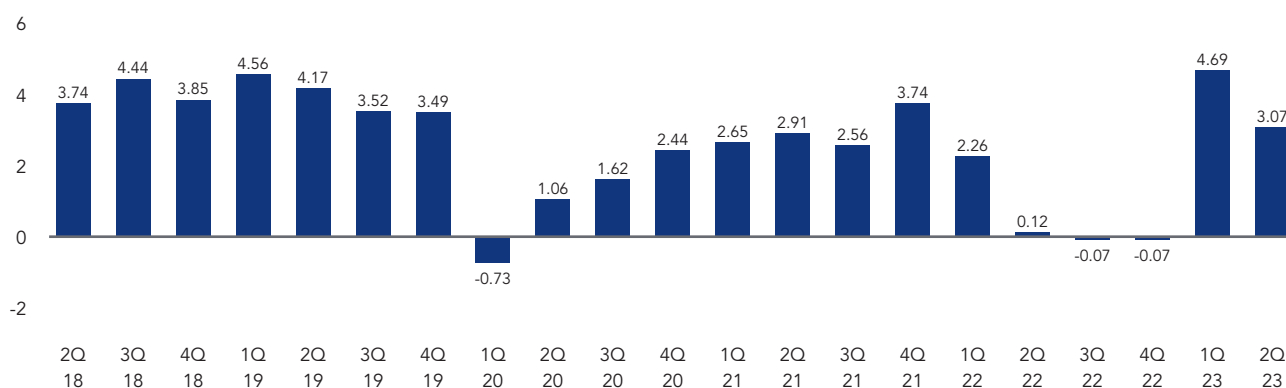
5-year risk/return



	Risk (%)	Return (%)
Federated Hermes Floating Rate Strategic Income Fund (IS)	5.91	1.84
55% Credit Suisse Leveraged Loan Index/30% ICE BofA 1-Year U.S. Treasury Note Index/15% ICE BofA U.S. Dollar 1-Month Deposit Offered Rate Constant Maturity Index	3.91	2.91
Bloomberg US Aggregate Bond Index	5.48	0.77

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3-year rolling returns - IS (%)



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Category rankings

Morningstar Bank Loan Category		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	95	92	87	-
	Morningstar Category Rank	229 of 243 funds	217 of 230 funds	195 of 221 funds	-
IS Shares	Morningstar Category % Rank	96	91	87	69
	Morningstar Category Rank	230 of 243 funds	216 of 230 funds	194 of 221 funds	112 of 160 funds
A Shares	Morningstar Category % Rank	97	96	92	85
	Morningstar Category Rank	233 of 243 funds	224 of 230 funds	207 of 221 funds	134 of 160 funds

Lipper Loan Participation Funds		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	93	95	89	-
	Lipper Classification Rank	225 of 241 funds	215 of 226 funds	193 of 217 funds	-
IS Shares	Lipper Classification % Rank	94	95	88	72
	Lipper Classification Rank	226 of 241 funds	214 of 226 funds	191 of 217 funds	112 of 156 funds
A Shares	Lipper Classification % Rank	96	98	94	84
	Lipper Classification Rank	231 of 241 funds	221 of 226 funds	204 of 217 funds	131 of 156 funds

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

¹The breakdown does not give effect to the impact of derivative investments by the fund, including futures.

²The ratings agencies that provided the ratings are Standard & Poor's, Moody's and Fitch. When ratings vary, the highest rating is used. 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 BB and below are lower-rated securities ("junk bonds"); and credit ratings of CCC or below have high default risk. The credit quality breakdown does not give effect to the impact of any credit derivative investments made by the fund.

³Cash was positive; however, unsettled purchases of loans which will occur over a period of time exceed cash equivalents.

30-day yield (also known as "SEC yield") for A Shares 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 7.89% at maximum offering price for A Shares, 8.28% for R6 Shares, and 8.19% for Institutional Shares.

The fund's R6 Shares commenced operations on December 27, 2016. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for Institutional Shares. The performance of the Institutional 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 Institutional Shares. The performance of the Institutional Shares has been adjusted to remove any voluntary waiver of the fund's expenses related to the Institutional Shares that may have occurred during the period prior to the commencement of operations of the R6 Shares.

Federated Hermes Floating Rate Strategic Income Fund

A word about risk

Mutual funds are subject to risks and fluctuate in value.

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

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.

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.

Variable and floating-rate loans securities generally are less sensitive to interest rate changes, but may decline in value if their interest rates do not rise as much or as quickly as interest rates in general. Conversely, variable and floating-rate loans and securities generally will not increase in value as much as fixed-rate debt instruments if interest rates decline.

In addition to the risks associated with debt instruments, such as credit, market, interest rate, liquidity and derivatives risks, bank loans are also subject to the risk that the value of the collateral securing a loan may decline, be insufficient to meet the obligations of the borrower, or be difficult to liquidate.

Definitions

Correlation is the degree to which one variable (here, the fund's returns) fluctuates relative to another (the returns of the fund's benchmark).

Correlation ranges from 1.00, when two variables move identically in the same direction, to -1.00, when two variables move identically in the opposite direction.

R-squared indicates what percentage of a portfolio's movement in performance is explained by movement in performance of the market. R-squared ranges from 0 to 100, and a score of 100 suggests that all movements of a portfolio's performance are completely explained by movements in the market as measured by the fund's benchmark.

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.

Weighted average bond price is the weighted average of all individual bond prices 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.

Bloomberg US Aggregate Bond Index is an unmanaged index composed of securities from the Bloomberg Government/Corporate Bond Index, the 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.

Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. Average values are computed over the Index for coupon, current yield, initial spread and price. The average coupon, current yield and initial spread are weighted by market value (amount outstanding multiplied by the price) at the end of the measurement period for each loan currently paying interest in the Index. Total return is computed for each loan, which is the percent change in the value of each loan during the measurement period. Total return is the sum of three components: principal, interest and reinvestment return.

ICE BofA 1-Year U.S. Treasury Note Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding two-year Treasury note that matures closest to, but not beyond, one year from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date.

ICE BofA U.S. Dollar 1-Month Deposit Offered Rate Constant Maturity Index is an independent calculation of the 1-month Secured Overnight Financing Rate (SOFR). SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. Prior to October 1, 2022, the index was based on the 1-month London Interbank Offered Rate (LIBOR). LIBOR was a widely used benchmark for short-term interest rates, providing an indication of the average rates at which LIBOR panel banks could obtain wholesale, unsecured funding for set periods in particular currencies.

Indexes are unmanaged and cannot be invested in directly.

Ratings and rating agencies

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