

Federated Hermes Institutional High Yield Bond Fund

12/31/24

Fund facts

Performance inception date

11/1/02

Benchmark

Bloomberg US Corporate High Yield
2% Issuer Capped Index

Morningstar category

High Yield Bond

Lipper classification

High Yield Funds Average

Fund assets

\$7.6 billion

Ticker symbols

R6 Shares - FIHLX

Institutional Shares - FIHBX

A Shares - FIHAX

Key investment team

Mark Durbiano, CFA

Kathryn Glass, CFA

Thomas Scherr, CFA

Randal Stuckwisch, CFA

Yields (%)

30-day yield (R6) 6.41

30-day yield (IS) 6.40

30-day yield (A) 5.86

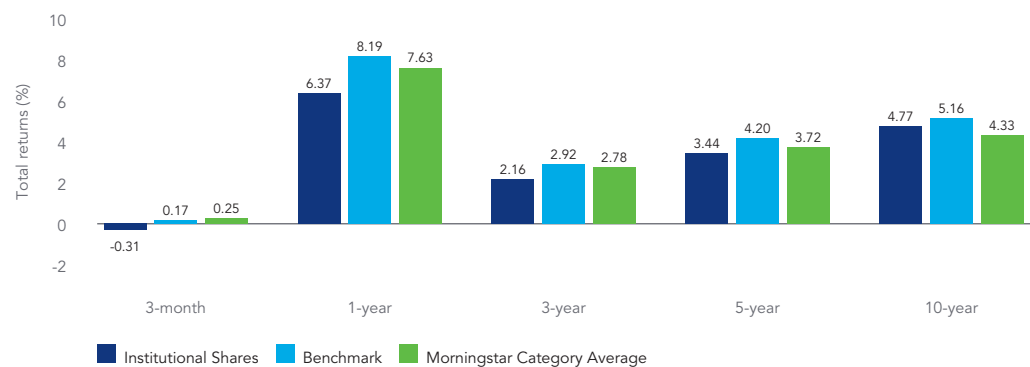
Fund description

The fund pursues a high level of current income by investing primarily in non-investment-grade corporate fixed-income securities issued by US or foreign businesses. Such securities tend to perform at their best during economic recoveries and expansions, and can offer portfolio diversification as their performance historically is uncorrelated to other types of 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
R6 Shares	-0.20	6.50	6.50	2.17	3.45	4.78	7.16	0.51	0.49
Institutional Shares	-0.31	6.37	6.37	2.16	3.44	4.77	7.41	0.54	0.50
A Shares NAV	-0.26	6.11	6.11	2.04	3.36	4.74	7.39	0.81	0.75
A Shares MOP	-4.80	1.30	1.30	0.48	2.41	4.25	7.17	0.81	0.75
Benchmark	0.17	8.19	8.19	2.92	4.20	5.16	-	-	-



Calendar year total returns (%)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Institutional Shares	6.37	13.12	-11.39	4.79	5.98	14.97	-2.84	7.16	15.09	-2.29
Benchmark	8.19	13.44	-11.18	5.26	7.05	14.32	-2.08	7.50	17.13	-4.43
Morningstar Category Average	7.63	12.08	-10.09	4.77	4.91	12.62	-2.59	6.47	13.30	-4.01

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 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 1/1/26 or the date of the fund's next effective prospectus.



Not FDIC Insured • May Lose Value • No Bank Guarantee

Investment approach

Consistency of people

- Analysts are industry specialists responsible for researching the complex capital structures of high-yield companies and providing security recommendations to the portfolio managers
- The high-yield team is comprised of 16 investment professionals with an average of 20 years of investment experience, with many members earning the majority of their experience on the Federated high-yield team

Consistency of process

- A bottom-up process, focusing on strong operating companies that generate free cash flow in stable and predictable businesses
- We hold a fundamentally different view of quality compared to the rating agencies. Our process includes: focus on franchise value, industry profile, competitive profile, strength of management, forward-looking view of company financials and a belief that the market is more efficient at pricing high-yield credit risk than the agencies

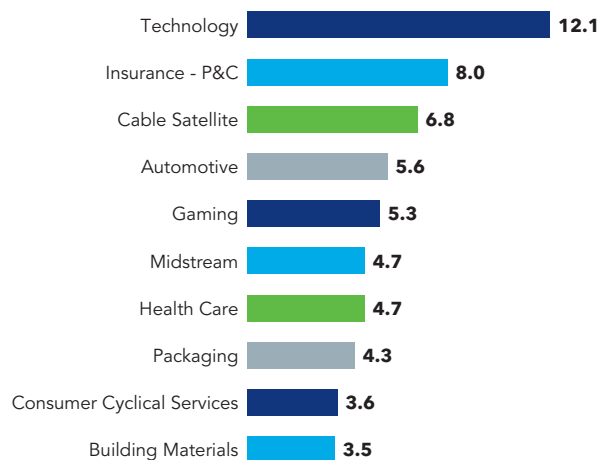
Portfolio statistics

Weighted average effective maturity	3.7 yrs.
Weighted average duration to worst	3.1 yrs.
Weighted average coupon	6.05%
Weighted average bond price	\$96.41
Weighted average yield to worst	7.00%

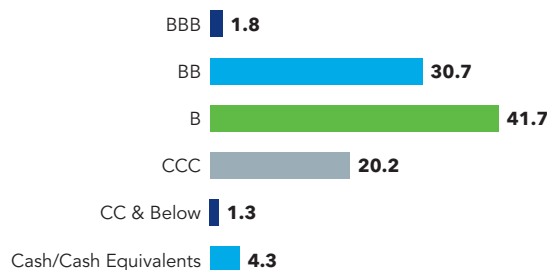
Top holdings (%)

Ford Motor Co.	2.2
Charter Communications, Inc.	2.0
TransDigm, Inc.	1.6
Hub International Ltd.	1.5
1011778 BC Unltd. Liability Co./New Red Finance, Inc.	1.2
Clarios Global LP / Clarios US Finance Co	1.1
Cloud Software Group, Inc.	1.1
Medline Borrower LP	1.1
CSC Holdings LLC	1.0
Tenet Healthcare Corp.	1.0
Total % of portfolio	13.8

Top 10 sector weightings (%)



Quality breakdown¹ (%)



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

Portfolio composition is based on net assets at the close of business on 12/31/24 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.

Market overview

For the three months ended December 31, 2024, the high yield market outperformed the investment grade bond market. For example, the Bloomberg US Corporate High Yield 2% Issuer Capped Bond Index (BC2%HYBI) returned 0.17% versus a negative -3.06% return for the Bloomberg Aggregate Bond Index (Aggregate), a measure of high-quality bond performance.

The high yield market's strong relative performance during the quarter was driven by strong demand for the asset class amid limited new issue supply as investors continued to favor the attractive high absolute yield provided by the market and the short duration of the market in an environment of relatively strong economic conditions. While offering some month-to-month volatility, job growth continued, and weekly unemployment claims remained at extremely low levels. The elections in the US came and went without issue. The modest absolute returns were negatively impacted by the general rise in interest rates as investors began to contemplate a less accommodative Federal Reserve in light of stronger economic growth and somewhat sticky inflation. Credit spreads continued to move lower as investors embraced acceptable financial performance from high yield issuers and expectations for continued low default risk. For example, the credit spread between the Credit Suisse High Yield Bond Index and Treasury securities with similar maturities began the period at 332 basis points (bps) and ended the period at 307 bps.

Within the high yield market, the strongest performing major industry sectors relative to the BC2%HYBI were: Wireline Telecommunications, Media & Entertainment, Airlines, Pharmaceuticals and Wireless Telecommunications. The worst performing major industry sectors relative to the BC2%HYBI were: Health Care, Packaging, Electric Utilities, Restaurants and Home Construction. From a credit quality perspective, investors were in a risk-taking mode as the lower quality CCC-rated sector led the way with a return of 2.26% followed by the B-rated and BB-rated sectors which returned 0.31% and -0.49% respectively.

Performance

The fund underperformed the BC2%HYBI. The fund's holdings in the Packaging and Cable & Satellite industry sectors underperformed the benchmark's holdings in these sectors. The fund's underweight to the strong performing Wireline Telecommunication sector also negatively impacted returns. The fund did benefit from strong security selection in the Insurance – Property and Casualty industry sector. Specific high yield issuers held by the portfolio that negatively impacted performance relative to the BC2%HYBI included: Ardagh Packaging, Dornoch Debt Merger Sub, Community Health Systems, Affinity Gaming and Rocket Mortgage. Specific high yield issuers held by the portfolio that positively impacted performance relative to the BC2%HYBI included: CMG Media Corp, Herens Holdco, Assured Partners, Broadstreet Partners and GOTO Group. The fund's total return for the period also reflects actual cash flows, transaction costs and other expenses which were not reflected in the total return of the BC2%HYBI.

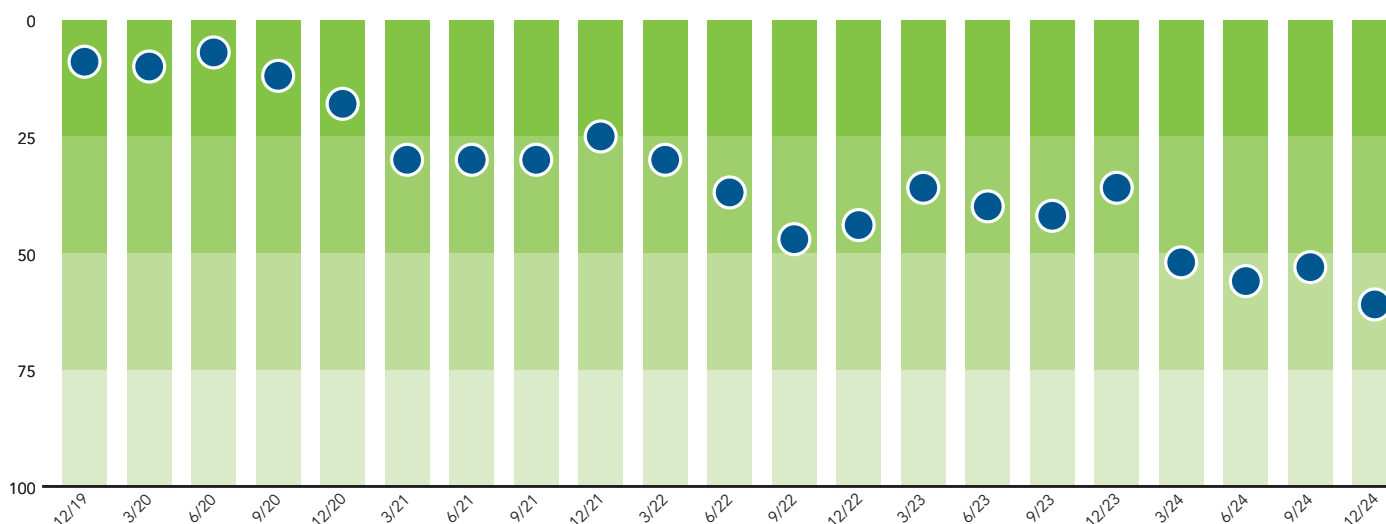
Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. 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, contact us or visit [FederatedHermes.com/us](https://www.federatedhermes.com/us).

How we are positioned

The high yield market has continued to deliver very strong relative returns compared to other fixed income classes. This has been driven by solid performance from the US economy and investor demand for yield. However, this strong performance has also pushed credit spreads to extremely tight levels. While some of the tightness in credit spreads relative to history can be explained by the high yield market's short duration and higher quality relative to historical measures, it does not change the fact that the market is pricing in the best of all possible outcomes. It certainly does not price in potential negative surprises.

See disclosure section for important disclosures and definitions.

5-year rolling Morningstar ranking (%)



5-year rolling Morningstar High Yield Bond Category. Ranking over other time periods will vary.

Percent rankings are for Institutional Shares.

Past performance is no guarantee of future results. Rankings are based on total return.

Risk statistics

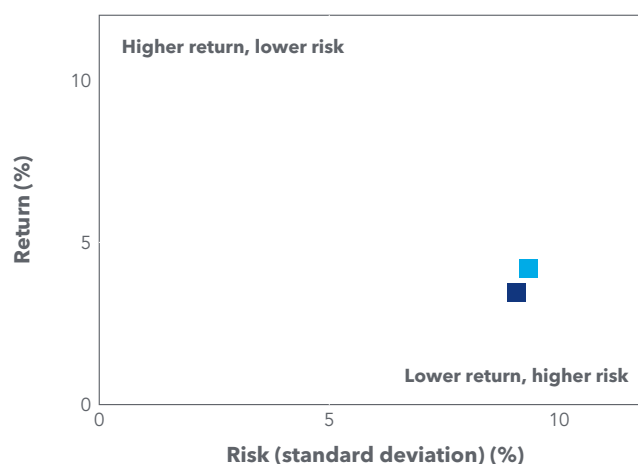
	3-year	5-year	7-year	10-year
Standard deviation	8.52	9.07	8.13	7.32
Alpha	3.71	3.55	2.91	3.38
Beta	0.85	0.86	0.77	0.74
Up capture ratio	98.60	113.33	98.65	107.19
Down capture ratio	62.96	71.39	55.98	50.88
Sharpe ratio	-0.24	0.09	0.19	0.39

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg US Corporate High Yield 2% Issuer Capped Index

See disclosure section for important definitions.

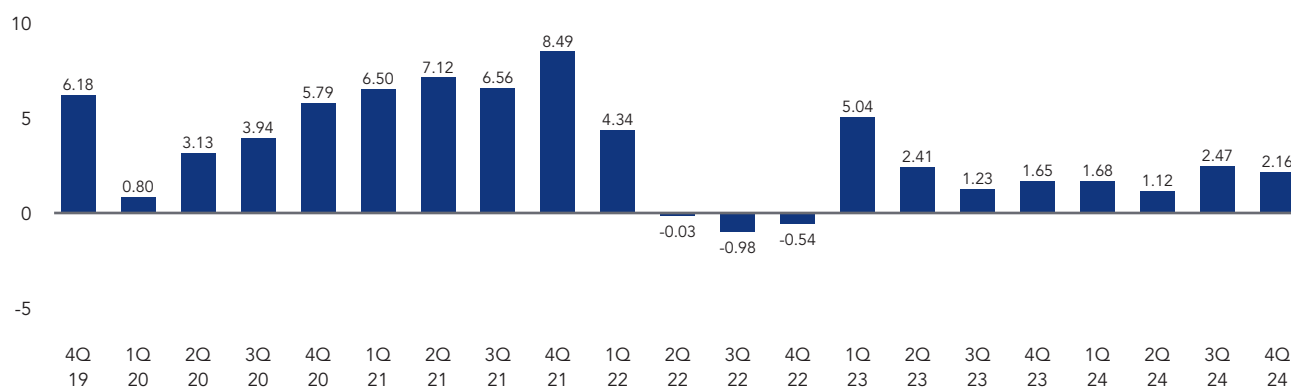
5-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes Institutional High Yield Bond Fund (IS)	9.07	3.44
■ Bloomberg US Corporate High Yield 2% Issuer Capped Index	9.33	4.20

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3-year rolling returns - IS (%)



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Category rankings

Morningstar High Yield Bond Category		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	81	70	61	-
	Morningstar Category Rank	508 of 626 funds	388 of 580 funds	290 of 539 funds	-
IS Shares	Morningstar Category % Rank	82	71	61	25
	Morningstar Category Rank	517 of 626 funds	391 of 580 funds	294 of 539 funds	90 of 421 funds
A Shares	Morningstar Category % Rank	87	-	-	-
	Morningstar Category Rank	553 of 626 funds	-	-	-

Lipper High Yield Funds Average		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	81	60	52	-
	Lipper Classification Rank	400 of 497 funds	271 of 451 funds	218 of 423 funds	-
IS Shares	Lipper Classification % Rank	83	61	52	24
	Lipper Classification Rank	411 of 497 funds	275 of 451 funds	220 of 423 funds	75 of 318 funds
A Shares	Lipper Classification % Rank	89	-	-	-
	Lipper Classification Rank	442 of 497 funds	-	-	-

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

Federated Hermes Institutional High Yield Bond Fund

The fund's A Shares commenced operations on February 14, 2023. For the periods prior to commencement of operations of the fund's A Shares, the performance information shown is for the fund's Institutional Shares. The performance of the Institutional Shares has not been adjusted to reflect the expenses applicable to the A Shares. The performance has been adjusted to reflect the differences in sale charges and deferred sales charges applicable to the A Shares. The expense ratios of the A Shares will be higher than the expense ratio of the Institutional Shares; accordingly, for the periods prior to the commencement of operations, the performance of the A Shares would have been lower than the performance of the Institutional Shares.

¹The ratings agencies that provided the ratings are S&P Global Ratings, Moody's and Fitch. When ratings vary, the lowest 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.

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 5.80% at maximum offering price for A Shares, 6.38% for R6 Shares, and 6.35% for Institutional Shares.

The fund's R6 Shares commenced operations on June 30, 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 Shares 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 fund expenses related to the Institutional Shares that may have occurred during the period prior to the commencement of operations of the R6 Shares.

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.

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 duration to worst is the approximate percentage change in a bond's price given a 1% change in its yield-to-maturity or its yield-to-call, whichever is lower. Duration-to-Worst is the same as Macaulay's duration except the pre-determined set of principal and interest cash flows are based on either the final maturity date, or a call date within the bond's call schedule, whichever would result in the lowest yield to the investor – i.e., the Yield-to-Worst.

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

Weighted average yield to worst is an average of the lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer.

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.

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.

Indexes are unmanaged and cannot be invested in directly.

Ratings and rating agencies

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